

ARAG HOLDING SE

2017 Sustainability Report



Dive into life.



Foreword

Hardly another term has become as fashionable in recent years as the word “sustainability.” And hardly another concept has evolved to a comparable extent. But what does “sustainability” really mean?

Expressed in simple, general terms, sustainability may be defined as the principle of consuming only as much as can be regenerated. In short, the point is that we no longer wish to live at the expense of people in other regions of the world or of our own children and grandchildren.

True entrepreneurial responsibility is based on sustainable, long-term action. Only very few organizations enjoy the great privilege of being able to live up to this standard as credible, independent family-owned enterprises.

The original idea on which my grandfather, Heinrich Faßbender, founded ARAG is as valid as ever today. We aim to make equal opportunity under the law accessible to all citizens. That idea is as current as ever in times like these, and it has assumed even greater urgency in light of the ways in which digitization is impacting on our personal rights. In that context we can and must recognize our responsibility and make a contribution to equal opportunity for all.

One very important aspect is that of sustainable corporate management throughout the ARAG Group. We are able to secure our independence because we are reliable and capable of managing soundly. That is always easy to say, of course. But high standards of transparency and the rapidly progressing digital transformation process make it possible for every customer to review and question

promises made by service providers at any time – and demand that they be kept. It is here that we must deliver on our promises, and ARAG truly has a lot to offer; for people are the focus of everything we do. That applies to our customers, of course, but to our employees as well, for whom their understanding of equal opportunity serves as motivation for above-average performance.

For ARAG, sustainability is not a matter of choice between “duty and voluntary exercise.” Sustainability is not an option for the ARAG Group; it’s a necessity. I am firmly convinced that a sustainable corporate culture will enable us to secure our independence in the long run while enhancing our competitive strength.

All short- and long-term economic, environmental and social objectives are subordinate to a single long-term goal: namely that of strengthening our independence permanently and thus sustainably.

We have a considerable degree of entrepreneurial freedom because we can make decisions without having to consider short-term shareholder interests. We can remain true to our business strategy and, by doing so, offer our customers stability, reliability and continuity. In other words, we can do our “thing” and act sustainably in the interest of our customers in the process.

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

Dr. Dr. h.c. Paul-Otto Faßbender

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Our title photo shows Bianca Bicher and her daughter Charlotte. The mother of two is employed part-time in Claims Service AA/Property Damages Team. Bianca Bicher spends her mornings working on insurance matters – but her afternoons belong entirely to her children.



Equal Opportunity

Demands Solidarity and Courage

Jobs, leisure time, security, equal opportunity – all of these things are important to people in Germany. If we are to preserve these values for the future, we will need to make changes in all areas of society.

An essay by **Prof. Dr. h.c. Jutta Allmendinger, Ph.D.**

President of the Wissenschaftszentrum Berlin für Sozialforschung (Berlin Social Science Center, WZB)

In Bundestag speeches, in political commentaries, in social media and in numerous blogs, we are confronted with appeals to awaken at last from our Federal German lethargy – to take hold of the future and shape it with vigor and determination and to open our hearts and minds to new possibilities. We are reminded of technological changes, of course, and of rapid upheavals affecting the organization of labor, its purpose and the role of human beings in the work process itself. We hear emphatic appeals for a better education system that offers more equal opportunities for people from families without academic backgrounds, people from other cultures and people with physical or mental handicaps. Inclusion and the elimination of educational poverty are familiar catchphrases here in Germany. There is talk of restructuring the health insurance system. The dual system has proven incapable of meeting the challenges of the future. It is much too inefficient and transposes differences in social standing into the realm of health care. Nor does the social security system still deliver what it once promised. “Pensions are secure and guarantee a good life in old age, provided one has worked for a sufficient number of years.” And what about the distribution of income and

wealth in general? Why do we put up with exorbitant bonuses that undermine people’s concepts of equality and justice in Germany? Why do we allow a few individuals to accumulate great wealth while many others can’t even live on their wages? Do these issues lie beyond the pale of political influence or the ability of political figures to effect change? Climate change and the European question are certainly worthy of consideration as well, but I shall mention only one last example: the fate of refugees and migrants. We have no immigration laws. We witness the clash of firmly held positions, yet honest discourse is sorely lacking.

These semantics of long-overdue changes, of a head-in-the-sand policy and the sheer inability to play an active role in shaping our lives collide with viewpoints that articulate the exact opposite. We hear calls for a return to the supposedly better bygone world of so-called normal working conditions and a stricter distribution of roles between men and women. A homeland ministry is established; migrants are to be regarded once again as temporary guests in a strong national state with proper borders and its own currency.

In light of these disjointed discourses, the Wissenschaftszentrum Berlin für Sozialforschung surveyed more than 3,100 people in cooperation with the weekly newspaper *DIE ZEIT* and the infas-Institut für angewandte Sozialforschung. The respondents were men and women between the ages of 14 and 80 who live in cities or rural areas in all regions of Germany. Some had migration backgrounds; others did not. We visited them and talked with them at length – about their lives, about what is important to them and about what they would hope to pass on to future generations. We talked with them about what they would toss away and leave behind if they were able to choose a new way of life. We called that their leg-

their own life models as they are? Is there a general consensus of opinion, or do people’s views differ widely? Do gender, education, age and the experience of migration make a difference?

In what areas does the reverse apply? When is the opposite demanded, and by whom? What is now should not be what is to come. Some people want change and the courage to realize it.

Let us begin with the areas in which people want continuity. Gainful employment plays a particularly important role in this context. It is essential, as people clearly agree.

“Gainful employment means more to people than just financial security. It enriches their lives.”

acy, but one might also speak of a mandate which they impose on us and perhaps on themselves as well.

Both questions – “What is life like today?” and “How should it be?” – are fascinating per se. But what interests me most and relates as well to the aspect of sustainability are the comparisons between the answers to these two questions.

In what areas of life do people recommend, wish for and demand that things remain as they are? At what points do they want to persuade the coming generations to embrace

And everyone wants that to remain as it is – young people who are not yet gainfully employed as well as older, retired people, well-educated and poorly educated people and people both with and without migration backgrounds.

People work in order to earn a living. Yet gainful employment means more to them than just financial security. It offers opportunities for communication, new experiences, places outside the family, a life of one’s own, as Elisabeth Beck-Gernsheim has expressed it so aptly: self-esteem, a life-enriching feeling that cannot be measured in money.







I base this on people's answers to the following question: "Would you take a job if you didn't need the money?" Over 60 percent answered "yes" without hesitation. The exceptions were workers in unsatisfactory job situations – people who work one temporary job after another, people forced to work shifts, for low wages or on call, people who are overworked due to a shortage of personnel.

Still, I find this strong desire for gainful employment very interesting, and it makes me think. For it relates to parallel discussions regarding an unconditional basic income, a concept that is gaining considerable acceptance in our society. Whenever I sit on panels and talk with participants who advocate an unconditional basic income, I find myself alone with my opinion. No one is persuaded by my references to the results of scholarly research and the likelihood that social inequality of income would increase, as many well-to-do people would receive even more money they don't need at all, or my arguments to the effect that many employers would simply duck their responsibility to preserve jobs and "buy their way out." How can it be that a representative survey shows that gainful employment is extraordinarily important to everyone, while everyone applauds the concept of an unconditional basic income?

Further studies and conversations with many people have shown that an unconditional basic income is often welcomed and demanded because it essentially has nothing to do with paid labor. It's about security and paid leisure time. This idea of "unconditional free time" is becoming increasingly important. People want to be able to take a sabbatical and use it as a reorientation phase. They want to reduce their weekly hours temporarily and then return safely to their original schedules. This interpretation also relates to the recent collective bargaining agreement achieved by IG Metall, which emphasizes a women's issue for the first time with the provision that calls for partial wage compensation for nursing and child-care. Fundamental issues, such as the distribution of paid and unpaid time between women and men, were also discussed. I was truly surprised to see that IG Metall, with its high percentage of male members, is now setting important precedents in this area.

We need to find new ways of thinking about money and time and about work and security. We need to encourage people to explore alternative approaches to sequencing the various phases of our lives, providing for breaks in the middle years and work in the later years. And to that end we should also conduct systematic studies on the question of how people would actually use an unconditional basic income. Such research and the insights gained from it could help bring light into a discussion that has gone off track and lead to meaningful social adjustments. It could also be used in support of new appeals for a basic solidarity income and the idea of an "opportunity account" for children proposed by Tony Atkinson. Increased life expectancy and lasting good health enable us to realize such models, and these models can also be valued actuarially for the purpose of insuring risks.

Let us address the areas in which people in Germany wish to see change, areas in which they can better themselves. The ghost of technological progress is particularly active there. People feel insufficiently prepared and want to be more suitably equipped to meet the demands of the digital age.

When asked how important it is for them to comprehend the most recent technical developments, most people are rather self-critical. They know they should show more interest, and recommend that the coming generations do so as well. Age-related effects are more evident here than in most other areas. Older people above all tend to emphasize the importance of coming to grips with the underlying aspects of technological change as soon in life as possible. Younger adults who have grown up with the Internet and digital media are more cautious and less likely to introduce children to the new technologies at such an early age. Yet everyone agrees that more needs to be done in order to enable people to take advantage of the opportunities offered by digitization as emancipated individuals. We need to develop curricula that teach the digital competence people need to participate in our present and future society.

“We need neighborhoods in which young and old, rich and poor and people both with and without migration backgrounds can live and interact.”

People are basically receptive to new developments, as their responses clearly indicate. But we have to offer them interesting options, give them the courage to master new subject matter and reason to believe that their new knowledge will move them ahead and give them a chance.

We must take preventive action before the worst-case scenario occurs – and by that I mean unemployment. We could train people who work in jobs that are more profoundly affected by digitization early on through special training courses in occupations that have a future. The costs should be borne collectively by the business community and the state education system. A wide range of analytical methods show us where and how occupational contents are changing. Why aren't we adapting dual college education programs accordingly? Why aren't we building bridges that offer safe passage for people pursuing the difficult transition between jobs (for which – at least in Germany – our culture offers no adequate preparation)?

A third question was posed in the Legacy Study, namely “How will the future actually look?” The answers shed light on how the attitudes and wishes of the “others,” of government, business and civil society – of those who will be designing that future, after all – are viewed. They indicate a strong sense of insecurity, indeed of anxiety. The future is going to be different than people wish it to be, because different priorities will be set or perhaps because nothing will be done at all. And that prompts me to repeat

my appeal. Everyone, namely government, the business community and civil society, must pull together and have the courage to pursue new paths resolutely and with constant attention to current developments at all times. We need schools that are attended by all students, not insular institutions reserved for different groups. We need neighborhoods in which young and old, rich and poor and people both with and without migration backgrounds can live and interact. We need a mandatory social-service year. We need time to come together, meet other people and get to know them. Only in that way can we experience a sense of community and solidarity. Business enterprises can also do a great deal to promote the establishment of such settings for encounter that are free of all hierarchical and other boundaries. That, too, is sustainable action in the interest of the entire workforce as the basis for a society that also defines itself as a community.

Security for a Good Life – Now and in the Future



“It’s not just about equal opportunity; it’s also about safeguarding individual life models – no matter how different they may be.”

Dr. Dr. h.c. Paul-Otto Faßbender

In the spirit of that statement, Prof. Dr. h.c. Jutta Allmendinger, who discusses the concept of equality of opportunity in depth in the preceding essay, and Dr. Dr. h.c. Paul-Otto Faßbender talk in the following interview about equal opportunity, new life models and the role of the insurance industry. Anita und Katharina Rudi, two trainees representing the youngest ARAG generation, also took part in the discussion.

The basic preconditions for individual life models play a central role in your research, Prof. Allmendinger, and in the ARAG business model, Dr. Faßbender. Where do you see significant societal trends that impact on new life models and the ways in which they are realized?

Faßbender: To keep it short and to the point – we observe increasing individualization accompanied by progressive digitization in many areas of life. These two trends have unleashed a massive wave of social change that has already gained considerable momentum. Some of the occupations and working methods we take for granted today may not even exist several years from now. We are constantly confronted with new forms of communication and new realities in our everyday private lives as well. This process generates tremendous change processes to which we are compelled to respond as a business enterprise. That applies to our own workforce and to an even greater extent to our customers as well. We are confronted day in and day out by major personal and professional challenges posed by the increasing speed and complexity of life, and we will have to find ways to cope with them.

Allmendinger: It is true that digitization is causing rapid changes in certain jobs and occupations. The training and education we receive in our early years is unlikely to suffice for an entire lifetime, especially given our constantly increasing life expectancy. We need opportunities for continuing education, for a second or even third round of vocational training, and we must keep our eyes open to the new possibilities offered by technology. That makes most people anxious. The prospect of lifelong learning is frightening. We are not accustomed to it, and the hurdles seem huge. Many people sense the need to do something to change their lives, but

they have no idea to whom they can turn.

The second social trend I wish to mention is the changing status of women in the workforce. According to the new alimony law, they must be able to support themselves financially no later than three years after a divorce.

While that may not sound so revolutionary at first, it actually is. It hasn't been that long since the time when only husbands were gainfully employed. Wives worked hard and long, but only in the background at home, and for no pay. Today, women usually have to do both – earn a living and take care of their families. That stands in clear contradiction to prevailing standards of equality and justice. Both men and women should be able to share their paid and unpaid labor fairly and equitably. But that is possible only if men make major changes in their lives and accept the obligation to make a greater contribution to the day-to-day welfare of their families.

How do these trends impact specifically on the opportunities available to men and women and on the risks with which they are confronted?

Allmendinger: The opportunities and risks are obvious. The rule today is that men work full-time and women spend much less time working at part-time jobs. If we fail to revise that model to the extent that men and women are engaged in gainful employment for similar amounts of time in a day or week, the gender gap will continue to exist, regardless of people's education levels. But if we were to divide gainful employment equally between the genders and arrive, for instance, at a 32-hour week for everyone, many people would benefit. Children would have more from their fathers and vice-versa. Women could develop their skills much more fully through their work and finally achieve what they have hoped to attain for so



long. And businesses would benefit as well. After all, we know that productivity increases when employees are satisfied and allowed to work fewer hours.

Faßbender: As always, there are two sides to these trends as well. The positive side is the benefit they offer, but they also pose risks. As an insurer, we are naturally concerned primarily with the task of identifying risks and then determining how to respond to them in the interest of our customers. The fear associated with the potential loss of control and transparency definitely plays a central role in our attitude towards digitization. The model of the traditional insurance policy is tested to its limits in this context. While it will surely never become obsolete, we know that we will have to look beyond the scope of customary insurance benefits if we are to succeed in the interest of our customers in the future.

On the other hand, opportunities lie in much greater flexibility when it comes to the design and organization of new products and services, and that naturally goes hand in hand with progress in the development of our current workplace environments. Increased efficiency enables companies to grow more productive

and prosper. To achieve that, however, we need to ensure complete equality of opportunity, especially in the field of education. Only those who are well trained and educated will be able to meet these challenges with confidence. I'm not talking here about promoting the development of elites, but of offering a good, broad-based education program that begins at an early age. My own children are still being educated in much the same way as I remember it from my own days in school and at college. In fact, some of the subject matter is exactly the same. That's ridiculous.

Allmendinger: You bring up an important issue. In order to offer more people a second and third chance for a good education and good jobs, we need to begin by developing a sound and well-organized training and education system. But if we ignore that need and do nothing, people with low- and mid-level training and educational qualifications, in particular, will be left with no prospects at all – not just temporarily, but permanently, and with disastrous consequences for their old-age security.

Differences in life models shouldn't be equated with inequality with respect to opportunities and rights. When you think about the trends you cited before, where do you see the risk of violations of the principle of equal opportunity? And how can it be counteracted?

Faßbender: In spite of the many opportunities offered by digitization, the fact is that not everyone has equal access to the requisite technical and methodological resources and thus to education. That has nothing to do with "educationally deprived social strata." Compared to other countries, the education system in our supposedly high-tech nation of Germany is on its last legs.

Allmendinger: Equal opportunity has long since ceased to exist when it comes to having access to good jobs. Children of well-educated parents have better prospects for a good education and later for good jobs than children of parents with lesser educational qualifications. More than ever before, digitization requires adaptability, self-confidence and high self-esteem. People's openness to future options depends in large measure on how well educated they are, and I can only hope that the political community finally takes a firm stand against educational poverty and opens the way to equal opportunity in our society.

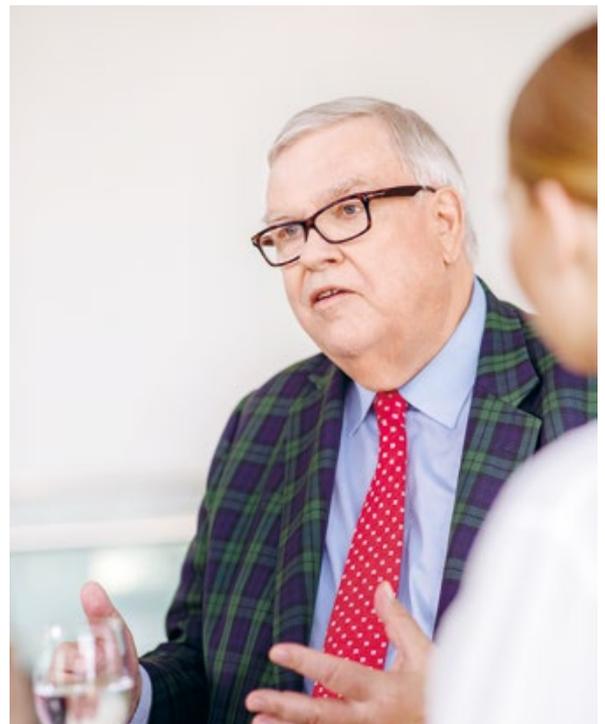
are as important in today's digitized world as reading, writing and arithmetic were during my own schooldays.

Allmendinger: Similar issues associated with equal opportunity relate to gender differences. If we continue to pay women less for what is regarded as typical women's work than men are paid for typical male occupations, even though they have similar educational qualifications and bear comparable responsibility, the problem of old-age poverty among women will intensify.

“Compared to other countries, the education system in our supposedly high-tech nation of Germany is on its last legs.”

Dr. Paul-Otto Faßbender
Chairman and CEO of ARAG SE

Faßbender: As a family-owned enterprise, we take control of our actions as best we can. An important matter of relevance to digitization is the question of how the Internet influences the lives of our children and youth. In addition to various studies devoted to the issues of cyberbullying, cyberlife and prevention initiated by ARAG and conducted by prominent scholars, we launched the nationwide “bildung.digital” project in collaboration with the Deutsche Kinder- und Jugendstiftung (German Foundation for Children and Youth) in late fall last year. Forty schools are already participating in this project, which is dedicated to enhancing the independence of children and youth by enabling them to learn the digital skills that



“The era in which men regarded themselves as providers and women saw themselves as people for whom they provided – and in which both were regarded accordingly in society – has long since passed.”

Prof. Dr. h.c. Jutta Allmendinger Ph.D.
President of the Wissenschaftszentrum Berlin
für Sozialforschung (WZB)

What do you think about the roles and responsibilities of individuals, the government and the business community? How can these players cooperate in meaningful ways?

Faßbender: I am firmly convinced that equal opportunity can only be achieved through systematic cooperation among all players involved. In the education sector, we are confronted in Germany with the challenge of federalism, which once promoted innovation but now merely supports the preservation of museum-worthy structures. We are gradually witnessing the emergence of efforts to establish certain uniform national standards designed to ensure, for instance, that not having graduated from high school in Bavaria or Baden-Württemberg

is no longer a disadvantage for anyone.

We also think it is very important to promote the development of vocational training professions and vocational schools in order to prevent the progressive academization of our society. Well-trained and (above all) specialized skilled workers will be urgently needed in the future as well. The business community can contribute in this area by establishing good training opportunities for young people, but also for adults returning to work after periods of parental leave and for the elderly within the framework of retraining or mentoring programs.

Allmendinger: I agree. As I explained in my essay, concerted action is the only alternative. The government must provide for the necessary educational opportunities and make substantial improvements in the education system. Government and business need to recognize the close relationship between dual and college education rather than remaining committed to an either-or system. It is the duty of both to create points of contact for continuing education and vocational retraining. These may include the Federal Labor Agency, job centers, corporate offices or entirely new institutions. Prospective thinking and action are the keywords in this context. It is wrong to simply wait until the worst happens and people are left with no safety net at all. We are doing much too little in this regard, and that is pure negligence. However, people must be willing to dispense with old habits. The era in which men regarded themselves as providers and women saw themselves as people for whom they provided – and in which both were regarded accordingly in society – has long since passed. Men must learn to focus their attention on their families, but women must also allow them to do so. And the reverse applies as well. Why shouldn't women earn more than men and be able to advance more rapidly in their careers?



How can the insurance industry contribute to progress in this area? How can a business enterprise like ARAG exercise responsibility?

Faßbender: The original idea on which my grandfather, Heinrich Faßbender, founded ARAG is as valid as ever today. We aim to make equal opportunity under the law accessible to all citizens. That idea is as current as ever in times like these, and it has assumed even greater urgency in light of the ways in which digitization is impacting on our personal rights. In that context we can and must recognize our responsibility and make a contribution to equal opportunity for all.

Allmendinger: The insurance industry can actually do a great deal. It can begin by offering insurance to cover the costs of education and advanced training – broad-based, affordable, transparent insurance coverage that enables people to obtain further training without having to be gainfully employed at the same time. It can develop and offer sabbatical models that make it possible for people to take a time-out even if they are not working in privileged positions or for employers who offer the option themselves. Why can't we stop working for several months and make up for the time lost later on, by working until we reach the age of 68 or 69, for example? Life histories arranged in orderly sequences comprising the phases of education, gainful employment and retirement in precisely that order need to give way to more flexible models. But people need to have the financial security to allow for such changes. And ARAG can offer that.

Faßbender: I should add that the sense of responsibility demonstrated by organizations like ARAG is also evident in corporate management itself. Generally speaking, we place



strong emphasis on sustainable corporate management in all ARAG departments and business units. We are able to secure our independence because we are reliable and capable of managing soundly. That is always easy to say, of course. But high standards of transparency and the rapidly progressing digital transformation process make it possible for every customer to review and question promises made by service providers at any time – and demand that they be kept. It is here that we must deliver on our promises, and ARAG truly has a lot to offer; for people are the focus of everything we do. That applies to our customers, and our employees alike..

When you think about the employees of a family-owned business like ARAG, what issues do you regard as most important when it comes to individual life models? What can the organization do to promote progress in these areas?

Allmendinger: Jobs that have existed for decades are likely to change in the future, even at ARAG. Some will disappear entirely, and new occupations will emerge. It must be the

primary duty of corporate management to monitor developments on the basis of relevant data, to extrapolate on them, to ask what they mean to the organization and its employees and to initiate appropriate measures in response.

A second field of action involves creating opportunities for women to move up to leadership positions while offering them trust and the requisite conditions. And that applies to fathers as well. Men who take parental leave for extended

embrace. We signed the “Charter of Diversity” just last year, to cite just one example. Promoting and supporting individual life models, helping people achieve a good work-life balance through flexible work schedules, ensuring care for relatives and providing opportunities for further education and training are just a few of the areas with which we are constantly concerned in our efforts to optimize the programs available to our employees.

If you were granted one wish and could use it to change something of relevance to equal opportunity in business and society, what would you wish for above all?

Faßbender: I would wish that people had access to education and training regardless of their origin or gender. That is the basic prerequisite for a self-determined life. Of course I would also wish for ARAG’s continued independence as a family-owned business enterprise as well as more women in executive positions.

Allmendinger: Since all studies have shown that gainful employment is very important to people, I would wish for good jobs for everyone – meaningful jobs with fair pay and security, with a good working culture and male and female supervisors who realize that they would be nothing without their employees – managers who treat their subordinates as equals, behave with respect and are willing to look the other way once in a while when something has gone wrong.

periods of time are not weaklings who lack the motivation to pursue a career. It will be important to do away with a number of stubborn stereotypes in this context, but a good board of management can accomplish that.

Faßbender: We have a clearly defined policy program at ARAG: the ARAG Essentials, which apply without restriction to all employees who belong to the “ARAG family.” Mutual esteem, tolerance and respect, regardless of gender, religious affiliation, marital or parental status and ethnic origin top the list of values we





Our two trainees, Anita und Katharina Rudi, are interested among other things in discovering what the changes discussed above mean for them personally. With that in mind, they posed the following questions to Dr. Dr. h.c. Paul-Otto Faßbender and Prof. Dr. h.c. Jutta Allmendinger:

As new trainees at ARAG, we are eager to know what our employment in this organization will mean for us in the long term. What new working methods might be in store for employees of our generation at ARAG in the future?

Faßbender: Our trainees, most of whom belong to what people refer to as “Generation Y,” can reasonably expect digitized workstations, flexible work schedules, spaces for creative thinking and substantial opportunities for the realization of ideas in a workplace characterized by flat hierarchies. Thanks to our established international structures, we are also able to offer an exciting global field of employment as well as a familial workplace environment characterized by strong team spirit and dedication to performance. Young people can expect to be given responsibility and creative opportunities very early in their careers. Speaking for myself, I am

happy to welcome every young person who is willing to join our team and get to work.

Society has undergone significant changes since our parents were as old as we are today. How can people prepare at the outset of their careers for the fact that everything will be in constant flux in the future?

Allmendinger: You are both young, well-educated women. It is particularly important these days to develop a certain ability to deal with frustration and to look at the process of personal growth and development in reverse order. You should ask a few key questions early on: “Do I want to have a family?” What professional goals do I want to achieve by the age of 40?” “Will I have completed my journey to self-fulfillment by then?” You will have to articulate these personal goals clearly in your own mind in order to achieve them.

The future begins now.

In the eyes of Germany's largest family-owned insurer, sustainability is the key to independence. That was made clear during the first ARAG Sustainability Conference, which provided an overview of the Group's engagement in support of equal opportunity, social responsibility and environmental protection.

"Understood correctly, responsibility for society is reflected in long-term, sustainable action. As an independent, family-owned enterprise, we are privileged to be able to exercise that responsibility in a credible manner," emphasizes Dr. Paul-Otto Faßbender, Chairman and CEO of ARAG SE.

As a family-owned business backed by more than 80 years of history, ARAG is intent upon ensuring that the decisions and practices of today do not have a negative impact on the following generations. "Our business model is designed to serve society," explains Klaus Heiermann, a member of the Board of Management of ARAG Holding SE.

The insurance group has been concerned with sustainability issues since 2009. Recalling the infancy of the sustainability movement at ARAG, Klaus Heiermann says: "In the aftermath of the financial crisis, we wanted to make it clear that it was not the financial stability of our family-owned enterprise alone that sets us apart from our competitors in the market." Today, the insurance group is actively concerned with 16 different thematic fields, and entrepreneurial and social responsibility go hand in hand in all of the corresponding activities. "All short- and medium-term economic, environmental and social objectives are subordinate to the single long-term goal of strengthening our independence sustainably and permanently," says Dr. Faßbender. The broad spectrum of efforts in support of sustainability ranges from customer-oriented insurance products to environmental and resource protection measures to social engagement and equal opportunity in the workplace.

Engagement at schools on behalf of a better society

When it comes to social engagement, ARAG is a welcome and reliable partner in Düsseldorf and its other corporate locations. The "Conflict Management at Schools" training project initiated by ARAG in North Rhine-Westphalia is already in its fifth year. This project is devoted to training school mediators, who then serve at secondary and vocational schools, helping to ensure that conflicts are resolved in an effective, socially acceptable manner. This initiative is conceived as a sustainable program. With funding provided by ARAG, professional mediators and jurists train principals, teachers, school psychologists, social workers and parents as school mediators. Those who complete the training program then pass their knowledge on to students and enable them to qualify as "conflict pilots."



More information on this issue is provided at www.konfliktmanagement-an-schulen.de



More information on this issue is provided at

www.bildung.digital and www.ganztaegig-lernen.de

In late November 2017, ARAG launched a new digital project in cooperation with the Deutsche Kinder- und Jugendstiftung (German Foundation for Children and Youth, DKJS): “bildung.digital – Netzwerk Ganztägig bilden” (digital.education – The All-Day Education Network). The nationwide initiative was initially introduced at 40 schools. Within the framework of this project, networked competence teams formed at schools meet regularly to share their experience and know-how.

The effort is appreciated – by employees and the public alike.

Charitable initiatives of this kind enhance ARAG’s public image and thus represent a definite competitive advantage. Kathrin Köhler, Corporate Social Responsibility (CSR) & Sustainability Expert, is well aware that consumers are very interested in knowing how responsibly a business enterprise conducts itself. “That is why it is so important for us to position ourselves and show our colors.”

CSR also plays a key role within the organization, as it helps ensure that employees can identify with their employer. After all, it is the active contributions of the employees of the family-owned enterprise that make the Group’s engagement on behalf of society possible in the first place. ARAG employees collect donations, serve as volunteers and invest their time, their know-how and their enthusiasm in projects that serve the common good.

A look into the future at the Sustainability Conference

After eight years spent focusing on the issue of sustainability at ARAG, CSR Department Expert Kathrin Köhler concluded that the time had come to take stock. So she organized the Group’s first Sustainability Conference at the ARAG Tower in Düsseldorf in September 2017. The program was also broadcast via livestream at the corporate facility in Munich. Several hundred employees accepted the invitation to “Speak up!” Various corporate departments

Room for creative ideas

ARAG offers room for ideas – in the truest sense of the word. On the basis of a suggestion offered within the context of the Sustainability Conference and the ARAG Future Initiative, a Creative Workshop is being set up at Group headquarters on Redlichstraße in Düsseldorf – a room equipped and furnished in such a way that it promotes the development and exchange of ideas. “The Creative Workshop embodies an original concept for learning and working that is consistently communicated and supported by a trainer or coach,” explains Senior Vice President Central Services André Henrichs. The room is equipped with “analog” tools. Paper, markers and whiteboards impose no limits on creativity.

The Workshop will be made available at first to the Personnel Development Department for seminars and workshops conducted in a new, creative form.

The room also meets all of the prerequisites for application of the “Interaction-Room” method. ARAG IT GmbH has established this conceptual approach to dealing with complex technical and IT projects. Later on, once these creative methods have taken hold within the Group through the work of trainers and certified “Interaction-Room” coaches, other departments will also begin using the Creative Workshop. ARAG is also concerned with the issue of workplace design as it relates to the new requirements posed by digitization and the work habits of “Generation Y.” Central Services is concerned with the following questions, among others: What kind of office environment is needed to meet the future needs of employees engaged in work, concentration, communication, collaboration and relaxation?

presented the fruits of their work in support of sustainability at ARAG, including Central Services. Presenting a number of impressive examples, Senior Vice President André Henrichs showed colleagues how much electricity, water and paper they consumed at work – and generated an ah-ha effect that would lead to a more frugal use of resources.

The focus went beyond the confines of the ARAG Group, however. Monika Focks, Category Leader Corporate Responsibility at Tchibo AG, talked about her employer's one-hundred-percent sustainable business activity. And best-selling author Frank Schätzing ventured a look into the future – a subject with which the writer has been intensely concerned since even before the publication of his science-fiction novel *Limit*.

Environmental protection pays off financially as well.

Every sustainability issue forges a link between the present and the future. Yet we are actually plotting our course today – and thus it came as no surprise that the ARAG employees were most interested in current matters – namely the workplace environment at ARAG and the Group's social engagement.

The subject of the sustainable design of the workplace environment elicited a veritable fountain of ideas from ARAG employees. "The positive response clearly shows that this issue is close to the hearts of many employees," emphasizes Kathrin Köhler. Numerous ideas proposed by employees were incorporated immediately into the planning process for the ARAG sustainability strategy. One example was the suggestion to replace plastic pens with organically produced wooden pencils. The gag and the added value represented by the new writing implements are simple: the pencil cap contains flower seeds, namely sunflower seeds, of course, in keeping with the yellow color of the ARAG logo. So in the event that sunflowers begin to appear around the ARAG Tower in the near future, the Sustainability Conference will be at least indirectly responsible.

Another idea relates to waste avoidance in the catering service. For some time now, ARAG employees in Düsseldorf have been getting their coffee to go at a lower price when they dispense with paper cups and bring their own. Obviously, guests from other locations are unlikely to have their own cups with them. So a cup-deposit system was set up. ARAG employees who switch from cars to bicycles also enjoy a financial benefit. Those who buy a bicycle and ride it to work are entitled not only to a bike parking spot in the Group's underground garage but to an allowance of 250 euros for the purchase as well. This offer is made to the first 100 employees who submit a corresponding receipt.

Sustainability is not a voluntary exercise; it's a necessity.

It is not the major projects that make an organization sustainable, but rather the many small steps taken on the way to sustainability. At the Sustainability Conference, Dr. Paul-Otto Faßbender emphasized that, for ARAG, sustainability is not a matter of choice between "duty and voluntary exercise." "Sustainability is not an option for the ARAG Group; it's a necessity. I am firmly convinced that a sustainable corporate culture will enable us to secure our independence in the long run while enhancing our competitive strength."

Responsibility

“The point is that we do not wish to live our lives at the expense of people in other parts of the world or of our children and grandchildren.”

Dr. Paul-Otto Faßbender
Chairman and CEO of ARAG SE

Sustainable Corporate Management

1.

Preservation and enhancement of our economic productivity. Only a healthy enterprise that attracts new customers and earns stable profits has true utility value.

2.

Exemplary and transparent corporate management based on self-imposed entrepreneurial duty and social responsibility.

3.

Social solidarity achieved through beneficial, meaningful and sustainable products and fairness in all relationships with customers, partners and employers.

4.

A careful approach to the use of natural resources on the basis of environmental awareness is part of our daily work at ARAG.

Diversity



16

thematic fields are encompassed within the Group's engagement on behalf of sustainability.

Education



40

schools are currently participating in the new, nationwide education project initiated by ARAG in cooperation with the Deutsche Kinder- und Jugendstiftung.

Engagement



2009

was the year in which ARAG's commitment to sustainability began.

Surfing smart and safely

We spend much of our lives online today: shopping in the Internet, contacting friends and business partners, banking, etc. But there are lots of risks involved, even when we are careful. The ARAG web@ctive Internet legal insurance policy offers effective insurance protection.

A woman in Belgium bought Christmas gifts for her loved ones online. There's nothing unusual about that these days. But there was a problem. Only part of her order was actually delivered, and the woman waited in vain for the rest. Although she complained to the merchant, her problem remained unsolved.

"We were able to help this woman. She got her money back for the goods she had ordered but were never delivered," explains Tim van Engelenhoven-Breure, who is responsible for Communication and Marketing at ARAG Belgium. The woman in question is an ARAG customer, and she was insured against legal problems associated with Internet activities under the ARAG web@ctive policy. ARAG web@ctive is offered by all ARAG branches abroad and in Germany as well, of course. This ARAG legal insurance product covers all issues arising in connection with Internet use – from webshop purchases to social media activities to online banking. In addition to legal insurance coverage, ARAG web@ctive also offers a deletion service. A specialist removes content from Internet sites on request when they violate personal rights, for example, or have been posted without the consent of the author.

ARAG web@ctive has been available in Belgium for five years. "We were able to develop the product within a short period of time, since we could refer to existing legal insurance products in Germany and Austria and adapt them to the Belgian market", recalls Tim van Engelenhoven-Breure. In 2013, ARAG was the only Internet legal insurance provider in Belgium, although a competitor has since entered the market.

ARAG web@ctive policyholders are covered against all online legal risks to which they and their families are exposed. Children who are still eligible for a children's allowance are also covered, even if they no longer live with their parents.

ARAG web@ctive appeals to everyone who uses the Internet.

"We assumed when we launched ARAG Web@ctive that it would be particularly appealing for families. Parents are familiar with the situation. Children use Facebook and Instagram, and their parents can only hope that they know what they're doing. But practical experience has shown that ARAG web@active is equally attractive for singles", explains Mireille Urlus, CEO of ARAG Belgium.



Further information about this product is provided at:
www.arag.de/versicherungen/rechtsschutz/internet-rechtsschutz/

ARAG Belgium has enjoyed considerable success with Internet legal insurance ever since ARAG web@ctive was incorporated into the Gold insurance package that provides complete legal insurance coverage for individuals. “We have received a great deal of positive feedback on ARAG web@ctive,” says marketing expert van Engelenhoven-Breure. “Internet legal insurance is simply an indispensable component of a ‘complete, worry-free, insurance package.’”

This timely and forward-looking product evidently speaks to the real needs of many customers. ARAG web@ctive offers them insurance for what has become an important part of their everyday lives. After all, nearly everyone uses the Internet today. But many people have doubts from time to time. Is the credit-card data I enter online really secure? Will the dress I purchased from an Internet auction actually be delivered? According to Mireille Urlus, what makes people uncertain when it comes to Internet transactions is their anonymity.

Awards for ARAG products in other countries

Austria

ARAG Austria took second place in the competition for the 2017 Assekuranz Award Austria. The award is given to the best insurance companies each year.

Nearly 40 insurance companies are regularly evaluated in terms of quality, price and service. The basis for the award is a survey of all insurance brokers conducted by the Wissma market research institute.

The Austrian ARAG team was also honored with another award conferred by the financial magazine *Der Börsianer*. The trade journal listed ARAG as number two among the best specialist insurers in Austria.

United Kingdom

ARAG plc made another strong showing at the Underwriting Service Awards this year. Insurance experts rated the Legal Expenses Team and the Managing General Agents Team as the best teams of 2017. This was ARAG’s fifth win in a row in the Legal Expenses category. The awards have been conferred annually for the past seven years, and ARAG plc has won a total of nine prizes during that period.

ARAG UK was also nominated for the Personal Injury Award in a competition organized by Claims Media. Tom Hunt from ARAG plc was honored as Young Achiever of the Year 2017.

Italy

Our Italian colleagues were honored at the Italy Protection Forum Awards in 2017. They received an award for Legal Protection and Digital Innovation at the Service of Clients and Intermediaries.

Netherlands

ARAG Netherlands won the “Keurmerk Klantgericht Verzekeren” award for excellent quality and customer friendliness again last year.

Spain

Barómetro ADECOSE, an independent association of insurance brokers, honored ARAG Spain as the best legal and travel insurance provider. Our Spanish colleagues were also among the top three finishers in the Networks and Online Services category in the “Innovación Aseguradora” competition.

ARAG web@ctive

Insurance in cases involving alleged violations of intellectual property rights

Compensation for damages resulting from data and identity theft

Contract legal insurance coverage in cases involving online shopping

Active prosecution in cases involving bullying in the Internet

Assistance in the deletion of defamatory contents

Knowledge

Useful information for Web surfers

ARAG has compiled a number of expert opinions on Internet-related legal insurance issues. The spectrum of topics ranges from "Image rights" to "Data retention". The information can be found at www.arag.de under the heading of "Dive into Life" and the sub-menu item "Internet Law."

Business Clients



~4,500

business people in Belgium have purchased ARAG web@active policies.

ARAG web@ctive plus

Supplementary services offered with ARAG web@ctive plus

Legal insurance in work-related cases

Deletion of old entries

Emergency psychological support for victims of cyberbullying

Policies



~7,800

private insurance policies issued by ARAG Belgium provide coverage for cyber-risks.

Help



> 40 cases

involving Internet-related legal problems of ARAG policy holders have been settled to date.

Small companies and self-employed people can insure themselves as well.

After the launch of ARAG web@ctive, the insurance company in Brussels received numerous enquiries from self-employed people and small companies who wanted to enjoy the benefits of this type of modern legal insurance as well. So ARAG Belgium expanded its potential customer base in response. This legal insurance product has also been available to business owners in Belgium since mid-2017. They enjoy the same comprehensive coverage as private customers. Yet professional entrepreneurs face another special problem, as Mireille Urlus explains. “Since many companies are rated on the Internet, we have to take a very close look. Did our customer simply receive a poor rating, or is he the victim of an act of libel calling for legal action?”

Based on past experience, ARAG Belgium is aware that most disputes resulting from Internet activities are concerned with contracts of one kind or another. But another risk facing Internet users is that of bullying. And for the victims, abuse in public media is often worse than losses resulting from Internet fraud.

ARAG studies show that cyberbullying is a ticking time bomb on the Internet.

ARAG Belgium’s launch of the web@ctive product in 2013 came at a time when the entire country was engaged in a major debate on the issue of cyberbullying. Aside from the many opportunities and advantages offered by the Internet, people became increasingly aware of its darker side: from baiting and insulting comments in social networks to the posting of photos that no one would voluntarily publish of themselves to the fraudulent use of false identities.

The ARAG Digital Risks Survey published in 2016 showed just how massive the problem is. This international analytical study revealed the true scope of cyberbullying. In Germany alone, one out of every four school students has been a victim of cyberbullying at least once. More than 30 percent of all schools record such cases once per week. The problem is not confined to children and adolescents alone, however. Adults are affected as well. Cyberbullying at work is growing at an alarming rate.

Heightened awareness of the risks associated with the Internet again confirms to ARAG Belgium the need for the web@ctive legal insurance product. This is a trend that has been going on for years now. Since 2016 digital documents are also recognized as legally binding under Belgian law, which means that electronic documents and signatures have assumed new legal significance. That has improved the quality and security of online transactions, but it also means that more contracts are concluded online.



Further information according to the study:

<https://www.arag.com/sustainability/responsibility/>

ARAG offers protection and informs consumers about Internet rights.

Not only does ARAG Belgium accept the obligation to provide help in cases involving legal disputes, it is also committed to educating people about online risks and informing them about ways to protect themselves and obtain help when it is needed. According to Tim van Engelenhoven-Breure, there is strong interest in such services. “What customers want is practical help.”

Yet as Mireille Urlus points out, the public information deficit is substantial. “Many people are not aware that they can insure themselves against Internet risks. And they have no idea where to turn for help when a claims case arises.” Thus most victims either do nothing or turn immediately to an attorney. But taking legal action is not always the best option”, says Mireille Urlus, since “just as in other countries, court proceedings in Belgium can take a long time to complete.”

There are other ways to resolve disputes through arbitration. Mireille Urlus cites the European Online Dispute Resolution platform as one example. Every citizen of the EU is entitled to file a complaint in a case involving a problem with goods or services purchased online at this platform. Complaints are then processed by an independent dispute resolution body.

ARAG Belgium uses several different channels for the purpose of providing citizens with better information regarding their rights and possible approaches to protection. Mireille Urlus appeared on a business TV show and presented the options available to holders of an Internet legal insurance policy, for example. And one ARAG insurance broker arranged to have a cyber-security expert speak to parents about ways to protect against Internet risks at his children’s school.

Easy access to legal insurance services

Mireille Urlus summarizes the objectives pursued by ARAG Belgium with respect to Internet legal insurance as follows: not only to warn against risks, but to set people’s minds at ease as well. “Our message is simple: be watchful in everything you do on the Internet, but when something goes wrong, call us, and we’ll help you. Live your life. You’re well insured, both on- and offline.”

ARAG offers its customers a three-phase program designed to provide help in case of a claim. In the first phase, an ARAG customer can seek advice by telephone, regardless of which insurance policy he or she has. “We open the door to every form of legal advice,” explains Mireille Urlus. In the event that the advice a customer receives fails to solve the problem, ARAG helps the individual assert his or her rights out of court with support provided by ARAG legal experts. Should court proceedings prove unavoidable, ARAG supports its customers when they initiate legal action and covers the costs of the proceedings. “We encourage our customers to make use of these services. We know very well how stressful such conflicts can be – even in disputes involving small amounts. And as representatives of ARAG, it is our job to solve our customers’ problems,” emphasizes Mireille Urlus.



The web address of the EU platform is:
<https://ec.europa.eu/consumers/odr/>

A little champion with big ideas

ARAG Italy offers its employees a top-class workplace environment enhanced by a wide range of services and support measures. The Italian branch is now preparing to introduce a “Smart Working” program that will enable it to offer even more flexible work schedules.

With a staff of 140 people, ARAG Italy is not what one would call a big company. But when it comes to working conditions and employee benefits, the Verona-based insurer is right in step with the top players in the business world.

“We can’t claim that everything is perfect, of course, but we’re well positioned, says CEO Andrea Andreta with a certain sense of pride. And he is not the only one who thinks so. Experts in the field agree. ARAG Italy won two prestigious prizes awarded by the Istituto Tedesco Qualità e Finanza: “Top Welfare” and “Top Career.” ARAG’s Italian branch won the “Top Welfare” award for its outstanding employee services. ARAG placed third among insurance companies in the employee services category. The “Top Career” award honored ARAG Italy for its professional and personal employee-development efforts. In its summation, the jury emphasized that all ARAG employees are part of a working community in which they are encouraged to develop their talents and skills.



Further information according
the institute:
www.istituto-qualita.com

A champion in the field of social engagement and employee development

The Istituto Tedesco Qualità e Finanza analyzed 3,000 companies from various different industries. When it comes to awards, ARAG Italy is mentioned in the same breath as such major corporations as Phillips and Procter & Gamble. “As a rule, the most innovative and successful firms also top the list when it comes to social services. Thus receiving the award as a champion in the social-engagement and employee-development category is a wonderful affirmation of our policies,” says Andrea Andreta.

He is pleased above all that the awards reflect the broad scope of ARAG’s engagement as an employer. The company’s efforts in support of a good work-life balance and a pleasant workplace environment are one thing. The other is ARAG’s commitment to developing the competency and performance of its employees through career development programs, continuing training and education and lifelong learning. Andrea Andreta is convinced that “a motivating workplace climate has a positive influence on performance.”

Employee services often make the difference in competition for the best new talents. “These programs become increasingly important in times characterized by social change and new forms of work,” says Natascia La Mattina, the head of HR Development. And of course they also help boost our employee-retention rate. The concept appears to be working at ARAG Italy; fluctuation is very low. “People who join our company tend to stay. We are viewed as a reliable, loyal and innovative employer,” notes the Personnel manager.

Well qualified employees expect additional benefits from their employer.

“We in Italy are now witnessing the onset of a major wave of change in the areas of social services, work-life balance and contemporary forms of work,” says Andrea Andreta. The social structure is evolving, and young, well trained people are more demanding than ever before. The recession has resulted in the loss of qualified workers in southern Europe. Young people now expect that their demands for pleasant working conditions and a motivating workplace environment will be met in their own countries as well.

The Italian government has recently passed new laws designed to support the needs of working people. New rules also allow companies greater flexibility in the design of social benefits for their employees. It is now possible, for instance, to replace bonuses with services that offer tax advantages, and ARAG Italy offers this option to its employees in the form of flexible benefits as well.

“Smart Working” is the concept of the future for companies in Italy. The idea is to introduce structures and technologies that help make the work of individuals and teams more flexible. The Italian legislature is currently developing regulations for these new work structures. One-third of all business enterprises in Italy have already initiated “Smart Working” projects.

ARAG Spain is setting standards for equal opportunity.

One of the first organizations to champion equal opportunity was ARAG Spain, which introduced its “Plan de Igualdad de Oportunidades” in 2009. With this catalog of measures, ARAG Spain was the first insurance company in Spain to commit to equal opportunity for all employees. The company plans to update this plan in keeping with the new social requirements in 2018. Women hold more than half of all management positions at ARAG Spain.

The issue of work-life balance has become increasingly important in Spain. Yet not all companies on the Iberian Peninsula have come as far as ARAG, which offers its employees flexible work schedules, among other things, in order to help them reconcile their private and professional lives more effectively. ARAG Spain was honored in 2014 for its flexible work-time models within the contest of the “Premio Cataluña Empresa Flexible.” ARAG’s parent-and-child offices in Barcelona and Madrid are regarded in Spain as so innovative that they have been the focus of reports in

the national press on a number of occasions.

As part of its equal opportunity program, the company has also reduced the number of its fixed-term employment contracts by eight percent in order to offer more employees a long-term perspective.

Health care is an important issue for the Spanish branch. Employees who become ill have access to a network of physicians, and ARAGcare also places strong emphasis on prevention. Annual health check-ups, physiotherapy at the workplace and programs designed to relieve stress and compensate for the lack of physical activity provide employees protection against illness.

ARAG Spain also supports its employees when it comes to planning their careers. Employees are interviewed regularly for the purpose of developing individual career-development programs. Training for managers at ARAG Spain is oriented towards the ARAG Essentials.



Read the ARAG Essentials at:
www.arag.com/company/corporate-principles/

Companies in Italy are offering more and more services for their employees.

According to a survey conducted last year by the Università Cattolica in Milan in cooperation with the Italian Association of HR Managers, 67 percent of all companies in Italy offer their employees at least one special service. Nearly half of all companies allow flexible work schedules, roughly 37 percent offer health services and 30 percent provide educational opportunities for their people. Forty-one percent of the companies surveyed stated that they plan to expand the range of social services for their employees in the years to come.

ARAG Italy has no need to speed up its efforts in order to surf this wave. It is already riding the crest with its ARAGcare program. The ARAGcare corporate health-care plan encompasses a wide range of services for employees, including one designed to improve their work-life balance. A physician comes to the company to perform health checkups. The company offers flexible work schedules, language courses and – last but not least – the “Bimboufficio”, a parent-and-child office modeled on the one in place at ARAG headquarters in Düsseldorf. If a babysitter is unavailable, fathers or mothers don’t have to take a day of leave. They can simply bring their child to the “Bimboufficio,” which is furnished with the needs of children in mind. It is especially popular during the vacation season. ARAG also organizes an open house for the children of its employees every two years. At “Merenda Bimboufficio” they can get acquainted with their parents’ workplace. “You can often hear the laughter of children at our company,” says CEO Andreta with a smile.

Flexible work schedules help employees relax and become more productive.

Women are in the majority (60 percent) among employees at ARAG Verona. Fifty-eight percent of all ARAG employees have children, most of whom are younger than 15 years of age. It is important for parents to have flexible work schedules and the opportunity to bring a children to work if the need arises, as HR Manager Natascia La Mattina well knows: “Parents have told us that these programs help reduce stress and enable them to be more productive.”

ARAGcare also offers employees tax-advantaged bonuses through the “Flexible Benefits” program in the areas of education, child care, old-age pension insurance, building society contracts, health care and leisure activities. ARAG Italy also cooperates with a specialized service provider that helps employees with their tax returns.

ARAG employees were initially hesitant to accept these offers, as Andrea Andreta recalls. They were accustomed to receiving financial bonuses and wondered whether they needed such extra services at all. Today, however, ARAG employees have come to rely on these services. Ninety-three percent of all employees now participate in the program. Those in the largest group (42 percent) make use of the education benefits and child care; thirty-one percent use it to build up their pensions.

The ARAGcare Team collects praise and criticism

ARAG Italy makes a point of developing the services it offers to employees in consultation with them. The ARAGcare Team stays in constant contact with colleagues, from whom they collect suggestions, praise and critical comments. “In a company with only 140 employees, a great deal of communication takes place through informal channels. People see each other, talk and exchange views every day. You almost always know what’s on people’s minds,” says Andrea Andreta. But ARAG Italy also works closely with the relevant trade unions.

The most important issue facing ARAG Italy at the moment is “Smart Working.” In a pilot project conducted with twelve women employees, each of whom worked from home one day a week, the insurance company gathered initial experience with the new work structures.

Employees are very interested in “Smart Working.”

The findings are quite promising. The employees who took part in the project were happy with the arrangement, and – thanks to the good results they produced – so were their supervisors. CEO Andreta sees a number of benefits: higher employee satisfaction and productivity as well as savings in terms of time and costs. Seventy-six percent of all ARAG employees have expressed interest in “Smart Working.” Consequently, ARAG Italy has decided to expand the scope of the project, which will run until the end of 2018.

“It won’t be easy,” Andrea Andreta points out, as “Smart Working” involves a great deal of organizational input. Contracts need to be worked out; rules and structures need to be created. It is essential to provide for security and data protection at home workplaces as well. We are currently still working with the existing equipment, but investments in new technology are planned in the near future. Above all, however, “Smart Working” will require a change in workplace culture. What will life in the organization be like when many employees are no longer present from Monday through Friday? Will everyone affected be able to do their jobs effectively on the basis of goal agreements? After all, the results of work will be all that matters in a “Smart Working” structure, regardless of when and where that work is performed.

Employees are prepared to work on the basis of agreements on objectives.

Fortunately, those who work for ARAG in Verona are prepared for the change to the new system, for performance and development management are well established within the organization. Performance objectives are discussed with employees on a regular basis, as are the so-called soft skills and aspects of social competence. ARAG systematically promotes employee development through continuing education and training programs.

CEO Andreta is optimistic that his team will perform well on that basis under the new working structures. “We can achieve a great deal and make significant improvements with ‘Smart Working.’ But in order to do so, we need trust, commitment and a strong sense of responsibility on the part of everyone concerned.”

Presence



1965

was the year in which the Italian branch of ARAG was founded. Roughly 140 people work at the corporate location in Verona. There are about 1,000 ARAG agencies and brokers in Italy.

Bonuses



93%

of all personnel at ARAG Italy take part in special programs for employees.

Award



The "Istituto Tedesco Qualità e Finanza" honored ARAG Italy in 2017 for its outstanding benefits in the areas of employee services and support. ARAG placed third among participating insurance companies in the social benefits category.

Innovation



76%

of all employees in Italy are interested in "Smart Working."

Education and training



42%

of all employees at ARAG Italy use their bonuses for education and child care or training.

Careers



57.1%

of all management positions at ARAG Spain are held by women.

Let's get to work!

The employees of ARAG Spain are ambassadors for social responsibility. Wherever people need support – in the form of donations or legal advice – they are there to help.

Mariano Rigau Cañardo firmly believes that credibility is the key. The CEO of ARAG SE in Spain emphasizes this point: “When a company claims to practice social responsibility, its words must be followed by deeds. Otherwise, its good reputation is quickly ruined.”

The public expects at least the larger business enterprises to exercise both economic and social responsibility. “The younger generation is especially sensitive to this issue, and young people are well informed,” Rigau Cañardo points out. Information is quickly disseminated via social media and influencers. As recently as 15 years ago, companies may have been able to establish a positive image through advertising alone, but that is no longer enough today. The reality behind the façade has to match the image. “We at ARAG are viewed as credible because we exercise responsibility consistently – for our employees, for the various interest groups and for the general public,” explains the CEO of ARAG’s Iberian branch. He knows there is no better way to attract new, loyal customers.

Employees are the driving force behind ARAG’s social engagement.

The assumption of responsibility is an essential prerequisite for employee identification with the organization. “Our employees appreciate ARAG’s commitment to equal opportunity in society, and they are proud of it,” the CEO explains. As an independent, family-owned enterprise, ARAG SE recognizes its special obligation to society. “We are fully intent upon making the world a little bit better. And we’re on the right track,” says Mariano Rigau Cañardo. He adds that the goal of serving the public is both the inspiration and the driving force for all employees of ARAG Spain – entirely in keeping with the ARAG Essentials. As the Group guidelines, the ARAG Essentials describe the fundamental values of the legal insurance Group in six different areas: openness, pioneering spirit, farsightedness, fairness, discipline and drive.

The employees of ARAG Spain clearly regard “drive” as the most important of these values, for they are the driving force behind the company’s engagement in service to society. The ARAG Social Club plays an especially active role. Originally, this employee alliance began by organizing sports activities for colleagues. True to its name, the Social Club has been focusing on social issues for the past several years. Its members collect ideas for projects and provide help for initiatives considered worthy of support. Ideas relevant to corporate social responsibility (CSR) regularly land in the company’s suggestion box.



The ARAG Essentials are described in detail at:

www.arag.com/company/corporate-principles/

From blood donations to legal advice – deeds are what count.

When Mariano Rigau Cañardo talks about the social engagement of ARAG's Iberian branch, so many examples occur to him that he feels the need to apologize politely for going into such detail. He mentions the annual solidarity breakfast, for example, for which employees sell cakes they have baked themselves and donate the proceeds to a good cause. The ARAG employees in Barcelona alone collected 1,500 kilograms of food for the "Banc d'Aliments" during the past Advent season. Much like the German "Tafel" organizations, this initiative supplies people from socially disadvantaged areas of the city with food. ARAG also supports this initiative with financial donations. Once each year – also during the Christmas season – ARAG Spain carries out a campaign in cooperation with UNICEF, the UN Children's Emergency Fund. Children of ARAG employees paint postcard motifs, and the best image is printed on ARAG's Christmas cards. The proceeds from the sale of Christmas cards flow into a specific UNICEF project every year. In 2016, for example, nearly 4,200 children gained access to clean drinking water for the first time in their lives. Yet another gesture of solidarity is the annual blood-donation campaign organized by employees in cooperation with the "Banc de Sang i Teixits" in Barcelona.

At least half of ARAG's Spanish employees are actively involved.

People with disabilities can also count on ARAG Spain for help. The company supports the "Fundació Catalana Síndrome de Down" with donations. This private non-profit organization was founded by parents of children with Trisomy 21, the genetic disorder known as Down syndrome. And the legal insurance company also supports two facilities for the disabled: "Llars de l'Amistat Cheshire" and the "Metropolis Special Work Center." ARAG provides free legal consulting services to the "Disgrup" foundation of Barcelona. Among other things, the organiza-

Better protection for fundamental values on the Internet

Within the framework of a joint research project, ARAG SE and the Forschungsstelle für IT-Recht und Netzpolitik (Research Center for IT Law and Network Policy) at the University of Passau have developed an alternative proposal for the controversial *Netzwerkdurchsetzungsgesetz* (Network Enforcement Act, NetzDG). In order to ensure that this proposal is presented for discussion to a broad public audience, ARAG and the university in Passau have posted the results of their research at www.ARAG.com and on Twitter under the hashtag #werteimnetzschützen. The NetzDG is the focus of heated debate among experts, as it has the potential to enable the imposition of direct restrictions on freedom of opinion in the Internet. "It makes little sense simply to criticize things. What we need is to introduce a concrete proposal into the current debate regarding the NetzDG,"

says Klaus Heiermann, a member of the Board of Management of ARAG Holding SE.

The heart of the new draft bill is the amendment regarding telemedia law. Under the provisions of the proposal, providers and platform operators would be tasked with contributing to the protection of personal rights. They would be required to make options to be used in reporting and identifying problematic content available to users. Reported contents would no longer be deleted by website operators, but would be documented as evidence instead. Requests for deletion would require a court order for enforcement. In this way, the question of the legal distinction between defamation, simple insults and the free expression of opinion in the Internet would be placed in the hands of the courts – where it belongs.

tion is committed to helping integrate more people with physical disabilities into occupational life. ARAG employees strongly support these initiatives. Between 50 and 70 percent of ARAG Spain's roughly 500 employees are actively involved in the various projects.

The series of lectures presented at school has been a great success.

The "Hechos y Derechos" (Facts and Rights) enjoys a special status among the company's CSR initiatives. It was launched in 2013 – also in response to a suggestion from an employee. "Hechos y Derechos" is an information program for teenagers between the ages of 14 and 18. ARAG visits schools all over Spain for the purpose of acquainting students with their rights and obligations under the law. The crux of the matter is that, according to Spanish law, young people 16 years of age and older are held legally responsible for their actions. "Most adolescents fail to realize this," explains Mariano Rigau Cañardo, who adds that many teenagers get the message only after attending a presentation by our ARAG legal experts. "And they surely behave more carefully afterwards," says the ARAG CEO. The young people themselves are not the only ones who express strong interest in these practical issues. ARAG has received positive feedback from parents as well, for adolescents are more easily convinced by what they hear from legal experts than by warnings offered by Mama and Papa. Many schools have asked ARAG to make free presentations. Some 4,500 students have attended these events to date. "Hechos y Derechos" reached 1,500 young people in six Spanish cities in 2017 alone.

The lecture series may well have awakened interest in a career in the field of legal insurance among certain students. ARAG supports young talents in a number of ways, one of which is a scholarship to the equally renowned and expensive ESADE Business School in Barcelona. The scholarship covers 90 percent of tuition costs. ARAG is also engaged in a research in the field of conflict management in partnership with ESADE in. The objective is to identify viable alternatives to legal action in cases of conflict. The search for ways to settle disputes without recourse to legal proceedings also plays an important role in ARAG's day-to-day work.

ARAGcare is focused on employee health.

Entirely in keeping with its commitment to social responsibility both within and outside the company, ARAG Spain is dedicated to promoting the health of its employees through the ARAGcare program. The company supports employees who wish to quit smoking, for instance, and encourages them to switch from cars to bicycles wherever possible. The snack machines installed by ARAG Spain have been restocked and now offer fruit instead of factory-made cake. A new program devoted to stress monitoring focuses above all on the people who work at the five Spanish call centers. In response to the high level of stress at call-center workstations, ARAG is now measuring stress levels for the purpose of developing ways to provide systematic relief.



Learn more about the initiative at:
www.arag.es/conocenos/



Information about ARAGcare
can be found at
www.arag.com/career/

IT Law

“Our draft proposal for the NetzDG reconciles the principles of freedom of opinion and the protection of personal rights. Platform operators should be held responsible as IT experts and not as judges.”

Prof. Dr. Dirk Heckmann

Director of the Forschungsstelle für IT-Recht und Netzpolitik at the University of Passau

Solidarity



1,500 kg

of food were donated by ARAG employees in Barcelona to socially disadvantaged persons.

Donations



>20%

of the employees of ARAG plc in Great Britain now participate in the “Payroll Giving” program, which means that part of their pay is automatically donated in support of a good cause. As an employer, ARAG supports these good deeds with financial subsidies.

Local engagement



> 14,300 euros

were donated by ARAG plc (Great Britain) to local aid projects in 2017.

Information



~4,500

school students have taken part in the “Facts and Rights” program offered by ARAG Spain to date. The program informs adolescents about their legal responsibilities.

Social Engagement

The key is knowing that our employees stand behind these projects. As long as they do, we’re totally open to new developments.

Mariano Rigau Cañardo

CEO of ARAG SE in Spain

Even good things can be improved.

Although the results of audits and inspections clearly show that the ARAG Tower conforms to high environmental standards, Central Services is constantly searching for additional possibilities for improvement. The new energy control system will now make it possible to localize specific high-consumption points and identify areas in which modernization is needed.

What can an insurance company do for the environment? One might assume that office workplaces have little negative ecological impact. Yet that assumption would be wrong. In preparation for ARAG's first Sustainability Conference in September 2017, the building services team calculated the volume of resources consumed by ARAG employees during the workday. The team presented its findings under the heading of "richtige Technik + richtiges Handeln" (suitable technology + appropriate action). The results were surprising. The building services team demonstrated that ARAG employees consume twice as much energy at work as they use at home. Of course, that is attributable above all to building technology. Elevators, PCs, security systems, ventilation systems, lighting and the canteen kitchen – all of these are "power hogs." Yet employees influence consumption rates as well. André Henrichs, Senior Vice President, Central Services, estimates that every individual employee could reduce office energy consumption by ten percent.

Simple ways to reduce consumption

The means of achieving that end are simple. An intelligent approach to ventilation is but one example. During the summer months, windows should be opened only in the morning to let in air while it is still cool. In this way, optimum use is made of the chimney effect of the double façade of the ARAG Tower. Thanks to this façade structure, the nearly 125-meter-tall tower benefits from the natural fresh-air supply and temperature control afforded by thermal convection. That is why the building, with its nearly 1,000 offices, does not need an energy-intensive air-conditioning system. The amount of energy saved lies in the double-digit percentage range. During the warm months of the year, an ice storage tank takes up the cool night air and releases it into the office spaces via cooling ceilings during the day. Additional cooling effects are achieved with the aid of shades that can be lowered when temperatures rise.

Lights are automatically turned off at night

At one time or another, virtually everyone has passed by a brightly lit office building late at night when no one is working. That couldn't happen at the ARAG Tower, where lights are on only where people are still working. Yet the Group prefers not to dispense with the illuminated façade of its headquarters building entirely. "Passers-by have spoken to us about that," recalls André Henrichs. It seems that the people of Düsseldorf want the prominent ARAG Tower to go

on shining brightly. So the façade is illuminated to maintain a popular image. But the Group uses only ten percent of the available lighting capacity for this visual effect, and only for 90 minutes every evening.

Striving for steadily declining paper consumption

Paper consumption can be reduced as well. The Senior Vice President, Central Services rejects the notion of the “paperless office.” “We will always need paper – we just need to see that we use less of it,” says Henrichs. That can be accomplished primarily through digitization. The extent to which printed correspondence with customers can be reduced is limited, since personal mail must be sent in the paper form in accordance with data protection laws and other regulations. Yet apps and partner websites now make it possible to eliminate some printed matter in communication with customers – and the exchange of information via digital channels is also much faster.

“If we laid out only the paper used for internal communication purposes in a single year sheet by sheet, we could cover a trail from the ARAG Tower in Düsseldorf to our building in Munich and back with paper,” explains André Henrichs. If we added the paper used in external communication, that trail could be extended across the Atlantic to ARAG USA in Des Moines. Realizing this, some people might be willing to refrain from printing out a document here and there. In order to cut down on unnecessary printouts, the ARAG Group decided some time ago to replace workplace printers with central printers positioned in service areas. That encourages employees to think twice about the need for a printed copy, since every printout requires a trip to the printer.

Monitors replace paper handouts at the Executive Board level

The ARAG Group is currently testing ways to increase the use of digital media in communication among members of the Executive Board in hopes of cutting down on paper consumption.

International climate protection

The Netherlands aim to be energy-neutral by 2050, in compliance with the Paris Climate Accord. By the end of 2023, businesses must comply with at least energy label C, which corresponds to an energy index of 1.6 or better.

Years ago, ARAG Netherlands formulated the target of lowering the company's gas and energy consumption, and succeeded in reducing its ecological footprint by ten percent. The ecological footprint is the area of the Earth's surface needed to sustainably support the lifestyle and standard of living of one human being. “As a well-known company, we need to strive to become sustainable. And not just for social reasons,

but to comply with European law as well,” says Marc van Erven, Branch CEO of ARAG SE Netherlands. One example of such an effort is an audit according to the European Energy Efficiency Directive (EED).

After renovation of the ARAG building in Leusden in 2012, our insurance company implemented multiple sustainable technologies and processes to improve from energy label F (2.9 or less) to label A (1.05 or less). These numbers refer to the total energy consumption in gigajoules per year and square meter. Environmentally friendly processes and systems such as solar collectors and heat recovery reduce this figure.

The offices of Board members are being equipped one by one with large monitors. The idea is to make presentations awaiting final approval available to all concerned parties without distributing handouts that would most likely end up in the trash because certain details need to be changed. If this method proves effective at the Board level, it can be introduced throughout the entire organization.

The ARAG Tower conforms to high environmental standards

The simple fact that ARAG identifies potential for improvements in many areas and even in matters of detail proves that the Group is on the right track when it comes to environmental protection. Energy-usage inspections have shown that the ARAG Tower is basically ecologically sound. The objective is to maintain this exemplary standard and improve it in certain areas. The Group met that objective in 2017 by expanding the use of LED lighting. The underground garage and archive rooms in the Tower have now been equipped with energy-saving LED lighting units, and the project was completed in the first quarter of 2018.

The Central Services Department checks the building services systems at Group headquarters continually in order to identify further savings potential. Focal points of this process are needs assessments and measures designed to optimize system operating times. In no case will further savings be achieved at the expense of workplace comfort, as André Henrichs points out: “We’re not going to simply reduce office temperatures, for example.”

Conserving energy with a new ventilation system

Even greater savings can be achieved at the building on Redlichstraße in Düsseldorf, where roughly 400 ARAG employees work. The building is nearly 30 years old, and some building systems (those that have not been upgraded in the meantime) are just as old and no longer meet current efficiency requirements. Thus a number of improvements were made in 2017, one of which was the installation of a more efficient ventilation system. The resulting annual energy savings amount to 75 MWh – the equivalent of the annual consumption volume of about 25 two-person households. ARAG also had numerous window elements replaced in the building on Redlichstraße. Thanks to their better insulating properties, they reduce the need for additional heating or cooling, depending on the season.

Central Services will be occupied with the project devoted to upgrading the electrical infrastructure in the building on Redlichstraße until 2019. The project involves extensive reconstruction work on the general and security power supply systems. The emergency power system will be upgraded as well. This project is devoted above all to improving building security and is less concerned with energy savings, as André Henrichs explains. The challenge is to upgrade the electrical infrastructure without disrupting ongoing operations. That can only be done step-by-step and parallel to existing structures, so as to ensure that all systems (such as servers, for example) run continuously and without interruption.

ARAG underwent an energy audit in accordance with DIN EN 16247-1 in 2017 and is now developing an energy monitoring system. Once the system is in place, it will be possible to identify weak points immediately and determine where energy consumption can be further reduced by installing more modern systems or upgrading existing technologies.

Energy



75 MWh

Energy saved at ARAG's Redlichstrasse office in Düsseldorf through more efficient ventilation.

Consumption



1.18 million
kilowatts

of energy were consumed by ARAG Spain at its location in Barcelona in 2017. That's about 18 percent less than three years earlier.

Emissions



0

Emissions target of ARAG Netherlands

Climate protection



133

trees were donated by ARAG UK for the Amazon Basin reforestation project in 2017.

*“As a well-known company,
we need to strive to become
sustainable,”*

says **Marc van Erven**, Branch CEO of ARAG SE Netherlands.

GRI Content Index

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* No data collected.

Universal Standards

Organizational profile	
102-1	<p>Name of the organization</p> <p>ARAG SE</p>
102-2	<p>Activities, brands, products, and services</p> <p>The ARAG Group is the largest family-managed insurance company in Germany and is one of the world’s three leading providers of legal insurance. It focuses on state-of-the-art insurance products and services aimed at both private and small business customers. ARAG is a provider of high-quality insurance with a multidimensional 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 personal insurance business. Internationally, the company is targeting potential growth areas in the insurance sector. <i>For further information please see the 2017 annual report of ARAG Holding SE (consolidated financial statements) and the 2017 annual reports of ARAG Allgemeine Versicherungs-AG and ARAG Krankenversicherungs-AG (single-entity financial statements).</i></p>
102-3	<p>Location of headquarters</p> <p>Düsseldorf, Germany</p>
102-4	<p>Location of operations</p> <p>17</p>
102-5	<p>Ownership and legal form</p> <p>ARAG SE is the operating holding company of ARAG. Its 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 divisions. The board members of ARAG Allgemeine Versicherungs-AG and ARAG Krankenversicherungs-AG are responsible for the day-to-day management of their subsidiaries. ARAG Holding SE is a family holding company that manages the total assets of the ARAG Group.</p>

102-6 Markets served

In its core legal insurance segment, ARAG plays a major role in shaping its markets, both in Germany and abroad, with innovative products and services. The international legal insurance business has been the Group's most significant area of activity over recent years. In its fiercely competitive market, ARAG Allgemeine is demonstrating its strength as an attractive provider of property, liability and accident insurance policies, which have been highly ranked in numerous independent performance comparisons.

In the private health insurance market, ARAG Kranken (ARAG Health) offers a broad range of highly efficient products, emphasizing its appeal as a provider of full-coverage and supplementary health insurance.

In the year under review, the Group sold ARAG Lebensversicherungs-AG as part of a strategic realignment and is now firmly focused on property and health insurance. ARAG continues to offer attractive pension products for its customers through a cooperation with its strategic partner Alte Leipziger.

For further information please see the 2017 ARAG Holding SE consolidated financial statements.

102-7 Scale of the organization

The ARAG Group generates sales revenue and premiums of over €1.6 billion from operations in 17 markets and employs more than 4,000 people worldwide.

For further information please see the 2017 ARAG Holding SE consolidated financial statements.

102-8 Information on employees and other workers*

Workforce split by employment contract and working hours

Number of persons by gender, December 31, 2017¹

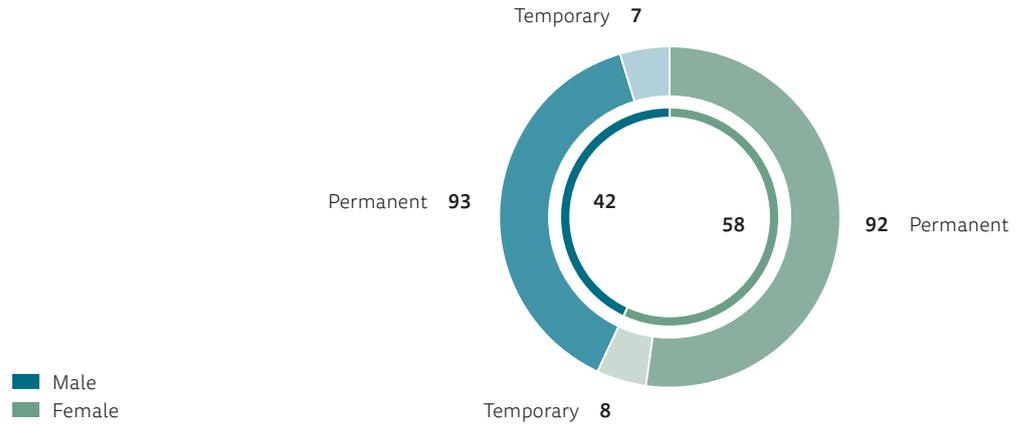
	Germany		International		Total
	Men	Women	Men	Women	
Workforce split by employment contract	511	565	759	1,154	2,989
Permanent	480	539	693	1,025	2,737
Temporary	31	26	66	129	252
Workforce split by working hours²	480	539	693	1,025	2,737
Full-time	463	361	620	700	2,144
Part-time	17	178	73	325	593

¹ not including 6 trainees and 33 interns, and not including inactive employees

² including permanent staff only

Workforce split by employment contract

(%)



* (refers to the title of 102-8)

These key figures are based on ARAG SE in Germany and on the international branches and subsidiaries in Austria, Belgium, Canada, Greece, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, the UK, and the US. The operational insurance companies in Germany and the German service companies that form part of the ARAG Group are not included.

102-9 Supply chain

In Germany, ARAG buys around €64 million worth of services from 2,312 suppliers. These services are categorized into ten product groups. These include IT, marketing and communications, facilities management, travel and events, financial services, and professional services such as external damage claims handlers and auditors. The sourcing of services is the responsibility of Procurement at head office. The services defined in the purchasing policy, however, can be procured directly by the departments.

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

Against a backdrop of persistently low interest rates, ARAG SE completed a structural re-organization of the ARAG Group in 2017. Its interest in ARAG Lebensversicherungs-AG was sold to Frankfurter Leben-Gruppe and the life insurance business was deconsolidated with retrospective effect from January 1, 2017. In return, ARAG SE bought the stake of ARAG Lebensversicherungs-AG in ARAG Krankenversicherungs-AG, which is now being operated as a direct subsidiary.

102-11	Precautionary principle or approach
	<p>As an insurance company, the ARAG Group counts risk management among its core competencies and it therefore constitutes a key component of the Group's business management. Detailed information on risk management is provided in the annual report of ARAG Holding SE (consolidated financial statements) and the annual reports of the insurance companies (single-entity financial statements). The Group also provides comprehensive information on its long-term solvency on an annual basis in the corresponding SFCR (Solvency and Financial Condition) reports. ARAG is furthermore committed to the responsible handling of environmental risks. Environmental management plans focused on the efficient use and conservation of resources (energy, water, paper) have been implemented at the company's various locations.</p>
102-12	External initiatives
	<p>In 2017, ARAG became a signatory to the corporate diversity initiative 'Charta der Vielfalt', which promotes diversity in companies and institutions and which has as its patron the German Chancellor Angela Merkel.</p>
102-13	Membership of associations
	<p>ARAG is a member of the German Insurance Association (GDV) and of the Insurance Industry Working Group of the regional government of North Rhine-Westphalia, and is also involved in the Munich Financial Center Initiative.</p>
	Strategy
102-14	Statement from senior decision-maker
	<p>See page 2 of this sustainability report</p>

Ethics and integrity

102-16 Values, principles, standards, and norms of behavior

The corporate guidelines – the ARAG Essentials – outline the company’s objectives and the causes that ARAG’s employees, managers, and owners champion. These guidelines include the company’s self-image, corporate mission, and corporate values. The ARAG Essentials help employees to shape the company’s future with the customer in mind. They also serve as a basis for the ARAG Leadership Standards, which support the implementation of the guidelines in day-to-day business. The ARAG Essentials are handed out to every new employee. Additional 90-minute long 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.

Governance

102-18 Governance structure

The ARAG Group

Asset and investment management

ARAG Holding SE

Operating Group Holding Company

ARAG SE

and legal insurance

Management Board and Central Group Functions

Group Development/ Business Organization

Group Sales/ Products and Innovation

Group Finance

Group IT and Operations

Group Risk Management/ Controlling

Operating insurance companies

ARAG Allgemeine Versicherungs-AG

(Casualty and property insurance)

ARAG Krankenversicherungs-AG

(Health insurance)

Interlloyd Versicherungs-AG

(Specialized in broker sales)

International companies

(Legal insurance/ legal services)

Service companies

ARAG IT GmbH

(IT services for the ARAG Group)

Cura Versicherungsvermittlung GmbH

(Brokerage firm)

ARAG Service Center GmbH

(Emergency telephone service)

For further information please see the 2017 ARAG Holding SE consolidated financial statements.

Stakeholder engagement	
102-40	<p>List of stakeholder groups</p> <p>Two of the most important stakeholder groups at ARAG are the customers and the employees. Other important stakeholders are business partners, suppliers, industry associations, and regulatory bodies.</p>
102-41	<p>Collective bargaining agreements</p> <p>71 percent of employees at ARAG SE Germany are subject to a collective pay agreement.</p>
102-42	<p>Identifying and selecting stakeholders</p> <p>ARAG has a close relationship with stakeholders who have considerable influence on the company's success and who in turn are heavily influenced by ARAG's commercial activities. They include, in particular, customers and employees. Ongoing survey measures as well as feedback requests in relation to specific occasions are used to learn more about their disposition toward ARAG and their assessment of the company. In addition, data provided by stakeholders is collected and analyzed for the purpose of improving the service offering.</p>
102-43	<p>Approach to stakeholder engagement</p> <p>In the ARAG Group, responsible dealings with employees, customers, and partners are based on a long-term sustainable approach to business. 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. More than 80 years after Heinrich Faßbender founded the company, ARAG's vision is still guided by his professed goal: To enable all citizens to enjoy equality of opportunity before the law. A high degree of corporate social responsibility is therefore directly enshrined in the ARAG business model.</p> <p>The needs and satisfaction of ARAG's customers are identified in a variety of ways. Feedback questionnaires and an online platform are used to conduct customer surveys. ARAG also uses focus groups in 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 enable ARAG to anticipate changes in market conditions and customer needs at an early stage. At the end of 2016, ARAG launched an online</p>

community called ARAG Denkraum ('thinking space') with the aim of engaging in a direct dialog with customers and working with them to improve processes and products. The platform is used for surveys on specific topics and discussions in open forums. This offers customers an opportunity to communicate their ideas and suggestions to ARAG.

The market research findings show that ARAG's customers regard the company as a reliable partner that offers effective and innovative products and services. Customer feedback provides important insights that help to improve internal processes and the products and services on offer. The call routing process for initial claim assessments over the phone, for example, was improved by ARAG for the benefit of customers based on feedback from customer surveys.

102-44 **Key topics and concerns raised**

In addition to strong and reliable insurance cover, customer-focused advice provided through personalized channels of communication, such as online chat, phone, or face-to-face consultation at home, is one of the key topics for customers. There is also growing demand for innovative new products such as the new dental cover policies in the ARAG health insurance business and the ARAG travel assistant, a chat bot that provides information and advice on insurance products, which was launched in spring 2017.

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 details can be found in the chapter of this report beginning on page 67.

Reporting practice

102-45 **Entities included in the consolidated financial statements**

Sustainability reporting covers all German and international insurance companies belonging to ARAG Holding SE.

For further information please see the 2017 ARAG Holding SE Consolidated Financial Statements.

102-46

Defining report content and topic boundaries

The principles for determining report content and quality have been applied to the entire reporting process. In order to determine the material sustainability topics to be covered, ARAG carried out an internal materiality assessment during a workshop, where the points of view of ARAG's various functions, the Group, its individual subsidiaries, and its most important stakeholders were considered. Information provided by all of ARAG's international branches, subsidiaries, and affiliates on their respective markets and locations give the report significant additional breadth and depth. The findings, which have also been incorporated in the non-financial statement for the Group as part of the process to implement the CSR Directive Implementation Act, were reviewed by auditors appointed by the Supervisory Board.

102-47

List of material topics

Economic topics

- Economic performance
- Regional employer
- Significant indirect economic impacts
- Exercising property rights
- Anti-corruption

Environmental topics

- Energy
- Emissions

Social topics

- Employment
- Occupational health and safety
- Training and education
- Diversity and equal opportunity
- Public policy
- Marketing and labeling
- Product portfolio
- Customer privacy
- Socio-economic compliance

102-48	Restatements of information
	In 2017, ARAG's sustainability report includes information on the international Group companies for the first time. This has a particularly noticeable impact on environmental key figures and staff headcount.
102-49	Changes in reporting
	In 2017, ARAG's sustainability report includes information on the international Group companies for the first time. ARAG Lebensversicherungs-AG was sold in the reporting year and is therefore no longer included in the sustainability report.
102-50	Reporting period
	2017
102-51	Date of most recent report
	June 2017
102-52	Reporting cycle
	Annually
102-53	Contact point for questions regarding the report
	Kathrin Köhler Corporate Responsibility & Sustainability Manager Corporate Communications/Marketing
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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
	Page 42 of this sustainability report
102-56	External assurance
	No external audit has been carried out.

Topic-Specific Standards

Economic topics

201	Economic performance
103-1/2/3	Management approach

The ARAG Group is the largest family enterprise in the German insurance industry and is one of the world’s three leading providers of legal insurance. As an independent family enterprise, ARAG pursues a long-term strategy and focuses on profitable growth through a conservative risk and solvency policy. The emphasis is on maintaining a compartmentalized risk structure with a good level of risk diversification.

Independence is at the heart of ARAG’s self-image. It shapes all areas of its business activities and enables ARAG to dedicate its full attention to its customers, the most important stakeholders. The company’s resources are mainly used to service the customers’ requirements and to fulfill its value proposition. One example of this is the conservative dividend policy of ARAG. Most of the profits made are reinvested into the company to strengthen the Group’s financial foundations and ability to invest. Independence and an international outlook also form the basis for ARAG’s brand strategy.

In the German market, ARAG Group is maintaining its focus on further developing its property and health insurance businesses. At international level, the Group is pursuing a vigorous expansion of its legal insurance business. The revenue and profit targets derived from this two-pronged growth strategy are broken down for each management level as part of a planning process. A variety of tools, such as the three-year plan for all Group companies, the target agreement system, the comprehensive risk management system as per Solvency II using a partially internal risk model, and the internal control system (ICS), all contribute to ARAG achieving the growth targets it has set itself.

The ARAG Group and its international companies are facing growing pressure from new competitors that change the market with innovative products and new ways of interacting with their customers. Thanks to its innovative strength, ARAG is well-positioned to remain competitive in all of its markets and to use opportunities such as the digital transformation to its advantage. Despite increasing competitive pressure and maturing markets, ARAG was able to grow its customer base and improve its premium income in 2017. Overall, business was therefore very successful in 2017, both in Germany and internationally.

201-1	Direct economic value generated and distributed
	<i>See 2017 ARAG Holding SE Consolidated Financial Statements</i>
202	Regional employer
103-1/2/3	Management approach
	<p>In Germany and internationally, ARAG has to compete directly with companies from the insurance industry and other sectors to attract the best talent.</p> <p>As a family enterprise in the finance sector, ARAG is highly attractive to applicants thanks to its active HR management and a concerted effort to strengthen the brand. Developing local specialists 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. In the international business, a particular objective behind this approach is to ensure close customer relations, which are absolutely vital in the insurance industry. Belgium, for example, is a country with three official languages – each of them predominant in a different region – and so it is of utmost importance to hire skilled local staff. It is the only way for ARAG to ensure that customers receive the best possible service across the whole country.</p>
202-2	Senior management hired from the local community
	<p>In Germany, ARAG hires the majority of senior 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. This makes it easier for ARAG to implement its local recruitment strategy abroad. No data on this is collected, however.</p>
203	Indirect economic impacts
103-1/2/3	Management approach
	<p>ARAG is a family enterprise, and, as such, it attaches great importance to the interconnection between corporate and social responsibility. Corporate social responsibility is based on long-term activities, i.e. they must be sustainable, and makes a significant contribution to the company's success. Customers, business and sales partners, and employees pay increasingly close attention to the additional economic and social benefits that ARAG can offer. As an independent family enterprise, ARAG can operate without any pressure from ex-</p>

ternal investors and with a view to the longer term, thus enabling it to engage in credible corporate social responsibility. The corporate mission enshrined in the ARAG Essentials guidelines emphasizes the Group's corporate citizenship. ARAG primarily focuses on supporting projects and initiatives from the fields of sports, culture, and education that are local to the areas of the company's German and international offices. Corporate Responsibility is run by a support department within the Group Communications management division. The Group's social commitment is regularly assessed through participant surveys and response analyses.

203-1

Infrastructure investments and services supported

ARAG's corporate citizenship activities include both large-scale projects with budgets in the single-digit millions as well as smaller commitments. The goal is always to have a positive impact on the quality of life of local communities and the local economy. ARAG takes a long-term approach to such projects and believes in providing regular funding and support. Financial assistance and sponsoring commitments contribute to ARAG's good reputation and also serve to legitimize its business model.

In Germany, public funding commitments have been made to the Ministry for Education and Schools of North Rhine-Westphalia, and to the German Children and Youth Foundation (DKJS). ARAG supports the scholarship program 'Chancen nutzen' (seizing opportunities) for students at the University of Düsseldorf and the 'Deutschlandstipendium' scholarship program for students at the University of Applied Sciences (HSD) in Düsseldorf. It also contributes to funding schemes at other universities and research institutions.

ARAG also hosted an open day for students at its headquarters in Düsseldorf as part of its cooperation with HSD and welcomed 33 students from the university's economics department. The group's lecturer used the facilities at the ARAG Tower to hold a class on negotiation skills and presentation techniques that was strongly focused on real-life application. With the support of the Ministry for Education and Schools of North Rhine-Westphalia, a program called 'Conflict Management in Schools' is offered to all high schools and vocational colleges in the state of North Rhine-Westphalia. A total of 316 teachers, specialists in educational social work, and parents from 96 high schools and vocational colleges in different school districts across the state have taken part in the four training cycles completed so far. The project is currently running at twelve other schools. After completing their training as 'school mediators', these teachers, parents, specialist social workers and school pastors go on and train school students as conflict controllers. The project has been certified under the name ARAG Mediators as a 'Commitment to Action' by the Clinton Global Initiative (CGI). Since 2016, ARAG has also been a sponsor of MediationsZentrale München e. V, a not-for-profit organization that 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.

To protect children and teenagers from risks that accompany the use of the internet, ARAG believes that action is required with regard to promoting the long-term development of

media skills and providing information and education, as well as raising awareness, about the consequences of bullying. ARAG therefore focused even more intensely on protecting online privacy rights in 2017. A joint research project was launched by ARAG in cooperation with the Research Center for IT Law and Social Networks Policy at the University of Passau, with the aim of developing an alternative to the contentious Enforcement of Rights on Social Networks Act (NetzDG) in Germany. The results were published on Safer Internet Day in February 2018. ARAG has also partnered up with DKJS in the field of digital education. Following three years of successful sponsorship and collaboration, ARAG renewed its five-digit figure funding commitment to this project for another three years in 2017. In addition, ARAG and the DKJS launched the joint initiative 'bildung.digital' (digital education) in November 2017. This program has already been rolled out to 40 schools across Germany to help them develop and implement concepts for digital education.

The 'Kickwinkel' project in Düsseldorf, which ARAG initiated and supports on an ongoing basis together with other local partners, is all about equal opportunities. It is an integration project based on football for unaccompanied male refugees from Iraq, Afghanistan, Somalia, Eritrea, Gambia, Guinea, and Iran. Twenty young people are given the opportunity to train at a Düsseldorf club twice a week, and tournaments are arranged on a regular basis in which teams from participating project partners compete against one another. ARAG also supports several other charitable organizations and sports clubs.

ARAG is committed to practicing corporate citizenship beyond its core business at its international locations. In Spain, ARAG has been running a program since 2013 that introduces young people to the world of law. As part of the project Hechos y Derechos (facts and rights), age-appropriate lectures on juvenile criminal law are held all across Spain. More than 4,000 school students have participated in these lectures since the project was launched. In Canada, ARAG supported a campaign against cyber-bullying in 2017, which was aimed at raising awareness among children and teenagers about the risks involved in the growing use of digital technologies. In the Netherlands, ARAG offers free legal advice to sports referees who have become victims of violence, and also covers their costs for medical treatment.

For further information please see the 2017 ARAG Holding SE Consolidated Financial Statements and page 34 of this sustainability report.

203-2

Significant indirect economic impacts

In Düsseldorf, where it has its headquarters, the ARAG Group is a leading employer with around 1,400 employees. It has a positive impact on the region's employment rate and plays a role in improving the attractiveness of Düsseldorf as a business location. The business environment in North Rhine-Westphalia benefits from ARAG's operations in a variety of ways. Many jobs in the supply chain and in distribution, for example, are supported by ARAG's business activities. This impact was the subject of an economic study on the importance of the insurance industry in North Rhine-Westphalia, conducted in 2011. 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. ARAG also promotes economic growth and employment in the regions where its international offices are based. In the Netherlands, ARAG is one of the leading employers in the legal sector and one of the three largest employers in the area of Leusden. In Italy, ARAG employed 141 staff in 2017, but indirectly supported 950 further positions at intermediary companies.

FS	Active ownership
103-1/2/3	Management approach
	<p>The inclusion of environmental, social, and governance criteria, so-called ESG criteria, helps with assessing the risk of an investment, because it offers an additional perspective and facilitates a more comprehensive assessment.</p> <p>A check is run as part of newly implemented due diligence processes for externally authorized fund and portfolio managers to see which ESG approaches can be applied. This applies not only for the area of listed securities, but also for future investments in infrastructure and for private equity. A sustainability initiative that was launched in the Group Asset Management unit in 2016 has led to greater awareness of ESG topics among employees.</p>
FS10	Companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues
	<p>The company does not maintain an ongoing dialog with investees on ESG-related topics.</p>
FS11	Environmental or social screening
	<p>ARAG's Group Asset Management unit follows the approach of integrating environmental, social, and governance (ESG) criteria. At the heart of this approach lies the integration of ESG criteria into asset management, which is traditionally more oriented toward finance. In contrast to positive and negative selection, there are initially no constraints on the investment universe with the ESG integration approach. The portfolio managers are urged to take account of environmental and social factors, including human rights issues, and any aspects pertaining to the governance of a company, in their investment decision.</p>

205 **Anti-corruption**

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

As an insurance provider with a strong focus on legal insurance, ARAG considers compliance with all statutory and regulatory requirements to be of vital importance. Consequently, the company is also obliged to prevent all forms of corruption. Its business activities may not particularly expose ARAG to a risk of corruption, but the Group still takes measures that exceed the statutory requirements. This helps ARAG to protect its good reputation and strengthen the trust and confidence of its policyholders – two factors that are crucial for competitiveness in this industry. Aside from the statutory provisions, ARAG also takes guidelines and recommendations of international organizations such as Transparency International and the Organisation for Economic Co-operation and Development (OECD) into account.

Compliance guidelines, a code of compliance, and a compliance policy on invitations, promotional activities, and company events set out the relevant internal regulations and provide guidance for employees. The compliance handbook stipulates, for example, that employees are not permitted to offer or grant unauthorized benefits – whether directly or indirectly – to others in connection with their business activities. This provision extends to both monetary and non-monetary benefits. They are also prohibited from abusing their position to demand, accept, or obtain such benefits, or promises of such 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.

Greater awareness of corruption is required in so-called partner sales in the insurance sector. In this context, ARAG is very mindful that the interests of insurance brokers and non-exclusive agents should not overshadow the customer's interests. The commission scheme has been adapted with this in mind. Broker commissions are a topic that is regularly addressed as part of compliance training measures for sales staff. All employees of ARAG are required to respect the rules on corruption risks in their business activities. In 2017, the focus was on harmonizing compliance standards such as the requirements under the Solvency II Directive and provisions from supporting national legislation across the Group through classroom-based training courses.

Ensuring that these provisions are adhered to is the responsibility of the Compliance function, but first and foremost also a responsibility of all managers and employees of the ARAG Group. All German insurance companies owned by ARAG have signed up to the latest version of the code of conduct of the German Insurance Association (GDV) for insurance sales activities. The third principle of this code of conduct explicitly condemns corruption and bribery. ARAG's internal rules and measures are reviewed by an independent auditor every two years in order to ensure that they match the provisions of the code of

conduct. In 2017, no deviations from the GDV code of conduct were identified. The findings of these audits are published and freely accessible on the GDV's website. In addition to compliance with all Group-wide policies and guidelines, ARAG's international companies and branches also ensure that they always operate in accordance with all legal requirements and industry standards that apply in their respective country. In 2017, Italy revised its regulatory requirements in order to clamp down further on corruption in the private sector. Under the new legislative framework, both active and passive corruption are punishable offenses, and even the attempt to buy any unfair competitive advantage can lead to criminal proceedings.

205-1 Operations assessed for risks related to corruption

Corruption risks are continually and systematically analyzed at all ARAG locations. Police crime statistics are an important basis for this, as are 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 (CSFI) and PwC. Apart from the sales risks described above, ARAG is not exposed to any increased risk of corruption in Germany or abroad.

205-2 Communication and training about anti-corruption

The Supervisory Board members, all Management Board members, and senior managers at the first and second management levels learn about corruption risks and corruption prevention during compliance training. Senior managers are obliged to train their staff according to the 'train the trainer' principle. Regular and ad hoc intranet updates on corruption issues are also published by ARAG to keep employees informed. The Group's international offices are encouraged to conduct additional country-specific training courses. The Executive Committee of ARAG Italy, for example, was provided with detailed information on the new regulatory adjustments and their consequences by a legal expert in 2017. Training courses for further employees of ARAG Italy are scheduled for 2018.

205-3 Incidents of corruption

No incidents of corruption were recorded in 2017.

Environmental topics

302/305	Energy and emissions
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103-1/2/3	Management approach
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New ways of working have an ever-growing influence on the ARAG's energy budget. In terms of buildings, organization, and user behavior, ARAG is well-prepared for further reductions in energy consumption across all of its locations and has been implementing environmental protection measures proactively for years.

Energy is also a key element of ARAG's operational continuity management. A consistent energy supply plays a crucial role in maintaining an office climate in buildings that is pleasant and conducive to productive work, and in guaranteeing the 24-hour availability of the IT infrastructure and IT systems. It is the responsibility of the Group Central Services department, which reports directly to the Management Board, to ensure that there are always enough workplaces and that these have all the necessary functionality. As an internal service provider, Facility Management controls the energy consumption and associated CO₂ emissions. The Procurement department is responsible for buying in energy and for putting all related services out to tender in the market.

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 headquarters building in Düsseldorf, ARAG commissioned a review to obtain an Energy Performance Certificate in accordance with the requirements of the German Energy Saving Regulation. The findings show that the ARAG Tower achieves very good levels of energy efficiency compared with similar buildings. ARAG endeavors to improve these figures continuously and conducts ongoing optimization measures to this effect. In 2017, the use of LED technology at ARAG's headquarters was extended by replacing the lighting in the underground car park and the archive rooms. In addition, an inspection of the air conditioning and cooling systems revealed that the systems at the ARAG Tower are still in good condition. Ongoing needs assessments and technology runtime optimizations offer further savings potential at no loss of convenience. At an older property on Redlichstrasse in Düsseldorf, the ventilation system was replaced in 2017, a measure that will generate energy savings of 75 MWh per year. Refitted window components further reduce the need to heat/cool this property.

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 training participants to inform them about more energy-efficient ways of using such systems and technologies. As part of the 2017 ARAG Sustainability Day, the building engineering team set up an information booth on the theme of 'Right equipment and proper handling' and advised ARAG employees on topics such as ventilation, temperature, lighting, paper consumption, and waste disposal.

Energy consumption figures and associated costs are collected and analyzed for an accounting period of one month. The planning process for an in-house energy controlling system, which had been initiated in the previous year, was completed in 2017. Requirement specifications were prepared and the project for the implementation of the system at the ARAG Tower has been put out for tender. One of the key challenges will be to find ways of installing measuring points during operation without compromising the availability of the data processing center and/or disrupting day-to-day operations. Once the setup of the energy control system is completed, equipment upgrades and modifications can be made directly visible. The report on the findings of the energy audit under DIN EN 16247-1, which was conducted in 2017 based on the provisions of the revised Energy Services Act (EDL-G), confirms this fact.

ARAG's international companies also make ongoing efforts to reduce energy consumption at their locations. The applicable framework conditions in this respect 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. In Austria, companies are required to have energy audits conducted by external experts at regular intervals under the country's Federal Energy Efficiency Act (EEffG). In the wake of the 2017 audit, ARAG Austria initiated additional energy saving measures. ARAG UK also took comprehensive action in 2017 to lower its energy consumption, including a switch-over to LED lighting and the implementation of fuel consumption caps for company vehicles. In addition, ARAG UK contributes to the Amazon Deforestation Programme every year as a way of offsetting its CO₂ emissions.

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 GHG emissions¹

	2017 global	2017 GER	2016 GER	Delta GER
Energy consumption (in MWh)	23,197	14,686	15,319	-4%
Electricity	11,035	7,048	7,257	-3%
Heating	10,111	7,585	8,008	-5%
Heating oil	340	-	-	
Natural gas	5,388	3,937	4,031	-2%
District heating	4,382	3,648	3,977	-8%
Fuel	2,051	53	53	0%
Diesel	1,627	50	50	0%
Petroleum	425	3	3	0%
CO₂ emissions (in tCO₂e)²	7,626	4,956	5,148	-4%
Scope 1	1,738	821	840	-2%
Combustible	1,195	807	826	-2%
Fuel	542	14	14	0%
Scope 2	5,889	4,136	4,307	-4%
Electricity ³	4,916	3,326	3,424	-3%
District heating	973	810	883	-8%

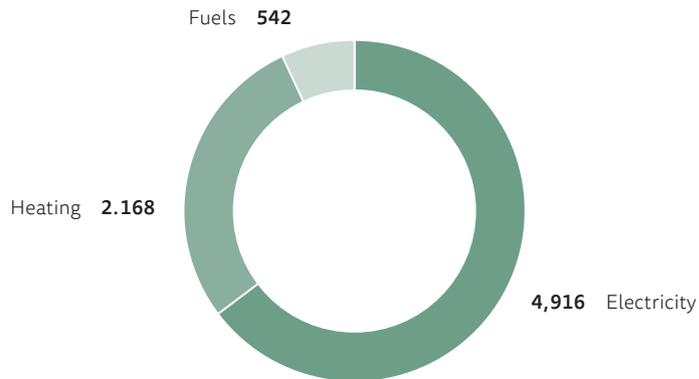
¹ This data is based on the ARAG headquarters in Düsseldorf (Germany) and local offices in other parts of Germany, Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, Spain, the UK, and the US. Figures for the UK were estimated based on data from 2016. For Belgium, Greece, Slovenia and Spain, individual data points also had to be based on estimates.

² Calculated according to the guidelines of the WRI/WBCSD Greenhouse Gas Protocol. Scope 1: GHG emissions from the operation of company-owned heating systems and vehicles. Scope 2: GHG emissions from the production of purchased electricity and district heating.

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

CO₂ emissions by source

(in tCO₂e)



302-4

Reduction of energy consumption

305-5

Reduction of GHG emissions

Since 2014, electricity consumption in Germany has been reduced by 466 MWh per year on average. This is equal to an annual reduction in emissions of approx. 220 tonnes CO₂ equivalents (tCO₂e), of which 100 MWh, equal to 47 tCO₂e fewer GHG emissions, is due to the gradual switch to LED lighting. In 2017, ARAG achieved another significant reduction in its electricity consumption compared with prior-year figures. The savings amounted to 232 MWh, which represents a reduction of 3.2 percent.

The Group's international offices also made progress. In Barcelona (Spain), electricity consumption dropped from 1,240 MWh in 2016 to 1,150 MWh in 2017 – a reduction of 6.64 percent. This was achieved without any negative impact on the indoor climate and comfort at the premises. Further measures are planned or under way in several other countries. A comprehensive refurbishment is scheduled for ARAG's office in the Netherlands. Alongside a new façade and better insulation, solar panels will be installed as a further step toward making this building a zero-emission property.

Social topics

401 Employment

103-1/2/3 Management approach

As a family enterprise, ARAG is a reliable, yet ambitious, employer. High levels of commitment, quality, and dedication are expected of the employees. In return, ARAG offers them a varied working environment. The company positions itself as an attractive employer and provides a forward-looking working environment that offers opportunities, fairness, and security. This is decisive for the company's ability to retain skilled employees and high performers for the long term. The ARAG Group relies on a competent, highly committed, and dedicated workforce that is fully focused on delivering ARAG's value proposition for the company's customers.

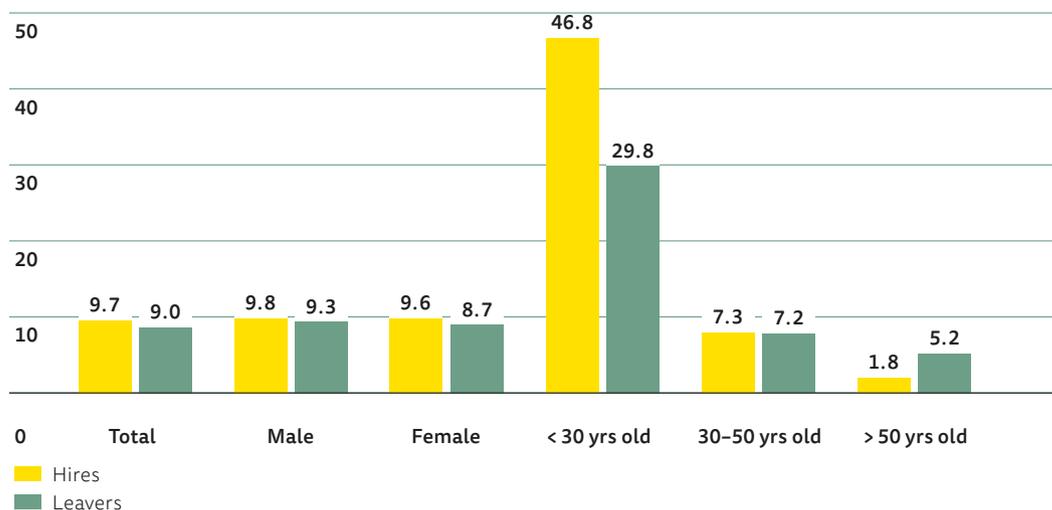
ARAG attaches great importance to offering employees a career environment that is compatible with family life. Greater flexibility in working hours and work locations plays a key role in this respect. Appropriate provisions promote access to managerial responsibility in part-time roles and employees are supported in matters of customer care. Alongside its parent-child offices, ARAG also provides help with vacation care for children of school age. These measures strengthen ARAG's image as an attractive employer and improve employees' motivation, which in turn has a positive impact on their commitment and performance. The measures implemented are being reviewed one by one by an external partner. In 2017, ARAG was once again certified by *berufundfamilie Service GmbH*, an initiative of the Hertie Foundation that recognizes companies with a corporate culture that is family-friendly and which suits all stages of life.

Besides certifications, ARAG also uses constant market monitoring and benchmark analyses to compare its hiring criteria with those of its competitors. Key risk indicators, such as staff turnover and the staff sickness rate, are recorded across the Group. Several indicators underpin the attractiveness of ARAG as an employer, including the company's low staff turnover and the low number of unfilled vacancies.

The international companies also position themselves as attractive employers in their respective markets. In the Netherlands, ARAG regularly visits universities to attract talented young people and inform students about career opportunities at ARAG. In addition to traditional job portals, recruitment efforts also focus increasingly on platforms such as LinkedIn. In 2017, ARAG Italy won awards in the categories 'Top Welfare' and 'Top Career' in a ranking conducted by the German Institute for Quality and Finance. The company impressed the jury with its comprehensive benefits for employees and was praised for its friendly and supportive working environments. In Spain, ARAG reduced the number of fixed-term contracts by 8 percent in order to offer employees a long-term career outlook in an unstable labor market.

401-1 Employee turnover

Staff turnover by gender and age in 2017*
(%)



* Permanent employees only. The chart shows hires and leavers expressed as a percentage of the total staff head-count at the end of the year. These key figures are based on ARAG SE in Germany and on the international branches and subsidiaries in Austria, Belgium, Canada, Greece, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, the UK, and the US. The operational insurance companies in Germany and the German service companies that form part of the ARAG Group are not included.

In 2017, 150 female and 115 male employees joined the company, while 136 female and 109 male employees left the company. Of the new hires, 124 employees were under the age of 30, 127 employees were between 30 and 50 years old, and 14 employees were over the age of 50. Of the staff leaving the company, 79 employees were under the age of 30, 125 employees were between 30 and 50 years old, and 41 employees were over the age of 50.

401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

ARAG provides better staff benefits than the minimum required by law. For example, permanent staff are enrolled in an immediately vesting, nonforfeitable, employer-funded company pension plan, including disability cover. In addition, all full-time employees of ARAG have the option to defer compensation and can enjoy subsidized meals and parking, manager check-ups, health days and healthcare offers, an employee assistance program, company sports activities, and services such as drycleaning and shoe care within the office building.

The benefits and other allowances offered by ARAG’s international companies vary based on local circumstances, but are generally of a comprehensive nature. ARAG Austria, for ex-

ample, offers employees free season tickets for local public transport networks. In Italy, employees are offered company support with the preparation of their tax return. In addition, they can also use a home delivery service for groceries. Pregnant employees can use a designated parking space near the main entrance of the building. In Spain, ARAG supports employees by contributing to their costs for children's school supplies and nursery care. In addition, subsidized physiotherapy services are offered on the ARAG premises. Employees can also benefit from an early retirement scheme offered by the company.

401-3 **Parental leave**

	Men	Women
Number of employees who took parental leave	9	44
Number of employees who returned to work in 2017 after their parental leave	8	12

These figures relate exclusively to ARAG SE in Germany, as rules on parental leave vary from country to country, which makes it impossible to collect comparable data. The operational insurance companies in Germany and the German service companies that form part of the ARAG Group are also not included.

403 **Occupational health and safety**

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

ARAG expects high levels of commitment from its workforce. Employees need to be motivated and in good health to be able to achieve this standard. That is why ARAG insists on comprehensive occupational health and safety measures. This approach helps to ensure compliance with statutory requirements, but beyond that it also enhances the company's attractiveness as an employer, improves employee satisfaction, reduces absences, helps to prevent negative impacts of stress on employees' well-being, and therefore generally promotes better health across the workforce.

The internal safety standards implemented by ARAG go beyond the statutory requirements in relation to occupational health and safety. This enables the company to minimize accident and fire safety risks and to prevent impairments to the physical or mental health of employees in the workplace. The central departments Group Central Services and Group Human Resources are responsible for work safety. The day-to-day implementation is handled by the Health and Safety and Fire Safety department together with local health and safety and fire safety officers and a Vice President of Personnel Development. Compliance with statutory provisions, and the standards set by the accident insurer (VBG) relating to health and safety and ergonomics in the workplace, is reviewed and documented by ARAG on a regular basis. Safety and all safety-related equipment are maintained above and beyond the legal requirements. The safety-related equipment and the number of first aiders, fire safety officers, and security officers also exceed the statutory minimum requirements. Emergency manuals and a safety committee ensure that ARAG is well-prepared to cope with emergency situations. Furthermore, annual evacuation drills are car-

ried out and documented, and the workforce receives training via e-learning on the intranet. Employees with special safety responsibilities receive annual training. In Germany, ARAG's health & safety committee convenes regularly to discuss 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 officer, and other relevant individuals.

ARAG promotes employees' health-consciousness through ARAGcare, its corporate health management program. At the 2017 Corporate Health Awards, ARAG's holistic health strategy and workplace health promotion offers achieved top honors for the eighth time. The company organizes regular health days and check-ups with a focus on prevention and raising awareness among the workforce. A range of health courses and medical check-ups, and advice from the company physician on topics such as child care, caring for relatives, and professional or personal problems are available to employees, if required. In addition, employees can participate in a broad range of company sports activities. 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.

The Personnel Development department within Group Human Resources is responsible for ARAGcare. Discussion points on the ARAGcare committee are managed and agreed with the occupational health and safety officers, the Works Council, the company physician, and other parties involved, such as the representative committee for employees with severe disabilities. There are several options open to employees who have complaints regarding occupational health and safety. They can contact the occupational health and safety officer and the Personnel Development team directly. Feedback can also be given via the intranet, a central email address, and feedback questionnaires that are distributed after evacuation drills and health days. Concerns can also be raised in the ARAGcare committee and the sessions of the health & safety committee. And finally, employees can also contact the Works Council or any member of the managerial staff.

Some of ARAG's international companies have implemented additional local measures. In Austria, all employees can obtain free vaccinations against the flu and tick-borne encephalitis once per year. Employees can also arrange hearing tests and eye tests through the company. In the Netherlands, employees can participate in work/life balance training courses, and the company actively promotes physical exercise and a healthy diet with relevant offers.

403-2 **Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities***

The overall absentee rate is 5.9 percent for women and 3.3 percent for men. In Germany, the absentee rate is 6.9 percent for women and 4.1 percent for men. In 2017, no work-related injuries or fatalities were recorded in Germany or at any of the international offices.

*These key figures are based on ARAG SE in Germany and on the international branches and subsidiaries in Austria, Belgium, Canada, Greece, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, the UK, and the US. The operational insurance companies in Germany and the German service companies that form part of the ARAG Group are not included.

404 Training and education

103-1/2/3 Management approach

ARAG's ambition is to become one of the best insurance providers in the market. To achieve this goal, the company relies on a competent, highly committed, and dedicated workforce. Vocational training, skills upgrading, and professional development for its employees are therefore of great importance to ARAG. By providing training and development as needed, ARAG ensures the 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. All measures serve to fulfill the brand promise as an innovative and high-quality insurer.

The provision of training and development is governed by ARAG's training guidelines. Professional development measures are generally available to all employees. ARAG promotes access to continuing professional development in Germany and across its international locations. Both internal employees of ARAG and Field Sales representatives are therefore allowed to dedicate working time to training measures and can obtain generous company contributions to training costs. Strategic management of CPD falls within the remit of the Senior Vice President Human Resources, the Head of Personnel Development, and the Personnel Development department. Operational implementation is the responsibility of the latter two together with all managers at ARAG. ARAG Sales Training is also responsible for training the brokers at the parent company, who mainly work for ARAG in accordance with the regulations set out in section 84 of the German Commercial Code. In 2017, ARAG initiated steps to centralize the organization of specialist training for front office staff at its offices in Düsseldorf and Munich. This restructuring measure was completed in spring 2018.

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. In 2017, all 250 members of ARAG's senior management staff in Germany and abroad participated in a one-day training course on the changes and challenges arising from the new German Act on the Supervision of Insurance Undertakings (VAG) and the Solvency II Directive. The aim of the course was to prepare management staff for future requirements in the industry. In 2018, an e-learning program on the same topic will be provided for all employees of the Group. ARAG is also keen to pursue the further development of the business and its employees in ways that take account of important social and cultural changes such as digitalization and internationalization. Thanks to its comprehensive and multi-layered knowledge management approach, ARAG is well-equipped to meet these challenges.

Training and professional development measures are based on the needs of the company and its employees. ARAG carefully selects its training measures and providers to ensure that its offering is of the highest quality. For new training programs, ARAG conducts a thorough market comparison before choosing the best provider. It is important to ARAG that training measures are closely related to employees' day-to-day work in order to maximize the effectiveness of the learning process. The quality of the training and development is assessed using questionnaires in the individual seminars and feedback received during the annual staff appraisal interviews. In the future, ARAG wants to integrate more digital resources into its offering in order to optimize the long-term effectiveness of training and professional development measures. The company also intends to provide more customized offers in order to tailor training measures more closely to the needs of individual employees.

All training and development measures planned and carried out by ARAG since 2016 have been carefully documented, including information on time and money spent. This documentation has provided important insights for the implementation of the IDD and compliance with the increasing number of mandatory staff training requirements. Based on the analysis of this documentation, ARAG decided, for example, to implement a centralized planning, organization and administration process (ARAG IQ) for the specialist training measures offered to two major front office departments.

404-2

Programs for upgrading employee skills and transition assistance programs

ARAG's web-based skills and qualifications platform ARAG IQ enables all employees based in Germany to keep their knowledge and capabilities up to date. The offering comprises around 150 different development measures that range from classroom-based seminars and training programs to e-learning courses. Development measures are mainly focused on specialist and methodological skills, leadership skills, personal and social skills, insurance-related and commercial knowledge, project and process management, and foreign languages. Additional training on leadership in transformation, creativity and design thinking, and agile project management is also offered as part of the Future Fitness program. Further topics covered include the Solvency II Directive, VAG, risk management, internal audit and compliance, data protection, and occupational health and safety. ARAG draws on a pool of around 20 coaching staff and several external training providers to deliver its professional development measures.

In addition to its extensive training and CPD offering, the ARAG myCareer talent management system is another important factor for the company's ability to retain skilled staff. This system comprises a wide range of personnel selection and development tools. It offers managers the opportunity to register candidates every six months for training in specialist and management functions. Specialists and managers receive financial support for MBAs and other part-time degree courses that run alongside work. By providing appropriate vocational training in insurance and finance, ARAG also ensures that there is an adequate talent pipeline and a good demographic mix within the Group. Around 50 trainees at various levels are supported in Düsseldorf, Munich, and in Core Sales.

Individual continued professional development (CPD) measures are discussed and planned as part of the obligatory annual staff appraisal interviews. In total, 3,838 CPD measures were taken across the company in Germany in 2017. Based on this figure, ARAG Sales Administration employees participated in an average of two CPD measures over the course of the year, which is the same participation level as in 2016. The training and CPD offering at ARAG's international locations is largely comparable with that in Germany. ARAG UK operates an additional web-based platform called SkillCast, which enables employees to keep their skill sets up to date. The company also supports employees with the preparation for their professional insurance certification. ARAG North America focuses not only on professional training but also on comprehensive personal development. The company's management firmly believes that this improves employees' confidence and commitment, which ultimately makes the business more resilient.

404-3 **Employees receiving regular performance and career development reviews**

ARAG requires staff appraisal interviews to be carried out annually. A progress review carried out by HR shows 93.5 percent of interviews were carried out in 2017.

405 **Diversity and equal opportunity**

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

Fairness and openness in its dealings with a diverse workforce and a diverse society are a matter of course for ARAG. For an internationally active insurer, good working relationships across all countries and cultures are an important success factor. Experience has shown that diverse teams generate creative ideas and promote the long-term success of the company

ARAG's family-friendly and inclusive approach has a positive impact on the way in which the company is perceived by 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 minimizes 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. ARAG also aims to offer all employees the same opportunities for professional development – irrespective of age, gender, 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. Among these are flexible working time arrangements, working from home and teleworking, and the possibility of giving management positions to part-time staff. The aim is to offer employees suitable working conditions and career opportunities at all stages of life. The representative 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.

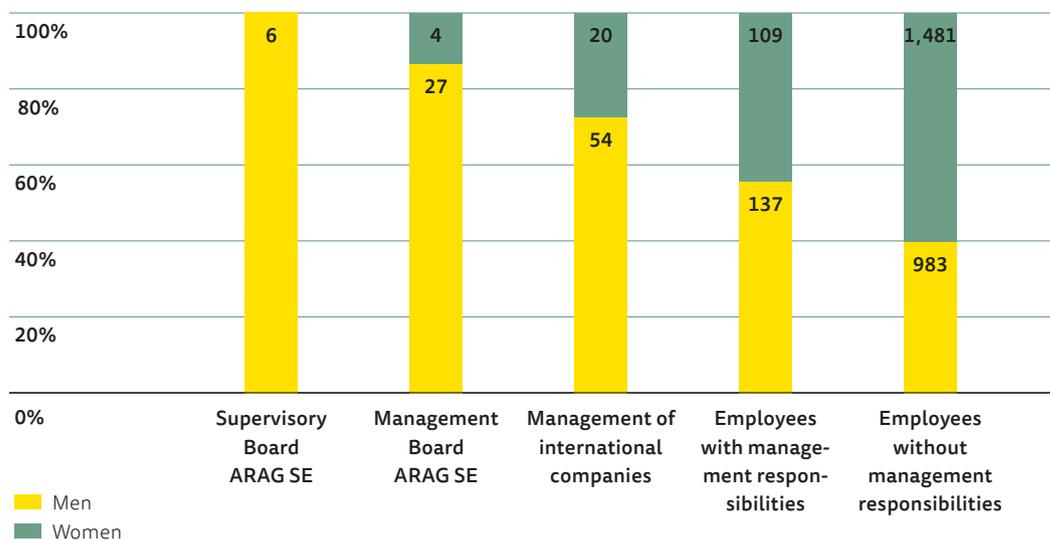
The Gender Diversity project produced a 20-point catalog of measures aimed at promoting equal opportunities for women and men. Around three-quarters of the measures had been implemented by the end of 2017. Examples include appropriately equipped parent-child offices, life coaching for employees, and advice on matters such as childcare and caring for relatives. In 2017, berufundfamilie gGmbH – an initiative of the charitable Hertie Foundation – audited ARAG's HR policies to determine how well they took into account the needs of employees with families and those entering new phases of their life. Following comprehensive evaluation, new targets and measures were agreed to further improve the compatibility of career opportunities with employees' family life. This also involved a re-certification by the berufundfamilie gGmbH initiative. In Spain, ARAG intends to renew its 'Plan de Igualdad de Oportunidades' (equal opportunities plan) in 2018. This plan was developed in collaboration with the Works Council in 2009 in order to promote equality of opportunities. These efforts will be made regardless of the fact that half of the company's Executive Committee and 57 percent of its managerial positions are already staffed with female employees.

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. Employees are allowed and even actively encouraged to express their individual personalities and views, which the company considers as a source of added value. International management seminars on VAG and the Solvency II Directive, which were attended by all members of ARAG's senior management from Germany and abroad in 2017, as well as other professional development measures, actively promote diversity.

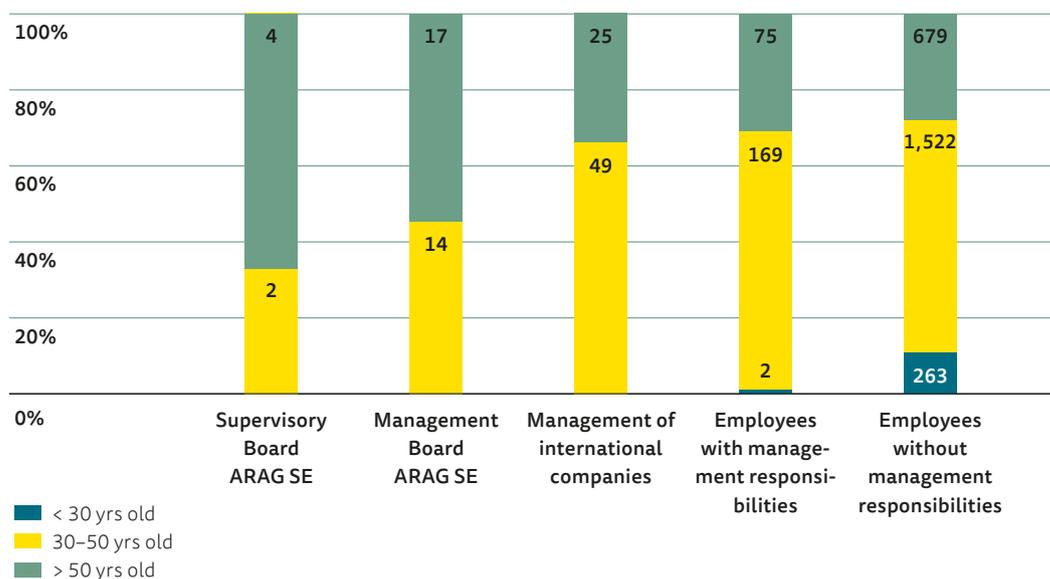
Actions taken are reviewed and improved at regular intervals, for example through an annual independent certification of the family-friendliness of the work environment and through the company's participation in the Corporate Health Award. Gender statistics are also recorded annually. In management reporting, the CPD measures are analyzed for socio-demographic data, including age, gender, years of service, and hierarchy level.

The percentage of women at the highest management levels has increased in recent years, but a gender balance has not yet been achieved. Appropriate measures such as specific support for female employees, further steps toward more flexibility on working hours and working remotely, and better childcare options are being implemented to remove the remaining obstacles step by step. Challenges arise from the need to win acceptance at management level for concepts that offer added value for employees but are more complicated and time-consuming to administer, such as working from home and allowing part-time staff to take on management roles.

Supervisory bodies and workforce in 2017, split by gender
(% and absolute numbers)



Supervisory bodies and workforce in 2017, split by age
(% and absolute numbers)



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415	Public policy
103-1/2/3	Management approach

Developments in the political and regulatory landscape have a considerable influence on ARAG'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 in constant communication with public authorities and government in order to represent the company's interests. The CEO and the Chief Representative are responsible for the dialog with these important stakeholders. This dialog serves to identify topics of relevance to both sides with the aim of understanding different points of view and finding solutions at an early stage. ARAG therefore attaches great importance to open and proactive communication.

The international Group companies are normally members of the relevant trade association in their country. In Austria, ARAG maintains regular contact with the chamber of commerce and participates in the annual discussion of the Federal Government's economic report. ARAG North America strives to use its influence to improve business and regulatory conditions for the legal insurance sector at national and state level. The company maintains relationships with public authorities, most notably at its headquarters in Iowa, and with lobbyists who obtain opinions on proposed bills and changes to state legislation.

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 includes donations to the larger parties represented in parliament at federal and state level. In the reporting year, the total amount of financial contributions to these parties was €105 thousand.

ARAG's international subsidiaries did not make any donations to political parties in 2017. In the US, such company contributions are prohibited under federal law.

FS 417	Product portfolio Marketing and labeling
103-1/2/3	Management approach

ARAG is a 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 aims to set itself apart by providing customized products and excellent service that deliver the maximum benefit for customers and consumers. To this end, ARAG focuses on innovative, sophisticated, and fair products.

ARAG also designs its products to be modular and flexible so that they can fulfill the rapidly changing needs of individual customers. Over 90 percent of products are offered in Basis, Komfort, and Premium packages, and customers can choose from up to seven different excess levels. This enables policyholders to tailor the price-performance ratio of their cover to their particular needs. ARAG's product managers regularly liaise with employees who are in daily contact with its customers, so that insights from sales, claims, and customer services can flow into the development and optimization of insurance products.

In 2017, ARAG initiated a targeted modernization of its insurance product portfolio. A remarkable innovative achievement was the launch of the ARAG Sofort legal insurance for motorists. It is the first solution in the German insurance market that offers customers the possibility to obtain legal insurance for a loss event that has already occurred. Encouraged by positive customer feedback, ARAG introduced a further product with retroactive cover in early 2018. ARAG Sofort legal insurance for tenants can help with disputes on utility bills, rent increases, or contentious repairs. It can also be helpful to tenants whose lease is being terminated because the landlord requires the property for personal use. A Komfort package with a wide range of benefits was added to the 'Recht&Heim' all-round cover. This attractively priced option complements the existing 'Recht&Heim' Premium cover solution offered by ARAG Allgemeine.

In its international markets, ARAG also anticipates changes in customer needs at an early stage and develops innovative solutions to match them. In Belgium, ARAG worked on the development of a new 'lifecycle insurance' for private customers in 2017. This new product is aimed at providing optimum legal insurance cover at all stages of life. A particular focus of the product will be on providing cover that is better suited to the needs of young adults and policyholders over 65 years of age.

The steady advance of digitalization presents a significant challenge for future product development. ARAG is already focusing its attention on this topic and is offering customers wide-ranging support and insurance cover for their online activities. In 2017, ARAG Allgemeine expanded its 'Business Aktiv' product for commercial policyholders, which offers comprehensive insurance for the self-employed and small businesses. In particular, the new features include the CyberSchutz and CyberSchutz Plus add-on modules as well as ARAG Business Assistance. The new CyberSchutz module was developed especially for small and medium-sized businesses (SMEs), providing them with support in respect of

risks, problems, and security weaknesses on the internet, in emails, in online banking, or in their online shop. The CyberSchutz and CyberSchutz Plus products for SMEs were introduced by Interlloyd Versicherungs-AG. The balance between the protection of privacy and freedom of speech is a contentious issue that has attracted much attention in the context of social media, and it requires innovative solutions. HELP Forsikring, an ARAG subsidiary in Norway, specializes in legal insurance products that focus on harassment through social media and on protection against identity theft.

ARAG's participation in independent tests and ratings ensures that its products 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 2017, these included:

Germany:

- Overall winner in the 'Most innovative brand in 2017' category (Plus X Award)
- Winner of the legal insurance product test 'DtGV Studie Rechtsschutzversicherungen 07/2017'
- Fairest legal insurance provider according to the Focus Money magazine, issue 37/2017
- ARAG's private liability cover received a rating of 'very good (1.0)' for the Premium package and a rating of 'very good (1.4)' for the Komfort package by the German consumer organization Stiftung Warentest (Finanztest magazine, issue 10/2017)
- Premium and Komfort packages of ARAG Aktiv legal insurance rated 'very good' and Basis package rated 'good (2.1)' (TÜV Saarland, 01/2018)
- Premium and Komfort packages of ARAG Aktiv legal insurance for the self-employed rated 'very good' and Basis package rated 'good' (TÜV Saarland, 01/2017)

International:

- Austria: First runner-up at the AAA Award for corporate legal insurance (ÖVM, Wissma) and second place in a ranking of the best specialist insurance providers in Austria (Der Börsianer magazine)
- Italy: Award for 'Legal insurance and digital innovation for the benefit of customers and intermediaries' (Italy Protection Forum Awards 2017)
- Spain: Voted best legal insurance and travel insurance provider in the annual Barometer ranking of the Spanish Insurance Brokers' Association (ADECLOSE)
- UK: Named 'Legal Insurance Provider of the Year' and 'Managing General Agent of the Year' at the Underwriting Service Awards

For further information please see the 2017 ARAG Holding SE consolidated financial statements.

It is very important to ARAG that its product and customer information is easily understandable. Based on the findings of an independent study conducted in 2013, ARAG is the market leader in Germany in this respect. As part of this study, documents of 21 well-known German insurance providers, including insurance terms, brochures, and product information, were analyzed based on the Hohenheim comprehensibility index. Although ARAG

took the top spot, the study also showed that there was still room for improvement. Since then, the company has been taking great care to clarify any complex legal phrases that must be included in such documents by providing extensive examples. The company's insurance terms and conditions, brochures, and product information are also automatically checked by software based on the criteria of the Hohenheim comprehensibility index (HVI). By signing up to the German Insurance Association's code of conduct for insurance sales, ARAG and its Group companies have made a clear statement of their support for greater consumer protection, a better quality of advice and broker training, and of more transparent and binding rules on dealing with customers. ARAG is thus making an important contribution to increasing trust in the insurance brokerage sector as a whole.

417-1 Requirements for product and service information and labeling

ARAG considers it a given that its products and services comply with all applicable national and international legislation and regulations and that product marketing meets the highest ethical standards. Among the most important regulatory requirements are the German Insurance Contracts Act (VVG), the new VAG, legislation to implement the GDPR, the IDD and the guidelines published by the German Federal Financial Supervisory Authority (BaFin).

FS7 Monetary value of products and services designed to deliver a specific social benefit

In addition to its wide range of legal insurance products that offer inherent social benefits, ARAG offers tailored products for sports clubs and associations, sponsorship associations for charitable causes, and carnival societies. The types of cover for such organizations include legal, liability, accident, vehicle, illness, financial loss, environmental damage, and luggage insurance. Since 2016, ARAG has also been offering a property insurance product specifically for sports clubs. Based on many years of experience as Europe's largest sports insurance provider, ARAG knows that every club is unique. It therefore offers flexible cover that can be tailored exactly to the needs of individual customers. This principle applies not only to products for sports clubs, but also to many other specialist insurance products, such as insurance cover for events, and cover for owners of horses, sporting arms, or boats. In 2017, the sports insurance segment (Germany and international markets) generated revenues of around €40 million. This is equivalent to 26 percent of the total revenue from direct business of ARAG Allgemeine Versicherungs-AG.

ARAG UK offers companies a Health & Medical Information product that gives employees access to free advice on health issues over the phone. This advisory service can help employees with issues such as handling stress. In the US, ARAG North America voluntarily waives all premium payments for members of the armed forces.

418 **Customer privacy**

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

The trust of its customers is the foundation of ARAG's success. The company depends on existing and potential customers providing the data that is required to carry out insurance business. They are usually willing to do so if they believe that their data will be treated confidentially and in accordance with the law. ARAG's impeccable reputation on matters of data protection is therefore a crucial success factor for its business. With the growing use of digital technologies, data protection is moving into the spotlight. ARAG takes utmost care to comply with all relevant statutory requirements in order to maintain the trust of its existing and prospective customers and to avoid reputational damage.

The comprehensive data protection management system is based on well-coordinated rules and regulations, comprising the ARAG Information Security Guidelines, the ARAG Information Security Standard, and the data protection strategy, together with other policies and procedural instructions. All of this documentation is updated at regular intervals and can be accessed by all employees via the intranet. Organizational and technical measures provide further layers of data protection. ARAG has undertaken to comply with the GDV's code of conduct for processing personal data, established in conjunction with the German data protection authorities. This code of conduct obliges the company to take measures to promote data protection that go beyond the minimum required by law. In 2017, all ARAG's European companies prepared for the implementation of the GDPR. This process is scheduled to be completed by the end of May 2018.

Shaping and enforcing data protection at ARAG is the responsibility of the data protection officer, the IT security officer, and the Group Audit department. In the digital age, data protection is an interdisciplinary function, which is why all departments are responsible for adhering to data protection requirements. They are supported by the data protection officer in accordance with the duty to promote data protection that is enshrined in law. The data protection officer provides training sessions to improve employees' data protection skills and qualifications and thereby enhance the level of protection. ARAG also implements measures to increase awareness and uses internal communications channels to keep employees abreast of the latest developments.

The correct use of data processing software in procedures and data handling processes is audited by the data protection officer. Incoming data protection complaints are monitored continuously and provide an indication of how well data protection requirements are adhered to in day-to-day business. In the event of a suspected breach of data protection, the first step is to lodge a complaint with the relevant department. The person affected can also approach the company's data protection officer and present their complaint to the competent data protection supervisory body. ARAG is required by law to report any unlawful data transfers or other unlawful disclosure of personal data.

418-1 **Complaints concerning breaches of customer privacy and losses of customer data**

Four substantiated complaints by third parties were registered in 2017. In all cases the breach was 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. No further action was taken by the authorities. No substantiated complaints by data protection supervisory bodies were registered in 2017.

419 **Socio-economic compliance**

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

For ARAG as a legal insurer, 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 several guidelines and processes in place to minimize compliance risk and to avoid reputational damage and legal sanctions. The Compliance Handbook and the Code of Compliance, in particular, provide important information on applicable external and internal provisions. 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 obliged to pass on the course content to their staff.

ARAG carries out an annual compliance risk analysis and, on this basis, produces a compliance plan with appropriate measures. The progress of their implementation is reported to the Management Board in the compliance report. The report also makes reference to analyses from the complaints management system. The extent to which compliance efforts have been successful is indicated by the complaints received and the number of compliance breaches identified. Complaints can be directed to an anonymous whistle-blowing hotline. Complaints can also be made to the German Federal Financial Supervisory Authority and to the ombudsman.

All German ARAG subsidiaries have signed up to the most recent version of the code of conduct of the German Insurance Association (GDV). The GDV code of conduct provides for a mandatory audit to be carried out by an independent auditor every two years. The appropriateness test examines whether internal corporate rules reflect the regulations in the code. This approach ensures a high degree of commitment and self-monitoring. In 2017, no deviations from the GDV code of conduct were identified. The description of the compliance management system that serves as the basis for the test and the positive audit report from the independent auditor, PwC, were published on the GDV website. Other European countries do not have a comparable code of conduct. The implementation of the IDD in 2018 should, however, result in a certain degree of harmonization.

In the wake of changes in anti-money laundering legislation, security requirements and the financial circumstances of ARAG customers were again a key discussion point in 2017. With its 'Red Thread' approach, ARAG already had a sound advisory concept in place which is being improved continuously. Preparation and implementation activities in relation to the IDD and the GDPR also required significant resources. Going forward, ARAG aims to further improve the consistency and uniform application of its internal rules.

419-1

Non-compliance with laws and regulations

There were no penalties or fines for non-compliance in 2017. In accordance with regulatory practice in relation to the Volkswagen emissions scandal, one law firm made several criminal complaints in 2017 against company bodies and employees of ARAG SE and against an attorney representing ARAG in legal proceedings. The competent public prosecutor's office decided not to open an investigation. The case was dismissed.

Information

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

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You can find up-to-date information on our website:

www.ARAG.com

To improve readability, every effort has been made to use gender-neutral terms and avoid duplication with both masculine and feminine forms. However, if used, the masculine implies the feminine and vice versa unless dictated by the context or stated otherwise. This approach is for editorial reasons only and does not constitute any value judgment.

Credits

Overall responsibility	ARAG Corporate Communications/Marketing
Editor of the magazine section	pp. 20–41 Karin Vogelsberg, Dresden
Editors and advisors	
on the GRI Report	Sustainserv GmbH, Zurich and Boston
Design and layout	Kammann Rossi GmbH, Cologne
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