

ARAG HOLDING SE

2016 Sustainability Report



Dive into life.

“Every individual should be able to assert his or her rights, not just those who can afford it.”

Heinrich Faßbender
Company founder

Introduction

Proper corporate social responsibility means activities that focus on the long term, i.e. they must be sustainable. Sustainability is not merely an option for the ARAG Group, it is a must. As an independent family-owned enterprise in the financial sector, we appreciate the importance of reliability and solidity.

And on this basis the company has grown over the past 80 years from a business idea that my grandfather had into an insurer with more than seven million customers. By being sustainable we can safeguard ARAG's independence for the long term. All short- and medium-term economic, environmental, and social goals must be subordinated to this long-term objective, as our independence is also our strength: It gives us stability, opens up long-term prospects, and enables us to make our own business decisions. It also allows us to always act in our customers' interests.

A commitment to performing and to delivering on our promise is one of our corporate principles. And the figures speak for themselves: The ARAG Group has grown by 4.4 percent over the past year. We are achieving an effective increase in new customers and continuing to grow our business while raising our profitability. ARAG now operates in a total of 17 countries.

The success of the business is not mere good fortune – it is based on the fact that the ARAG Group puts people first. This applies to our customers, for whom we want to provide solutions, and to our employees, who can rest assured that everyone at ARAG enjoys equal opportunities. It is this fairness that motivates our employees to perform so well. And their dedication benefits our customers. At ARAG we consider ourselves not only a community with shared values, but also a community for creating value.

In our first GRI Sustainability Report we will explain how we implement sustainability in our company. But this is only a snapshot. Even in a successful company such as ours there are things we can do better. And we can do better if we stay true to our principles, yet still remain open to change. By remaining open to change we can drive forward the sustainable development of ARAG in the interest of our customers.

Dr. Dr. h. c. Paul-Otto Faßbender

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Equal opportunities for all

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“Proper corporate social responsibility means activities that focus on the long term, i.e. they must be sustainable. As an independent family-owned enterprise, we can credibly live up to this aspiration.”

Dr. Dr. h. c. Paul-Otto Faßbender Chairman of the Management Board

Do your thing!

When things go wrong in life many people rely on their family for help. Or on the support of a family-owned enterprise like ARAG. Our customers appreciate our independence, our reliability, and our human touch.



You can find out more at
[www.arag.com/
company/history](http://www.arag.com/company/history)

This is what equal opportunities meant before the Second World War: “Every individual should be able to assert his or her rights, not just those who can afford it.” When ARAG founder Heinrich Faßbender expressed this idea 82 years ago he was a genuine legal insurance pioneer. The founding of the legal insurance provider made it possible for the first time for all citizens to assert their rights. Until then this had been a privilege reserved mainly for the wealthy.

And this is what equal opportunities mean in 2017: “Dive into life – we will take care of your legal risks.” Dr. Paul-Otto Faßbender, CEO of ARAG, neatly summarizes what ARAG’s founding principle means today. “The core idea of my grandfather, Heinrich Faßbender, is still valid today, but it encompasses a lot more. Our goal is not exclusively social justice, we also want to support care-free and individual lifestyles – in all their infinite variety,” Faßbender explains.

As a family-owned enterprise we are independent – but we also need to go the extra mile

As a family-owned enterprise we are independent; we have a lot of latitude in terms of how we conduct our business, as we can make decisions without having to consider short-term, profit-oriented shareholder interests. We can remain true to our business strategy in the long term, and are therefore able to offer our customers stability, reliability, and continuity. In short: We too do our thing – using common sense and always with our customers’ interests in mind. “When it comes to customer focus we are never satisfied. We always have to be on the ball; we must recognize our customers’ needs and quickly translate them into readily marketable products,” asserts Faßbender.

In the experience of the lawyer and majority shareholder, outsiders often have the an incorrect perception of a family-owned enterprise: “We may have more of a family atmosphere in our company, but the challenges are still considerable. We demand a lot from our employees, as we are up against large insurance companies, but at the same time we want to retain our individuality and independence. Even as management trainees our employees faces proper challenges and have their own areas of responsibility.” The positive outcome is that motivation is high, as everyone can pursue their objectives and bring their own ideas to the table. Employee turnover is low – a sure sign that our employees feel at home here. “Many colleagues are proud of working in a family-owned enterprise. Procedures are not anonymous here. Communication works, and many issues can be resolved informally,” adds Faßbender. The ARAG Essentials, our corporate guidelines, contain the self-image, values, and corporate mission that bind the ARAG family together – the ARAG spirit, so to speak.

We ensure there is a good balance between work and family

Our employees are committed to the company, and this also works the other way around. As an employer, ARAG provides its employees with a wide range of benefits – from a health program, continuing professional development and coaching, to support and advice that makes it easier to combine work and family commitments. We have a Parent-Child Office, for example, for the event that no childcare can be organized; we offer flexible working options such as working from home; and the ARAGcare program supports employees who are the carer for a family member. “As a family-owned enterprise we naturally have a family-friendly approach,” Faßbender emphasizes.

The fact that the company is still under family ownership has commercial consequences, of course. “We cannot afford to make mistakes,” the ARAG CEO says. With every new portfolio and every major insurance inquiry we have to ask ourselves: Is this a good fit for us? Or might we be risking our independence?

We retain our independence by spreading our risk

Our long-term corporate strategy is based on two-dimensional diversification and a compartmentalized risk structure. Behind these abstract terms lie clear approaches aimed at spreading risk. Two-dimensional diversification means that we aim to both grow in the German market and develop rapidly in the international markets. A compartmentalized risk structure means that we avoid large risk exposure and continue to concentrate on what we do well, i.e. legal insurance products, property insurance, and health insurance for private customers and small companies.



You can find out more at
www.arag.com/career/

ARAG Essentials - our values



Openness

Communication as opportunity



Pioneering Spirit

Forging ahead



Farsightedness

Looking past tomorrow



Fairness

Respectful interaction



Discipline

Success through professionalism



Drive

Unleashing energy

Countries



17

countries – from Belgium to the USA – are part of the international ARAG family.

Tradition



> 80

years and three generations: How long the family-owned enterprise has been independent.

Mediations



~ 120,000

mediations per year arranged by ARAG on behalf of its customers. This helps to avoid legal disputes in court.

“We are conservative in the best sense of the word. We remain true to ourselves and pursue long-term strategies. At the same time, we must always try to think several years ahead in order to make the right decisions. That is vital for our company,” Faßbender explains. Despite long-term planning and dependability, new ideas are not taboo – quite the opposite. Innovation is actively encouraged; every ARAG employee can propose his or her ideas via a number of channels. Innovations are driving us forward, and that is equally valid for customer offers and internal procedures.

We are grasping the opportunities that digitalization presents us

One current example is the new Java-based B&S asset and claims system. It has taken ten years to transfer millions of contracts and claims from ten old systems into the new one. But this mammoth project was worth it, as we now have a standardized and efficient system that provides a solid basis for the digitalization and automation of our work processes. Almost all core processes of our legal insurance and composite business are now covered, from initial offers and applications to contracts and claims. The standardized base data saves on work as identical information no longer needs to be entered into different systems. We can master complex products better with the help of the new B&S system and can develop new offers faster. With this system we are way ahead of many competitors in terms of efficiency and transparency.

Digitalization is also a trend in customer business. For several years the number of online customers has grown disproportionately. Younger customers, in particular, want to deal with their insurance matters quickly and on the go, with as little paperwork as possible, just as they do with other services. That is why we offer digital services that so far have been a rarity in the insurance sector, such as providing advice via online chat or payment via PayPal. “The possibilities of digital offerings have not yet been exhausted,” says ARAG’s CEO. “Their potential is huge, and they are particularly suited to providing customers with so-called ‘low-threshold’ offers.”

We offer our customers the human touch – we are not robots, after all

Low-threshold is a term that is gaining traction outside the digital sphere. In the event of a claim we offer our customers close support that helps them to resolve their problems with the least amount of hassle, for example when some immediate help around the home is needed following an accident – irrespective of the degree of disability. Easily accessible services, such as mediation and initial legal advice, enable our customers to assert their rights even without the involvement of a lawyer or the courts. We provide such services under the heading ‘prevention’ – they help to avoid the escalation of disputes. And they are very well received. With around 470,000 loss events in Germany, we organize approx. 120,000 mediations a year.

To us, an international outlook comes naturally

Norway, India, USA, Spain – our employees come from many different countries. ARAG has been operating internationally for over 50 years. We are currently active in 17 countries. Nearly half of all ARAG employees work outside Germany. Naturally we collaborate in multinational teams on many projects and regularly invite management trainees from our international offices to our headquarters in Düsseldorf. Unity in diversity is one of our corporate principles. In essence this means that we view cultural diversity as enriching; we come together and learn from one another. Every ARAG employee, from Ljubljana in Slovenia to Des Moines in the USA, follows the ARAG Essentials,

which comprise our six corporate values. They are the main thread that binds the ARAG brand together internationally. Within this framework our international offices work independently.

“Insurance is a very local business. That’s why we don’t attempt to control what our international offices do from Düsseldorf. That would be counter-productive, as the people at local level know the markets best,” affirms ARAG CEO Dr. Paul-Otto Faßbender. That is why the international ARAG offices also ‘do their thing’.

www.arag.com/company/locations

www.arag.com/company/corporate-principles

And we never lose sight of the fact that each claim represents real-life challenges. Anyone calling us to report a car accident, a case of identity theft, or a dismissal following a fallout with their boss, is likely to be distraught, bewildered, overwhelmed. In such a scenario nobody wants to be left waiting in a phone queue or have to describe their request to an automated system. This is out of the question for us. Instead, our customers have the direct number of their contact person. They know that the phone will be picked up by a human who will listen to them and will be happy to help. We always do our utmost to find the best solution for our customers. We are not robots, which is why despite all seriousness and level-headedness there can be moments when it is good to share a laugh with the customer – sometimes even seemingly tricky situations can be eased a little this way. “Occasionally we have to be a shoulder to cry on. And we are proud of that,” says Faßbender.



Dr. Dr. h. c. Paul-Otto Faßbender was born in Düsseldorf and is the grandson of ARAG’s founder, Heinrich Faßbender. He is a qualified lawyer and has been a Member of the ARAG Management Board since 1977 and a majority shareholder of ARAG Holding SE since 1998. He has also held the position of Chairman of the Management Board for the last 17 years.

In 2015 the law faculty at the University of Düsseldorf awarded Dr. Faßbender an additional, honorary doctorate. Dr. Faßbender is a keen champion of the local economy at annual general meetings of the Chamber of Industry and Commerce in Düsseldorf, and is a member of the board of trustees of the Sports Foundation of North Rhine-Westphalia.



"Our customers are right to be demanding. It's my aim to surprise our customers and to exceed their expectations. That's what motivates me."

Zouhair Haddou-Temsamani Senior Vice President Product Management Germany

Innovative product management

The customer's interest is at the heart of all ARAG products. We carefully analyze the market and the customer's needs prior to developing a product and often use new and unusual approaches. Satisfied customers and numerous awards are testament to our success.

I am ARAG through and through," jokes Zouhair Haddou-Temsamani. Indeed, the 39-year-old has been an ARAG employee for half his life. He joined the company back in 1999 as a trainee. Since qualifying as an insurance broker he has worked as a Claim Handler, Insurance Specialist, Project Manager on several large-scale projects, Head of the Product Development Department, and finally as Senior Vice President Product Management Germany. "As a company, ARAG has challenged me and encouraged me," says Haddou-Temsamani. Alongside his everyday work, the company also supported his studies toward a degree in business informatics and then an MBA with a focus on insurance.

Right from the start, Haddou-Temsamani was pleased to see that ARAG invested in employee training. He recalls applying for a traineeship at several insurance companies 'with a healthy dose of skepticism'. He looked closely at how the companies behaved when dealing with him. ARAG stood out positively: "I felt immediately that ARAG does things differently. As a family-owned enterprise it focuses on quality. It doesn't just want to sell. On the contrary, it shows a genuine interest in its employees and customers."

Focus on customer benefit

This first impression was confirmed for Haddou-Temsamani several years later. As the newly appointed Senior Vice President Product Management Germany he pitched a new product idea to the ARAG Management Board. A question from the CEO surprised – and delighted – him. Dr. Paul-Otto Faßbender did not ask about the economic advantages for the company; instead he wanted to know

what specific benefit customers would get out of it. “That’s what ARAG is all about,” Haddou-Temsamani asserts with real enthusiasm, “the customer always comes first.” This anecdote became a guiding principle for the manager, and its influence can be seen throughout his work. As the person responsible for national product management, he has a huge influence on the products our Group develops to respond to customer wishes.

Product Management does not leave anything to chance and liaises with the entire supply chain in order to understand customer needs. Important contacts for the product developers include customer service department, the claims department, and sales – as they have daily contact with the customers. Representatives from the various organizational units meet regularly for face-to-face talks. These meetings are a valuable source of information for Product Management: “We actively listen, pick up on problems, and develop solutions together,” Haddou-Temsamani explains.

We ask our customers what they want

The product developers also collect information and gain inspiration through traditional market research and directly from customers. With the support of the Marketing and Corporate Communications departments, Product Management organizes digital open platforms on which customers from a wide range of backgrounds can discuss a particular topic. On the topic of housing, for example, tenants, landlords, architects, and banks can have their say. What do they consider important? What do they find annoying? What would they like to see? Many ideas are developed as a result of these discussions, and we get to see customer expectations from a variety of perspectives.

On the basis of this information, around five new products are developed every year for ARAG SE, ARAG Allgemeine Versicherung, and Interlloyd. This process usually takes nine months from initial idea to technical implementation. In urgent cases we can even do it in three months. “As a family-owned enterprise we are able to react quickly. Our flat hierarchy allows us to reach decisions immediately,” says Haddou-Temsamani, explaining the advantages at ARAG.

ARAG web@ktiv is a genuine innovation

Within three months ARAG web@ktiv was ready to market. This online legal insurance, and the more comprehensive ARAG web@ktiv plus, covers almost everything you do online – and any legal issues that may arise from this, such as copyright infringements. The product is intended for all Internet users, but experience shows us that it is especially popular with families whose children spend time online – and sometimes fall into a trap. “We would never abandon our customers in such complex circumstances,” Haddou-Temsamani emphasizes.



You can find out more at
[www.arag.de/versicherungen/
rechtsschutz/internet-
rechtsschutz](http://www.arag.de/versicherungen/rechtsschutz/internet-rechtsschutz)

Number of ideas



> 100

creative ideas for new products were received by product management in 2016.

Customer contact



2,500

customers per month track the progress of their claim by text message. We also stay in close contact with our customers via more than 1,000 online chats per month.

Awards



6

The number of innovation awards won by ARAG products in 2016.

Customer requirements

“We don’t think in strict categories – our focus is on the customer’s needs.”

Zouhair Haddou-Temsamani

Senior Vice President Product Management Germany

Pioneering



~ 40,000

web@ktiv and web@ktiv Plus cyber insurance policies sold to date.

Innovation



3 – 9

months is how long it takes to develop a new ARAG product.

Among other things, ARAG web@ktiv customers can make claims for damages, call upon data erasure services, or safeguard online purchases up to a value of €3,000. Customers can also carry out an online reputation check that provides them with information on the contexts in which their name appears online. They are then in a position to take action against any negative portrayals.

When we launched ARAG web@ktiv in 2012 we were pioneers in providing online cover. “We developed a market and a product for our customers that didn’t exist before. We’re proud of that,” says Haddou-Temsamani.

ARAG Alltagshelfer (everyday help)

Other products that we consider unique are ARAG Alltagshelfer and ARAG Alltagshelfer Plus. These two products, introduced in 2016, move away from the idea that a certain degree of disability must be reached before certain services – including home assistance – can be called upon. Instead, our products always provide help: In the event of illness we will cover the costs of home help, for example. ARAG Alltagshelfer will also help with travel costs incurred as a result of an unscheduled return from holiday following an accident. ARAG Alltagshelfer Plus even helps in the event of strikes with a flat-rate payout of €50 per day for up to five days per insured year – whether you had to grab a taxi due to a train strike, or needed a babysitter because childcare center staff were on strike.



You can find out more at
[www.arag.de/versicherungen/
unfall/alltagshelfer](http://www.arag.de/versicherungen/unfall/alltagshelfer)

Motorists’ legal insurance with a reverse gear

The press called our ARAG Verkehrsrechtsschutz Sofort product, launched at the end of summer in 2016, a “revolution in insurance”. Senior Vice President Haddou-Temsamani calls the pilot project a “crazy idea for the insurance market.” Nevertheless, it is obviously a very good idea as the Sofort insurance product has helped customers in more than one thousand cases. The feedback is effusive: “This product is a stroke of genius” and “thanks so much for your help” are just some of examples of customer feedback that Haddou-Temsamani gives as examples. The innovation that ARAG Verkehrsrechtsschutz Sofort offers is a ‘reverse gear’. The product can help even in case of losses that occurred up to three months before the contract started, and if no attorney has been appointed yet. ARAG will cover the costs of making a claim for compensation and for legal representation if the customer is accused of a misdemeanor, even though the insurance was purchased after the event. The advantage for us is that customers can see immediately how reliable we are. And if they are satisfied they will stay with us and purchase other products. The pilot project is running so well that further development of this innovative approach is not unlikely.



You can find out more at
[www.arag.de/versicherungen/
rechtsschutz/verkehrsrechts-
schutz/sofort](http://www.arag.de/versicherungen/rechtsschutz/verkehrsrechtsschutz/sofort)

Award-winning

“We are happy to be assessed by independent experts,” says Zouhair Haddou-Temsamani, Senior Vice President Product Management Germany. For example, TÜV, the German Technical Inspection Association assesses, how customer friendly we are. How long do customers have to wait on the phone? How transparent are our procedures? Time and time again, independent experts attest that our customer service and claims service work very well.

Our products regularly win awards. The new ARAG Verkehrsrechtsschutz Sofort and ARAG Alltagshelfer Plus products, for example, won

the Innovationspreis Plus X Award in the categories ‘innovation and transparency’ and ‘innovation, transparency, and scope of services’ in 2016. And we also came out top as a legal insurance provider in the 2016 quality test of the German Society for Consumer Studies (Deutsche Gesellschaft für Verbraucherstudien) in the categories ‘transparency’ and ‘convenience’.

www.plusxaward.de and www.dtgv.de

Product developers as trend scouts

Mr. Haddou-Temsamani knows that customer expectations are increasing. “They are comparing the service offered by their insurance provider with the service offered in other sectors and demand quick decisions and responses.” This applies especially, although not exclusively, to young customers, the so-called Generation Y. This generation has grown up with smartphones and expects constantly updated information, and it communicates openly and directly. In response to this target group ARAG has developed, among other things, its claim tracking feature: The customer receives status reports by text – from confirmation of receipt of the claim to an ‘all done’ message. “It is important that we take these steps and meet the challenges presented by the digital revolution head on,” says Haddou-Temsamani. This also means that we must monitor the market, from the major players to the smallest start-up. We are collaborating with a number of these young companies, and not just where digitalization is concerned. As Haddou-Temsamani points out: “We are tuned into technological and social developments and are quick to pick up on new trends.”



Born in Düsseldorf, **Zouhair Haddou-Temsamani** completed his training as an insurance specialist at ARAG and stayed with the company. Combining work with study, he also completed a degree in business informatics and an MBA focusing on insurance. The 39-year-old has held several positions in our company and has been Senior Vice President Product Management Germany since 2012. Away from work he enjoys playing sports and spending time with his family.



"I really appreciate ARAG's highly flexible approach. Like most other women I want a career, but I also want to have time to spend with family and friends. As an ARAG employee it is very easy to combine the two."

Leenu Daniels, Human Resources

Fair, fit, and family-friendly

In our company the hierarchies are flat and there are equal opportunities for everyone. We want everyone at ARAG to develop to their fullest potential, and we provide the best possible basis for this by being flexible, fair, and family-friendly.

A company where interns are asked for their opinion – Leenu Daniels had no doubt she was in the right place. When the business graduate joined us as an intern three and a half years ago she was pleasantly surprised by the culture of openness at ARAG. She believes that the term ‘family-owned enterprise’ characterizes this best: Everyone is given a chance and receives support to make the most of it.

“We know each other here, even though almost 1,000 people work here at ARAG Tower in Düsseldorf. Contacts are made on cross-departmental projects or spontaneously in the cafeteria. This makes it easier to approach one another and to present ideas even to the uppermost management levels.”

As an HR Analyst, Leenu Daniels has played a pivotal role within the company for three years. After her internship at ARAG she wrote her masters thesis as a temporary student employee at our company and was then hired to work in HR. Here, she is responsible for everything relating to facts and figures, She also manages and supports a variety of projects in Group Human Resources.

Successfully combining work and family

Leenu Daniels knows what she wants: A career and enough time for family and friends. In short, a good work-life balance. “Just like most women,” the 29-year-old jokes. And Daniels knows that she can combine the two at ARAG. As a family-owned enterprise ARAG is very familyoriented, not least because more women work here (52 percent) than men. “We want to encourage women in management positions,” Daniels says. Around 20 measures were developed as part of ARAG’s Gender Diversity project to facilitate reconciling work and family life.

And it is not just women who are taking advantage of these measures. That we encourage part-time employees to take on executive functions benefits both female and male managers. Examples include a team leader who can look after her young daughter in the



You can find out more at
www.arag.com/career/

afternoons thanks to her part-time hours. Or a male colleague in the same role who has decided to work four days a week in order to have more time to care for his mother. More and more of our managers are taking the opportunity to reduce their working hours.

Bringing your child to the office – we are ready for it

The Parent-Child Office, created in 2008, is another idea from the Gender Diversity project, and is popular with mothers and fathers. The Parent-Child Office is kitted out so that parents can bring their child to work if they are unable to arrange childcare. The Parent-Child Office provides beds, books, and toys, and three desks for moms and dads. The facilities of the Parent-Child Office are well utilized as many parents appreciate the ability to combine work and child care. They can concentrate on their work as they know that their child is cared for.

Work-life balance is more than just a buzzword for us – we put it into practice

Of course parents also have the option to work from home if there is a problem with arranging childcare. We have laptops available that can be borrowed in such an event. Our employees can arrange flexible working solutions and working from home directly with their line manager. “In order to enable individual and flexible arrangements, the HR team aims to make most things possible,” Daniels emphasizes. Flexibility is limited only in a few areas. For example, some information is only accessible within the office. And someone who works in space management has to be on site. But apart from these exceptions Group Human Resources supports a corporate culture where the outcome of the work counts, and not where and when the work was done. Especially in Germany, where the idea is still prevalent that only those who stay at work until late in the evening are hard-working, it can take a long time to bring about such cultural change, as Daniels has experienced. It is important to convince management that flexible solutions can work: If managers take a favorable view of their staff working from home, especially if they do so themselves or work part time, then other employees are more likely to take up the offer. It is the younger employees, in particular, who demand a better work-life balance that leaves time for family, hobbies, and voluntary work.

The employer provides support in times of crisis

It is not just parents who can rely on our support: Anyone caring for a family relative can, too. We provide information, seminars, and professional advice on care, which many of our employees find useful.

Employees who find themselves in difficult personal circumstances are offered free coaching. HR Analyst Daniels explains how it works: “We work with external coaches whom ARAG employees can contact directly and anonymously. ARAG is not involved at all in these confidential issues. Employees who are interested in coaching sessions can easily access all the information they need on the intranet.”

Parent-Child Offices



74

times the Parent-Child offices in Düsseldorf and Munich were used by parents in 2016.

Other countries



2,011

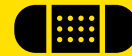
The number of ARAG employees working outside of Germany.

Equal opportunities

“At ARAG all employees enjoy equal opportunities, irrespective of their background, age, or gender.”

Leenu Daniels, Human Resources

Health days



~ 750

ARAG employees in Düsseldorf and Munich took part in the health days in 2016.

INTandem



23

employees have participated in the international professional development program launched in 2015, and so have taken the opportunity to expand their networks and experience.

ARAG IQ



4,000

individual measures were booked by ARAG employees through the ARAG IQ training portal in 2016.



You can find out more at
www.arag.com/company/locations/

Employee training that challenges and aids development

While the coaching sessions help employees overcome the hurdles of life, our comprehensive training helps them further their career. The ARAG IQ training portal offers a broad range of seminars, from language courses to management seminars and project management. In addition, various departments organize many other opportunities for continuing professional development. In 2016 alone ARAG employees booked 4,000 courses. This proves that we do not merely preach life-long learning, we put it into practice. One particular focus is on language courses – unsurprising considering ARAG has a presence in 17 countries. There are many advantages in being able to communicate with colleagues around the world. The growing use of digital technologies in the workplace is another important training topic that we cater for under the banner Future Fitness.



You can find out more at
www.arag.com/german/career/employer-arag/health-management/

www.corporate-health-award.de/home/

Our corporate health management has won several awards

Our employees are also literally keeping fit with ARAGcare, our corporate health management program. This includes health days, medical checkups for employees, and a wide range of company sports activities, from football to tai chi. We also offer our managers seminars on healthy leadership. This focuses in particular on prevention and raising managers' awareness of their own and their employees' health. In 2016 our comprehensive health and fitness program won an award at the Corporate Health Awards for the fourth year running.

We play fair and feel better for it

Many health problems are caused by stress. At ARAG we do our best to avoid any unnecessary pressure in the first place. We believe fairness demands that of us. At ARAG all employees enjoy equal opportunities, irrespective of their background, age, or gender. We compare our employees' wages to the market every year, so that nobody earns less than is usual in the sector for their role and function. As a rule we hold our meetings during core office hours, so that colleagues working flexible hours can take part as well. We make an effort to identify and resolve conflict early. Our trained conflict managers are an invaluable help with this. We develop young employees, rather than put obstacles in their way. Our assessment centers are transparent: Every participant can find out about the requirements and prepare for them beforehand. Everyone can ask our coaches for help while preparing for an assessment center.

Any employee can be put forward for the ARAG myCareer talent program by their line manager. The program lasts for one year and prepares potential specialist and management staff for the next step up in their career.

We like to think outside the box

Our company benefits from fairness and a flat hierarchy. Only in an environment of openness can creativity thrive, and we rely heavily on that. We like to see our employees thinking outside the box and having the courage to bring a seemingly crazy idea to the table. We know from experience that sometimes something really good can come of it. We offer our colleagues

ARAG Leadership Standards

The ARAG Leadership Standards are based on our corporate guideline, the ARAG Essentials, and systematically translate these into specific leadership behavior. They provide ARAG's employees with a working environment that offers opportunities, fairness, and security.

Lead with Openness:

Face the competition

That is why we rigorously measure ourselves against others and identify appropriate benchmarks.

Lead with Farsightedness:

Recognize and seize opportunities

We actively review the ARAG strategy and regularly check the efficiency of processes and products. Based on our findings we then develop forward-looking practices.

Lead with Drive:

Achieve results

We quickly achieve our challenging but achievable goals. Consistency and ambition enable us to achieve the best results possible.

Lead with Pioneering Spirit:

Shape the future with courage

We shape our future by making bold decisions and demonstrating confidence and a readiness to take risks.

Lead with Discipline:

Putting consistency and professionalism into practice

We take well-prepared decisions, implement them consistently, and take responsibility for them.

Lead with Fairness:

Act with mutual respect

Trust and respect are what characterize our fair behavior at ARAG. We use constructive criticism, recognition of achievements, and transparency to create a fair working relationship.

www.arag.com/company/corporate-principles

several ways of putting forward their ideas. One example is our company suggestion scheme, where every contribution has the chance of winning an award. Or the ARAG Award for important suggestions that have the potential to bring about significant change.

Equal opportunities for all – this applies to the company and also beyond, according to Daniels. For example, in response to the high levels of youth unemployment in southern Europe ARAG created traineeships specifically targeted at these countries – with the possibility of being hired at the end.

ARAG employees do not take their employer's efforts in the area of equal opportunities for granted. "We have received very positive feedback from our employees. Especially with regard to family friendliness at ARAG – they believe that is what sets our company apart. And I agree with them," Daniels says.



Leenu Daniels (29) was born in India and grew up in Germany. The youngest of three siblings, she went to school in Bergisch-Gladbach and earned a BA and MA in management and economics at Ruhr University Bochum. Daniels joined the ARAG family while she was still studying – first as an intern, then as a temporary student employee in the Group Human Resources department at headquarters. She also wrote her masters thesis at ARAG. She has now worked in the Human Resources department for three years.



“Entrepreneurship and social responsibility are inextricably linked, especially in a family-owned enterprise. ARAG is founded on equal opportunities. This principle is more valid than ever, and that is what I stand for.”

Kathrin Köhler Corporate Communications/Marketing

Peace needs facilitators

Parents and teachers confirm that aggression in schools is increasing. Not just in direct relations, but also online, where hostility and bullying are a common occurrence. We are taking action to counter this – for a more peaceful coexistence at our schools and in society.

Small cause – big effect. That is often the case with arguments. A stupid prank or a bad choice of words – and the situation escalates. Both sides believe they are right, the atmosphere is poisonous, and at some point communication freezes. In schools such situations are commonplace, so it is necessary to learn how to argue properly.

Arguments cannot be completely avoided altogether, but there is no need for them to end in injury. In order to get the parties to bury the hatchet before the situation gets out of hand, we have mediators. These are impartial advisors who can help the opponents to reconcile their differences.

“Mediation is peacekeeping,” says Köhler, who is responsible for CSR at ARAG. As an insurer with a focus on legal insurance, this method of prevention is important. That is why we offer mediation to our customers, to ensure that not every conflict ends up in court. And that is also why we launched the Conflict Management in Schools initiative in early 2014. This project trains school mediators who ensure that disputes are resolved in a socially acceptable way at secondary and vocational schools in North Rhine-Westphalia. The initiative has been created with the long term in mind. Financed by ARAG, professional mediators and lawyers train school principals, teachers, school psychologists, parents, and social workers to become school mediators. They in turn pass on their expertise to students who then become peer mediators. 65 schools have already taken part in the training program. The school mediators are trained in accordance with the guidelines of the German Mediation Association (Bundesverband Mediation). The training takes 80 hours and includes supervised sessions.



You can find out more at
[www.arag.com/press/
pressreleases/group/00103/](http://www.arag.com/press/pressreleases/group/00103/)



You can find out more at
www.arag.com/press/pressreleases/group/00263/

Conflict Management in Schools: Learning for life

The Ministry for Schools and Education in North Rhine-Westphalia supports our project. “Everyone benefits from improved conflict resolution at school. Parents are actively involved in everyday school life. School social workers can hone their conflict resolution skills. Teachers have fewer conflicts to resolve and suffer less stress while teaching,” says Sylvia Löhrmann, Minister for Schools and Education in North Rhine-Westphalia.

The initiative fills a gap, as nothing comparable existed before. Although parents and teachers frequently bemoan the rise in aggression and conflict in schools, there is often a lack of funding and capacity to train these urgently needed school mediators. We not only finance the training of mediators, we also encourage their networking. That is why we invite fully trained and potential mediators from the Conflict Management in Schools project to our workshops. The first ARAG School Mediation Conference took place in the ARAG Tower in the summer of 2016. The focus of the meeting was on intercultural conflict management and mediation. Mediators from 50 vocational colleges and secondary schools took part.

To find out about the experiences schools have made so far with resolving conflicts through mediators, we are planning a survey. The results will have a positive impact on future training courses as we want to continue our support for Conflict Management in Schools. “What I like about this initiative is that mediators not only gain skills for their school, but they also develop personally. They carry their responsibility for maintaining unity, and their ability to de-escalate situations and bring people together, into their own private life, family, circle of friends, and communities. This improves society as a whole,” argues Köhler.



You can find out more at
www.arag.com/press/pressreleases/group/00311/

We also support conflict management at schools in Munich

As a result of the positive experience we have had with Conflict Management in Schools in our own federal state, we have decided to extend our involvement in this area to Munich, where we also have an office. We have been a sponsor of MediationsZentrale München since September 2016. The school mediation team at this non-profit organization regularly sends professionally trained mediators to private and state schools in Munich and the surrounding areas to act as neutral advisors on conflicts in schools. The mediators are all volunteers, but the organization still needs financial support. We cover the volunteers’ expenses and pay for their continuing education. We also cover the costs of the organization’s office and have financed a short film on school mediation.

Conflict Management in Schools



84

secondary and vocational schools from all over North Rhine-Westphalia have taken part in the Conflict Management in Schools initiative since it was launched in March 2014.

Trees



35

trees have been planted by us as part of the 'Blickwinkel Ela' alliance with our partners in Düsseldorf. This reforestation initiative replaces trees that were damaged by Storm Ela in Düsseldorf in 2014.

Donations



7,690.50

Euros donated by ARAG to the ProMädchen charity. The money was won by 1,098 ARAG employees during our virtual advent calendar quiz on the topic of staying safe online. For each of the 15,381 correctly answered questions, 50 Cent were donated.

Sports insurer



40

years – this is how long we, as Europe's largest sports insurance provider, have been supporting sports injury research to reduce the number of sports injuries. In June 2015 we founded the 'Stiftung Sicherheit im Sport', a charitable foundation focusing on safety in sports.

Christmas wish campaign



120

lovingly wrapped presents were handed over to LOOP, a children's charity based in Düsseldorf, as part of our annual Christmas wishes campaign.

'Chancen nutzen'



20

scholarship students are supported by us as part of the 'Chancen nutzen' (grasping opportunities) program of the Institute for International Insurance Law at the Heinrich Heine University in Düsseldorf.

The Internet is not a legal vacuum

These days, conflicts not only occur in the classroom, in the school playground, or elsewhere in the real world, they also often happen online. “Sometimes the consequences can be even worse here,” claims Dr. Catarina Katzer, an expert in cyber psychology. Hostility and bullying on social media, in online forums, and in online chats can cause the victim to be publicly humiliated. And any inhibitions about hurting others are much lower online than in direct confrontation.

Studies into online bullying show it is a ticking time bomb

We have commissioned three studies on cyber violence: In 2013 the Cyberlife survey sought the opinions of 10,000 school students, teachers, and parents on violence and bullying on the Internet; the ‘Bullying and cyberbullying among adults’ study in 2014 confirmed that insulting and provocative online behavior is not just an issue with children and teenagers. And in 2016 the international ARAG Digital Risks Survey came to the same conclusion: Cyberbullying is a ticking time bomb. Victims are getting younger and younger, schools are under massive pressure, and the working world is also heavily affected.

These worrying findings underline our view that we have to help the victims. As an insurer we are doing this with our web@ktiv product. It provides assistance when users have to defend themselves against defamation on the internet, identity theft, or the distribution of photos on social networks without their consent. But it is not enough for us to become active only once the problem has occurred. As part of our corporate social responsibility activities we want to increase awareness of the fact that the internet is not a legal vacuum. The target group for these prevention initiatives are the so-called Digital Natives, i.e. children and teenagers who have grown up with the internet. “Fair, responsible, and safe conduct online is a cultural technique that needs to be learned, just like reading and writing. It’s also about teaching values, digital empathy, and having the courage to stand up for what is right,” concludes Köhler.

Equal opportunities – working with the German Children and Youth Foundation (Deutsche Kinder- und Jugendstiftung)

Digital education is an important topic for schools. But often the teachers themselves lack knowledge in this area. Together with the German Children and Youth Foundation (GCYF) we are planning a new project, “#Digital Classroom – Network Full-time Education”, with the aim of changing this. Initially it will run in around 40 schools spread across several German federal states. The objective is to establish competence teams at schools that will be interlinked and centrally coordinated.

The GCYF has been our partner for several years. “The foundation is the ideal partner for us as it fights for equal rights for all children,” Köhler explains. The Digital Classroom project aims to ensure that all children and teenagers are aware of the opportunities and risks of using the World Wide Web, irrespective of their level of education, social background, and their parents’ ability to support them.



You can find out more at
www.arag.com/sustainability



You can find out more at
www.arag.com/press/pressreleases/group/00074/

We keep the ball running

Sport connects people. And the Kickwinkel project in Düsseldorf, which we are supporting together with other partners, is testament to that. Kickwinkel is an inclusive soccer project for unaccompanied refugees from Iraq, Afghanistan, Somalia, Eritrea, Gambia, Guinea, and Iran. The 20 boys train twice a week at DJK Agon 08, a sports club in Düsseldorf. The aim is not only to be active, but also to become better team players. As a sponsor we ensure that the 13 to 17-year-olds have the football kit and boots they need. "There is some real talent amongst them. The German Football Association (DFB) has already shown an interest in some of them," reports Kathrin Köhler, Head of Corporate Responsibility.

www.kickwinkel.de

We also take an interest in table tennis. ARAG is the main sponsor of the German Table Tennis Association, which includes 10,000 clubs and 670,000 members. In 2017 we will be the main sponsor for the World Table Tennis Championships in Düsseldorf. And of course we also support our home team, Borussia Düsseldorf, Europe's most successful table tennis club.

www.arag.com/sustainability/sponsoring



You can find out more at
www.promaedchen.de

Equal opportunities for girls from all cultures

The ProMädchen Mädchenhaus Düsseldorf information center also fights for equal opportunities. It is open to girls and young women from all cultures and provides support, advice, leisure activities, and educational opportunities. The educational courses also include media skills, which was the theme of our internal ARAG online advent calendar. Between December 1 and 24, 2016, this virtual calendar posed questions to ARAG employees about how to stay safe online. For every correct answer we donated €0.50 to the Mädchenhaus center. In total over €7,000 was raised.



Kathrin Köhler (43) was born in Eisenach in Thuringia. After completing the German university entrance qualification and vocational training as a bank clerk and financial assistant at Dresdner Bank in Friedrichshafen, she embarked on a law degree. She passed her first state exam in law at Leipzig University and then spent some time in Greece on an Erasmus student exchange program. Following her traineeship at Duisburg regional court and the German Embassy in Lima (Peru), Köhler passed her second state exam in law at Düsseldorf's department of justice. She has been working for ARAG since 2004. Her hobbies include scuba diving and singing in a choir. She is also a social and welfare work volunteer at a faith-based charity in Düsseldorf.



“Energy consumption in our own buildings is already low. We are saving a large amount of energy in the ARAG Tower, in particular, where offices are temperature-controlled without the use of conventional air-conditioning.”

André Henrichs Senior Vice President Central Services

Step by step

In the future, new ways of working will have a major influence on the company's energy budget. Our building structure, our organizational skills, and our user behavior showcase that we are well prepared for this change and are already doing our bit today to protect the environment.

André Henrichs works at ARAG, the largest family-owned enterprise in Germany's insurance sector – “but I'm responsible for things that go on in the background and which have nothing to do with the core business of an insurance company,” he says. And there is a lot going on: Procurement, document management, and facilities management of all properties used by ARAG itself. As Senior Vice President for Central Services he and his staff ensure that our insurance experts enjoy the best working conditions, for example ensuring that all incoming documents are passed on promptly to the Claim Handler in charge. Central Services also maintain a pleasant working environment, using intelligent building engineering, for example, to create a comfortable office climate.

The 'green' building concept is a success

Henrichs is also responsible for the biotope in front of ARAG's headquarters in Düsseldorf. A few months ago the pond biotope – created in 2000 – was given a thorough sprucing up. The pond is fed from our own water source and does not use any of the city's fresh water. As the groundwater in Düsseldorf contains a lot of manganese, a filter was installed through which the water from the well passes before flowing into the pond. Henrichs knows that this oasis is very popular with staff, as are the four garden floors in the ARAG Tower. Employees can enjoy their breaks and even hold meetings in the verdant surroundings. The popularity of these areas is the best proof for Henrichs that ARAG has chosen the right path with its 'green' building concept.

Filtered spring water not only feeds the biotope, but also provides the water for the headquarters' toilets. Around 6,000 cubic meters of groundwater is needed, covering more than 55 percent of all water used in the Tower per year. This eco-friendly measure also has a considerable economic benefit.

Suppliers with a sustainability plan earn a bonus

Central Services want to, and can help to, make our company 'greener' in terms of sustainability and environmental protection. For example in procurement, as Henrichs explains: "Sustainable products give us an opportunity to optimize our carbon footprint. But only if manufacturers can provide meaningful proof of their commitment to sustainability and their ecological footprint, so that we can take account of these aspects in our tender process." The ecological footprint refers to the surface area needed on earth to facilitate a human being's lifestyle and standard of living over the long term. The more transparent manufacturers make environmental aspects, the simpler it is for Central Services to take sustainability into account when working with suppliers.

Central Services would also like to reduce paper consumption, but the current regulatory and data protection framework limits progress in this area. Although all the documents the company receives are already available to staff in digital form, and internal process steps are almost completely paperless, the system does not yet work the other way around. All personal correspondence must be sent to our customers on paper. "That's why we still use a considerable amount of paper and do a lot of printing," explains Henrichs. Nonetheless, paperless communication with the customer is increasing, as partner portals and customer apps are being used more and more frequently.

There are many ways of saving energy

The most important factor in sustainability is energy consumption. There are many starting points for making ARAG more energy efficient, and the effect is often directly measurable. The gradual switch from halogen to more efficient LED lighting is one example. This measure has already achieved a saving of 100,000 kWh per year in the ARAG Tower, equivalent to 3 percent of the total energy used in the skyscraper.

Central Services also identified potential savings early on at ARAG's data center. Around six years ago the server landscape was revamped. The terminals are now completely housed in racks so that only the machines themselves, and not the whole server room, need to be kept cool.

The ace in the pack in terms of sustainability is the ARAG Tower, our corporate headquarters inaugurated in 2001. Henrichs, a qualified civil engineer, is enthusiastic about the building, which was a collaboration between world-renowned architect Lord Norman

Facts and figures

ARAG Tower



> 10%

energy saved due to the ARAG Tower's double-skin facade.

LED lighting



100,000

kWh less energy needed at the company's headquarters thanks to the switch to LED lighting.

Digitalization



95%

of incoming mail is processed digitally.

Water



55%

less mains water used in the ARAG Tower due to its own water source.

Climate change



www.wwf.de/earthhour/

ARAG has taken part in WWF's Earth Hour for many years: To send a signal for better climate protection the lights in the ARAG Tower are turned off for an hour once a year.



You can find out more at
[www.arag.com/company/
locations/germany/arag-tower](http://www.arag.com/company/locations/germany/arag-tower)

Foster and Düsseldorf-based architects Rhode Kellermann Wawrowsky. With a height of nearly 125 meters and 32 floors the ARAG Tower is the tallest office building in Düsseldorf. The surface of its glass facade covers almost 20,000 square meters. “The Tower is unique, not only in Düsseldorf, but in the whole of Germany. The transparency within the company is reflected in the open construction of the building,” says Henrichs.

Natural thermal air currents regulate the Tower’s climate

The Tower is also special from an ecological point of view. Even at the planning stage ambitious targets were set for energy saving and reducing its carbon footprint. The overall energy efficiency is exceptionally high for such a building. Primary energy consumption is around a third lower than the required by in the Energy Saving Regulation.

The building envelope has been designed with a double-skin façade to produce a stack effect that circulates fresh air and regulates the temperature naturally. This means that the offices of the approx. 1,000 employees do not need air conditioning. The use of thermal air currents enables significant energy savings, and the naturally produced temperature is very pleasant. The right temperature is achieved without the drafts and noise associated with air conditioning. Despite the glass facade, the offices never get too hot, even in the summer, as an ice storage system absorbs cold air at night and releases it during the day via cooling ceilings. And a sensor-controlled system also ensures that it is never too cold or too warm in the building. If temperatures increase, an automatic system of blinds springs into action.

New work environments for an energy-efficient future

The future will hold further challenges for Central Services, such as digitalization and other changes to the world of work. The Senior Vice President is well prepared to face these changes. “The coming years will present us with many opportunities to consider all aspects of sustainability – economy, ecology, and social aspects – through the use of optimized space utilization concepts. Working zones without fixed workplaces are conceivable, where you use the workplace module best suited to your task,” Henrichs explains. Working from home also makes sense in terms of sustainability, as commuting to work becomes obsolete and so possibly even the need for an office in the company.

However, reduction is not always the best solution. When it comes to sustainability more can sometimes be better. Where a malfunction needs to be fixed or a component needs to be swapped, a one-to-one replacement does not always make sense. As Henrichs says: “Minimal solutions aren’t necessarily the best – it can be worth taking a holistic view. Sometimes it’s possible to achieve long-term efficiencies and eco-friendly effects through broader conceptual changes, even if the initial effort and expense is a little higher.” It can make sense, for example, not to repair old equipment, but to replace it with new technology that delivers the same performance more efficiently and with greater availability.

Good for the environment and for health

Henrichs also appreciates that seemingly minor changes can have a huge effect. One example is the water-softening system that was installed in the buildings located in Düsseldorf's Redlichstrasse. The water in Düsseldorf is very hard, and over the years this can lead to deposits in the pipes. The water-softening system solves this problem. A positive side effect for the environment is that cleaning services use less detergent if the water is soft.

And another example is the removal of printers for each desk. Instead of individual printers for each employee there is a communal printer in a service zone that can be used from any workplace. This allows us to kill several birds with one stone: We need fewer printers and save on consumables, energy, and maintenance costs; fewer pages are printed as users are more likely to think twice about whether a hardcopy is really needed; and employees move around more as they have to walk to the printer. And this is why sustainability can also be beneficial for health.

Drink coffee and reduce waste

The same applies to the commute to work: We support our employees who cycle to work by giving them a coveted place in the Tower's underground car park. They are allowed to park their bikes here safe from the weather and from thieves. Anyone who prefers to take public transport to work can benefit from subsidized tickets.

Staff can even do the environment some good on their coffee break. If they order a coffee to go and bring their own cup, rather than using a paper one, they pay less. "That's very popular with the employees," Henrichs says. An increasing number of colleagues are bringing their own cup – and the mountain of waste is shrinking.



André Henrichs (41) has been Senior Vice President Central Services at ARAG since July 1, 2016. Henrichs comes from Osnabrück and is a qualified civil engineer. He now brings to the ARAG Group his extensive experience gained as a service provider for technical and infrastructural facility management in his career to date. The nature-loving father of three enjoys swimming and exploring the great outdoors on his bicycle. To get away from it all he likes to go scuba diving, and it is especially here that he can appreciate how sensitive ecosystems are and how important it is to protect them.

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* No data collected.

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* No data collected.

General Disclosures

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 2016 consolidated financial statements of ARAG Holding SE, ARAG Allgemeine Versicherungs-AG, ARAG Lebensversicherungs-AG, and ARAG Krankenversicherungs-AG.</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 Lebensversicherungs-AG/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 a 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.

At the end of 2016 the Group sold ARAG Lebensversicherungs-AG as part of a strategic realignment. The sale is subject to approval by the German Federal Financial Supervisory Authority (BaFin).

For further information please see the 2016 ARAG Holding SE Consolidated Financial Statements.

102-7 Scale of the organization

The ARAG Group generates sales revenue and premiums of over €1.78 billion and employs more than 4,000 people worldwide.

For further information please see the 2016 ARAG Holding SE Consolidated Financial Statements.

102-8 Information on employees and other workers

Composition of the ARAG SE workforce in Germany*

by gender (December 31, 2016)

	Male	Female	Total
Workforce split by employment contract**	512	584	1,096
Permanent	473	558	1,031
Temporary	39	26	65
Workforce split by working hours***	501	536	1,037
Full-time	482	377	859
Part-time	19	159	178

* not including trainees (5) and interns (1)

** including inactive employees

*** not including inactive employees

102-9	Supply chain
<p>In Germany, ARAG buys around €51.6 million worth of services from over 2,200 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 mainly the responsibility of Procurement at head office. Certain services, however, are directly procured by the departments.</p>	
102-10	Significant changes to the organization and its supply chain
<p>Against a backdrop of persistently low interest rates, ARAG SE began to reorganize the ARAG Group structure in 2016 and decided to sell its shares in ARAG Lebensversicherungs-AG to Frankfurter Leben-Gruppe. The sale of the shares is subject to approval by the German Federal Financial Supervisory Authority (BaFin).</p>	
102-11	Precautionary principle or approach
<p>Risk management is one of the ARAG Group's core competencies and therefore a key component of its business management. ARAG is committed to the responsible handling of environmental risks.</p>	
102-12	External initiatives
<p>ARAG is investigating whether to support external charters, principles, or initiatives in the future, and is making preparations to do so.</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

Page 2 of this sustainability report

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 each employee in the ARAG Group to shape the company’s future with the customer in mind. Building on this, the ARAG Leadership Standards help managers to implement all this into the day-to-day business.

The ARAG Essentials are handed out to every new employee. There is also an opportunity to discuss the Essentials with co-workers in 90-minute long workshops. 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

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 Lebensversicherungs-AG

(Life insurance)

ARAG Krankenversicherungs-AG

(Health insurance)

Interloyd-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 2016 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>Around 70 percent of employees at ARAG in 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.</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, and therefore sustainable, approach. ARAG positions itself as the internationally successful, innovative quality insurer – independent and family-owned. With this philosophy as the basis, the company takes its corporate social responsibility very seriously. When Heinrich Faßbender established ARAG more than 80 years ago, he had a clear goal in mind: To enable all citizens to enjoy equality of opportunity before the law. This notion remains an underlying principle in the ARAG Group to this day – and ensures that a high degree of corporate social responsibility is directly enshrined in the ARAG business model.</p>
102-44	<p>Key topics and concerns raised</p> <p>In addition to strong and reliable insurance cover, personalized advice provided through appropriate channels of communication, such as online chat, phone, or face-to-face consultation at home, is one of the key topics for our customers. Sustainable innovative products are also in demand. A good work-life balance is of particular importance to ARAG's employees.</p> <p><i>ARAG provides a range of options to address this need. For further information on this topic please see pages 54-61 and 63-65 of this Sustainability Report.</i></p>

Reporting practice	
102-45	<p>Entities included in the consolidated financial statements</p> <p>Sustainability reporting covers all German insurance companies belonging to ARAG SE. For further information please see the 2016 ARAG Holding SE Consolidated Financial Statements.</p>
102-46	<p>Defining report content and topic boundaries</p> <p>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 ARAG's various functions and the points of view of the Group, its subsidiaries, and its most important stakeholders were considered. The results were reviewed by the Management Board.</p>
102-47	<p>List of material topics</p> <p>Economic topics</p> <ul style="list-style-type: none"> • Economic performance • Regional employer • Significant indirect economic impacts • Exercising property rights • Anti-corruption <p>Environmental topics</p> <ul style="list-style-type: none"> • Energy • Emissions <p>Social topics</p> <ul style="list-style-type: none"> • 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
	None. This is ARAG's first report in accordance with the GRI standards.
102-49	Changes in reporting
	None. This is ARAG's first report in accordance with the GRI standards.
102-50	Reporting period
	2016
102-51	Date of most recent report
	This is ARAG's first report in accordance with the GRI standards.
102-52	Reporting cycle
	Annually
102-53	Contact point for questions regarding the report
	<p>Kathrin Köhler Corporate Responsibility Manager Corporate Communications/Marketing</p> <p>ARAG SE ARAG Platz 1, 40472 Düsseldorf Tel: +49 (0)211 963 2225 Fax: +49 (0)211 963 2220 Kathrin.Koehler@ARAG.de</p>
102-54	Claims of reporting in accordance with the GRI Standards
	This sustainability report has been prepared in accordance with the GRI Standards: Core option.

102-55	GRI Content Index
	Page 34 of this sustainability report

102-56	External assurance
	No external audit has been carried out.

Topic-specific Disclosures

Economic topics

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

The ARAG Group is the largest family-owned enterprise in the German insurance industry and is one of the world's three leading providers of legal insurance. As an independent family-owned 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 and shapes all areas of its business activities. Thanks to this independence ARAG can give its full attention to its customers, the most important stakeholders. The Group's resources are mainly used to service the customer's requirements and to fulfill its value proposition. One example of this is the conservative dividend policy. 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.

The company's self-image, its six corporate values and its mission are laid down in the corporate guidelines, the ARAG Essentials, and are put into concrete terms in the ARAG Leadership Standards. These guidelines embody ARAG's unique character and form the basis for coordinated and purposeful action in an international context.

Aside from the rapid expansion of its international legal insurance business, the ARAG Group is also working on further developing its property and health insurance business in the German market. 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. 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. Business in 2016 was very successful, both nationally and internationally. Despite challenging market situations and mature markets with strong competition, the company was able to win new customers and increase revenue and profits.

201-1	Direct economic value generated and distributed
	<i>See 2016 ARAG Holding SE Consolidated Financial Statements</i>
202	Regional employer
103-1/2/3	Management approach
	ARAG has to compete for the best employees with other companies, both within and outside of the insurance sector. This applies equally to its two main offices in Düsseldorf and Munich and to its international offices. As a family-owned 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. ARAG has pursued a strategy of employing and developing local specialists and managers for several decades. This also applies to the highest management level.
202-2	Senior management hired from the local community
	The majority of senior managers at both main offices are hired locally, i.e. from the federal states of North Rhine-Westphalia and Bavaria. No data is collected, however.
203	Indirect economic impacts
103-1/2/3	Management approach
	ARAG is a family-owned enterprise. As a consequence, ARAG 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 partners, and employees pay increasingly close attention to the additional economic and social benefits that ARAG is prepared to offer. As an independent family-owned enterprise ARAG can operate without any external pressure 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 is mainly involved in initiatives in and around its main offices in the states of North Rhine-Westphalia and Bavaria. Corporate Responsibility is run by a support department within the Group Communications unit. The Group's social commitment is regularly assessed through participant surveys and response analyses.

ARAG's corporate citizenship includes both large-scale projects with seven-figure budgets as well as smaller projects and budgets. All activities aim to improve the business climate and quality of life in the local area. ARAG takes a long-term approach and believes in providing regular financial assistance. Sponsoring commitments and financial assistance not only contribute to ARAG's good reputation, but also serve to legitimize its business model.

Public funding commitments have been made to the Ministry for Education and Schools of North Rhine-Westphalia, the German Children and Youth Foundation (DKJS), and to a scholarship program for students at the University of Düsseldorf, and financial assistance is also provided for other universities and research institutions. ARAG supported its partner DKJS by providing a five-figure sum for the DKJS's digital education unit over a period of three years. From 2017 the follow-up project will be supported by ARAG with more than €1 million over the next three years.

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. During the three training cycles so far, a total of 233 teachers, specialists in educational social work, and parents from 65 high schools and vocational colleges in different school districts across the state have taken part. The project is currently running at 19 other schools. The project focuses on the introduction of universal quality standards for conflict management structures, preventive measures, and intervention techniques. Teachers, parents, specialists in educational social work, and school pastors are trained as school mediators and go on to train school students as conflict controllers. The project has been certified under the name ARAG Mediators as a 'Commitment to Action' by the Clinton Global Initiative (CGI). The 2016 ARAG Educational Day, attended by Sylvia Löhrmann, North Rhine-Westphalia's Minister for Education and Schools, was held in June in the ARAG Tower. Participants from schools all over North Rhine-Westphalia took part in ten workshops on intercultural conflict management and mediation.

Furthermore, ARAG supports the 'ZEIT für Schule' (Time for School) project of the German newspaper DIE ZEIT, aimed at improving the reading skills of schoolchildren. The company also makes donations to a range of organizations. To support children from disadvantaged backgrounds, ARAG makes donations to LOOP Kinder- und Jugendhilfe. Financial support is also given to ProMädchen Mädchenhaus Düsseldorf to help with projects on language learning and multimedia and sex education, as well as for preventative projects targeting eating disorders and online bullying. ARAG also makes donations to SOS Children's Villages in Düsseldorf. In the field of sports, ARAG sponsors Borussia Düsseldorf table tennis club, the under-12s table tennis championships, and Kickwinkel, an inclusive

football project for child refugees run by a Düsseldorf football club. ARAG is also involved in the Blickwinkel Ela reforestation project in Düsseldorf.

For further information please see the 2016 ARAG Holding SE Consolidated Financial Statements and pages 23 – 27 of this sustainability report.

203-2 Significant indirect economic impacts

ARAG's business activities increase the attractiveness of North Rhine-Westphalia as a commercial hub and have a positive impact on the employment rate. In total, around €180 million flows back into North-Rhine Westphalia. The ARAG Group is a leading employer in Düsseldorf with around 1,400 employees, and the above-average income of ARAG employees boosts the local economy. The company also supports many jobs in the supply chain and in distribution. This impact was the subject of an economic study on the importance of the insurance industry in North Rhine-Westphalia, conducted in 2011.

FS Active ownership

103-1/2/3 Management approach

The inclusion of environmental, social, and governance criteria, so-called ESG criteria, helps with assessing the risk of an investment. The appraisal of environmental and social risks during a risk analysis offers an additional perspective and helps the investor to make a comprehensive assessment.

A check is run during the 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 investments in infrastructure and for private equity. A sustainability initiative was launched in the Group Asset Management unit in 2016. Over the course of a month, possible courses of action to improve the integration of ESG criteria were considered in various working groups. In 2017 the results are to be formalized in a guideline for sustainable investment. The sustainability initiative led to greater awareness of ESG topics among employees, especially in day-to-day portfolio management.

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

The Front Office department liaises with business partners and companies in ARAG's investment portfolio on ESG-related matters. No data regarding frequency and type of interaction is recorded.

FS11	Environmental or social screening
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ARAG's Group Asset Management unit follows the approach of integrating ESG. 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 include environmental and social factors, and any aspects pertaining to the governance of a company, in their investment decision. Within the Group Asset Management unit, the Front Office department is responsible for the ESG evaluation of assets in the portfolio.

205	Anti-corruption
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103-1/2/3	Management approach
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As a legal insurance provider, compliance with all statutory and regulatory stipulations is of vital importance to ARAG. 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. After all, a good reputation is an important competitive factor for ARAG, and retaining the trust of policyholders is critical. Aside from the statutory provisions, ARAG also takes guidelines and recommendations of international organizations into account. For example, ARAG follows the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the recommendations of Transparency International.

To minimize risks and prevent negative consequences, relevant internal regulations and guidance are available to employees in the compliance handbook, the code of compliance, and the compliance guideline on invitations, promotional activities, and company events. These state, for example, that no employee may – directly or indirectly – offer or grant unauthorized benefits to others in connection with their business activities, either in the form of money or 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 accepted if doing so does not give the appearance of dishonesty or impropriety. As a rule, no gifts should ever be presented to public officials and other holders of public office. Conflicts of interest should always be avoided. Greater awareness of corruption matters is required in so-called partner sales. ARAG is

very mindful that the interests of insurance brokers and of non-exclusive agents should not overshadow the customer's interests. The commission scheme has been adapted with this in mind. In 2016 the issue of broker commission was covered during compliance training in Sales. ARAG employees are obliged to comply with anti-corruption provisions in their business activities at home and abroad, even if local business practices appear to deviate from these, and even if ARAG's competitive position appears to suffer as a result. Responsibility for complying with the provisions not only falls to the central compliance functions, but is also devolved to supervisors and the employees themselves. All German insurance companies owned by ARAG have signed up to the code of conduct of the German Insurance Association (GDV). Every two years an independent auditor assesses the adequacy and efficacy of internal anti-corruption provisions and their compliance with the GDV code of conduct.

205-1 Operations assessed for risks related to corruption

Corruption risks are continually and systematically analyzed at federal-state level. Police crime statistics are an important basis for this, as are Transparency International's Corruption Perceptions Index and the Insurance Banana Skins survey conducted by the Centre for the Study of Financial Innovation (CSFI) and PwC.

205-2 Communication and training about anti-corruption

The supervisory board members, executive board members, and senior managers at the first and second level 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 to keep employees informed.

205-3 Incidents of corruption

There were no incidents of corruption in 2016.

Environmental topics

302/305	Energy and emissions
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103-1/2/3	Management approach
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Energy is a key element of ARAG's operational continuity management. A consistent energy supply is vital to maintaining a pleasant office climate in the buildings, and to 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 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. 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. A long-term reduction of electricity consumption was achieved in 2015 by switching to LED lighting, resulting in a saving of 12 percent compared to the previous year. An Energy Performance Certificate was produced for the ARAG Tower in Düsseldorf in accordance with the German Energy Saving Regulation (EnEV). The certification process highlighted the Tower's excellent figures compared to similarly equipped buildings, but also identified areas for improvement. As a result, an inspection of the ventilation and cooling systems' energy performance was put out to tender. The inspection is to be carried out in 2017 once the contract has been awarded. An energy audit based on DIN EN 16247-1 and the updated Energy Services Act (EDL-G), has also been commissioned.

The managers and staff in Building Services receive regular training from external specialists and experts. The training covers areas such as lighting, ventilation and climate control, heating, elevator technology, and noise and emission prevention in the office. Awareness is raised among users through operating instructions and usage guidelines.

Energy consumption figures and associated costs are collected and analyzed for an accounting period of one month. ARAG is currently working on an energy control system to record peak power and peak loads in greater detail than before, and to enable appropriate active control in the future. As an initial step, data measuring points have been installed and suitable technical systems are being researched.

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

	2016
Energy consumption (in MWh)	15,319
Electricity	7,257
District heating	3,977
Natural gas ²	4,031
Fuel total	53
Diesel	50
Petroleum	3
CO₂ emissions (in tCO₂e)³	5,148
Scope 1 total ⁴	840
Natural gas	826
Fuel	14
Scope 2 total ⁵	4,307
Electricity ⁶	3,424
District heating	883

¹ Headquarters and local offices

² Energy consumption of local offices based on estimates

³ Tonnes CO₂ equivalent. Calculated according to the guidelines of the WRI/WBCSD Greenhouse Gas Protocol.

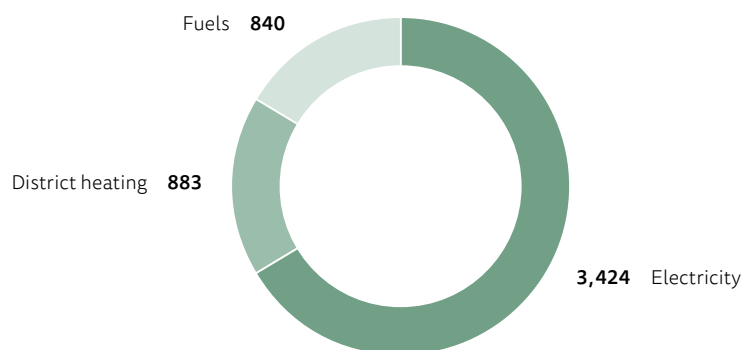
⁴ GHG emissions from local heating boilers and fuels

⁵ GHG emissions from the production of the electricity and district heating consumed

⁶ Based on the location-based method of the Greenhouse Gas Protocol scope 2 guidance. Also used as an approximate value in the market-based method

CO₂ emissions by source

(in tCO₂e)



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

Since 2014, electricity consumption 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.

Social topics

401	Employment
103-1/2/3	Management approach

As a family-owned enterprise ARAG is an ambitious, yet reliable, employer. High levels of commitment and quality are expected of the employees, and in return ARAG offers a multi-faceted and varied working environment. In light of demographic change it is particularly important to bind talented individuals to the company for the long term. That is why ARAG places great value on retaining high performers on the one hand, and ensuring the best positioning of the company on the labor market on the other.

The ARAG Group relies on a competent, focused, and committed workforce in order to fulfill its promises to the customer. ARAG is keen to provide a forward-looking working environment that offers opportunities, fairness, and security. The company's self-image and corporate values are laid down in the ARAG Essentials and are put into concrete terms in the ARAG Leadership Standards. A range of company agreements and remuneration guidelines also help shape the working conditions.

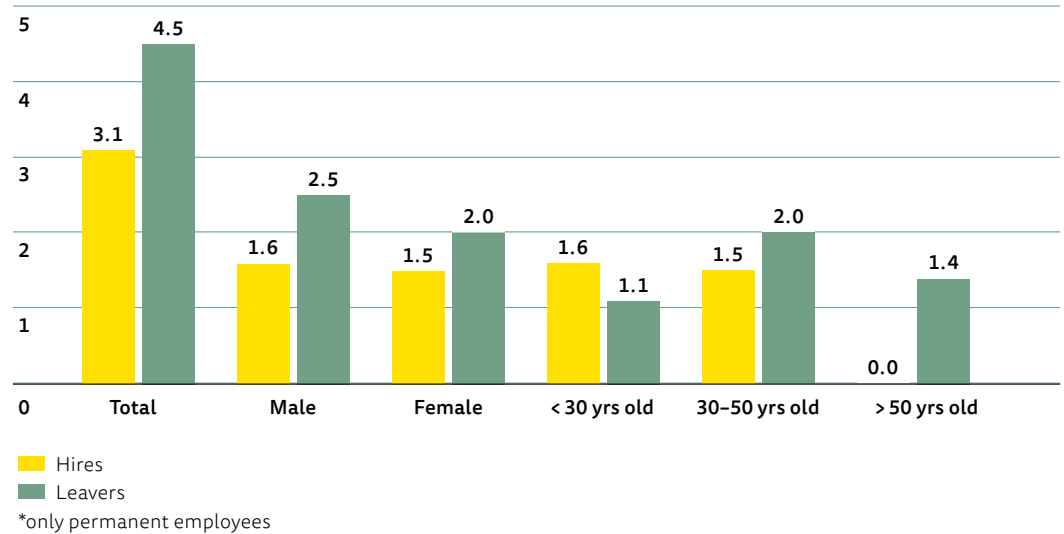
A good work-life balance is a high priority for ARAG, and this is reflected in ARAGcare, its corporate health management program. The conditions required to make this balance possible have been put in place, and greater flexibility in working hours and work locations plays a key role. Appropriate provisions encourage part-time working, including for managers, and there is a broad range of childcare options available to employees. Alongside its parent-child offices, ARAG also provides help with vacation care for children of school age. Not only does this position ARAG as an attractive employer, but a better work-life balance also increases motivation within the workforce, which in turn raises the

performance of the company. The measures implemented are being reviewed one by one by an external partner. In 2014 ARAG was certified by berufundfamilie gGmbH, 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 market monitoring and benchmark analyses to compare its hiring criteria with those of its competitors. ARAG also records key risk indicators, such as staff turnover and the staff sickness rate. A very good rating on the employer rating platform kununu.com, low staff turnover, and the very low number of unfilled vacancies underline how attractive ARAG is as an employer.

401-1 Employee turnover

Staff turnover by gender and age in 2016*
(in percent)



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. These include a non-forfeitable, non-contributory company pension plan that starts as soon as the employee joins and includes disability insurance (only for permanent employees); options for the deferral of compensation; subsidized cafeteria and parking; health days and medical check-ups for employees; an employee assistance program; a range of company sports activities; and on-site services such as dry cleaning and shoe repairs.

401-3 **Parental leave**

	Men	Women
Number of employees who took parental leave	12	44
Number of employees who returned to work in 2016 after their parental leave	10	12
Number of employees who returned to work after their parental leave and remained at the company for at least twelve months*	10	10

* Period: 2014-2015

403 **Occupational health and safety**

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

ARAG expects high levels of commitment from its employees, but they can only perform to the best of their ability if they are healthy and motivated. That is why ARAG insists on comprehensive occupational health and safety measures. On the one hand, ARAG ensures that statutory requirements are met through corporate health management and the observance of occupational health and safety guidelines. On the other hand, the Group uses this to increase the company's attractiveness as an employer, increase employee satisfaction and commitment, reduce absenteeism, proactively reduce the negative effects of stress, and generally maintain the health of the workforce.

Safety at work is ensured through adherence to statutory provisions and through internal safety standards that exceed these. First and foremost it serves to minimize risk, such as accidents or fire, and to prevent employees from suffering physical or mental harm at work. 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 the legal provisions, and those set by the accident insurer (VBG), relating to health and safety and ergonomics, is regularly reviewed and documented. Safety and all safety-related equipment is maintained above and beyond the legal requirements. The amount of safety-related equipment and the number of first aiders, fire safety officers, and security officers exceeds the minimum required. Emergency manuals and safety staff are in place in the event of an emergency, and employees with special safety responsibilities receive annual training. Furthermore, annual evacuation drills are carried out and documented, and the workforce receives training via e-learning on the intranet.

ARAG supports a positive work-life balance and increases employees' health-consciousness through ARAGcare, its corporate health management program. In 2016, ARAG's comprehensive health and fitness program won the excellence award at the Corporate Health Awards for the fourth year running, and the sixth time in total. Regular health days and check-ups take place 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 are available, if required. A range of company sports is also on offer. In 2016 ARAG established a return-to-work and disability management program to implement the statutory requirements. External experts are also involved to ensure that employees receive the best 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 communication channels open to employees who have complaints regarding occupational health and safety. The Works Council, for example, has a letterbox. Concerns can also be raised in the ARAGcare committee and the sessions of the health & safety committee, or sent to the ARAGcare email address. Feedback can also be given via the intranet, a central email address, and feedback questionnaires on evacuation drills and health days. As a matter of principle every manager is available to hear any issues or concerns raised by an employee. The occupational health and safety officer is also known by name and can be approached directly.

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

The absentee rate is 7.3 percent for women and 4.7 percent for men. There were no work-related accidents or deaths in 2016.

404 Training and education

103-1/2/3 Management approach

The ARAG Group relies on a competent, focused, and committed workforce in order to deliver on its value proposition. ARAG intends to remain one of the best insurers in the market, which is why the company attaches great importance to the skills, qualifications, professional development, and vocational training of its workforce. Only highly skilled employees can adapt to professional requirements that are changing ever faster. By providing adequate training and development, ARAG ensures the employability of its workforce and keeps the knowledge of each department and employee up to date. A further aim of the training and development measures is to motivate and 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. The guiding principle is that access to continuing professional development (CPD) is open to all employees and is supported by ARAG. To this end, ARAG offers employees time off for CPD and covers some of the cost of training. Continuing professional development for field staff in ARAG's branch offices is also supported financially. 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. Structures are currently being put into place to centrally manage the training for customer-facing departments.

The regulatory provisions, such as Solvency II and the Insurance Distribution Directive, have increased the requirements for staff and management training. At the same time social changes, such as internationalization, Generation Y, and the digital revolution, have brought about new requirements with regards to creativity, flexibility, technical understanding, and the ability to collaborate and respond quickly. Suitable training and development of employees not only fulfills ARAG's legal obligations, but also helps the company to respond innovatively to future needs. ARAG is meeting these challenges through comprehensive and wide-ranging knowledge management.

An overview of planned and implemented CPD measures in the Group was created for the first time in 2016. The duration and cost of CPD measures were recorded and the data broken down by Group company, unit, functional level, and gender. The quality of the training and development is assessed using questionnaires in the individual seminars and feedback received during the annual staff appraisal interviews.

404-2

Programs for upgrading employee skills and transition assistance programs

ARAG operates a web-based skills and qualifications platform, known as ARAG IQ, that enables all employees to keep their knowledge and capabilities up to date. The CPD options include classroom-based seminars, training sessions, and e-learning. Around 150 CPD options are offered every year. The main topics are 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. ARAG also educates its workforce on regulatory matters such as Solvency II, the Supervision of German Insurance Companies Act (VAG), risk management, internal auditing and compliance, data protection, and occupational health and safety. ARAG has its own pool of around 20 coaching staff, and there are framework agreements in place with a number of external training providers.

The planning of CPD is a topic at the obligatory annual staff appraisal interviews. All planned and completed CPD has been centrally recorded in ARAG IQ since 2016. Around 4,000 individual measures were taken across the company in Germany in 2016.

A further key component in ARAG's strategy for retaining suitably qualified employees in the Group is ARAG myCareer, an in-house talent management program introduced in 2011. This program offers an enhanced set of tools to support recruitment and professional development. ARAG myCareer gives managers the opportunity to register candidates every six months for training in specialist and management functions. The year-long program, consisting of diagnostic methods and individual training, prepares participants for higher-level functions and tasks in the Group. Specialists and managers also receive financial support for MBAs and part-time courses that run alongside work.

By providing appropriate vocational training in insurance and finance, ARAG also ensures that there is an adequate supply of young talent and a good demographic mix within the Group. Around 35 trainees at various levels are supported in Düsseldorf, Munich, and in Core Sales.

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 97 percent of interviews were carried out in 2016.

405 **Diversity and equal opportunity**

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

Globalization and demographic change are now key factors that influence a company's success. A strong increase in diversity has been the result, and the ARAG Group is approaching this with fairness and openness. As an internationally active insurer, the company's success is highly dependent on good working relationships across all countries and cultures. ARAG believes that it is diverse teams, in particular, with their broad ranging thoughts and ideas, who are finding new and creative ways of doing things, and so are making a lasting contribution to the success of the company.

Diversity and equal opportunities are enshrined in the corporate strategy and the corporate values. ARAG's active diversity management goes beyond promoting equal job opportunities for men and women. The company also aims to offer all employees the same opportunities for professional development – irrespective of age, gender, nationality, marital status or other personal circumstances. Suitable conditions and structures have been put in place to make this possible.

The operational strategies of the Human Resources and Corporate Communications departments specify implementation measures that make diversity and equal opportunities possible. Examples include a commitment to part-time working for managers, flexible working models, and company agreements on working remotely. These agreements offer employees suitable flexibility in terms of when and where they work – at all stages of their 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 the Works Council or either of these two representatives 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 have already been implemented. These include parent-child offices with two fully-equipped workplaces in a child-friendly environment, the introduction of life coaching for employees, and advice sessions from external partners on topics such as childcare and caring for family members. ARAG supports the Women in Management initiative of the Employers' Association of insurance companies in Germany (AGV). ARAG also offers training and coaching programs specifically for female managers.

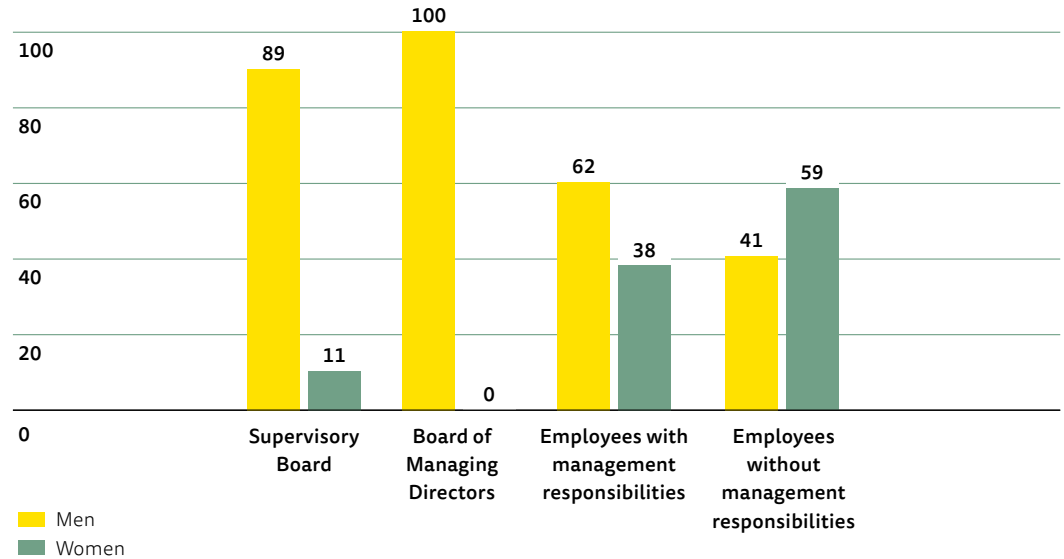
An international outlook is one of ARAG's strengths, and for the Group this means unity in diversity. ARAG is proud to unite people from a wide range of countries under one roof. Diversity is actively promoted as part of international programs such as the ARAG INTandem personnel development program, the international management trainee program, and international training schemes.

The measures implemented are regularly monitored and improved through annual certification and 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 ARAG myCareer talent program has several selection committees.

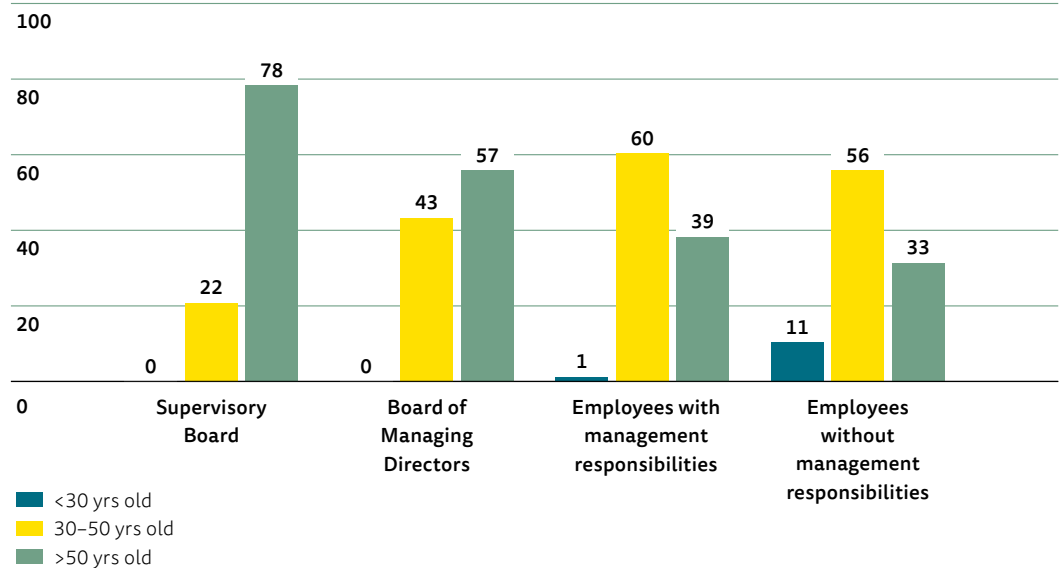
ARAG has built up a positive image with its customers and employees through its exemplary behavior as a family-owned enterprise and legal insurer. This opens up opportunities for cooperation and for addressing a wide range of customer groups. This also minimizes any reputational risk that may arise from infringements of the German General Equal Treatment Act (AGG), for example. The measures taken to promote diversity and equal opportunities also have the aim of binding high performers to the company, increasing ARAG’s attractiveness to job applicants, maintaining the employability of the workforce, and supporting the increasing internationality of European society.

405-1 Diversity of governance bodies and employees

Supervisory bodies and workforce in 2016, split by gender
(in percent)



Supervisory bodies and workforce in 2016, split by age
(in percent)



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. Political and regulatory decisions not only directly affect the company's risk structure and capital resources, but 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.

415-1 Political contributions

The ARAG Group is as politically interested and active as it can be, which is why the company is committed to supporting the democratic structures in Germany. This includes donations to the larger parties represented in parliament. In the reporting year the total amount of financial contributions to these parties was € 60,000.

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, health, and life insurance business*. The company focuses on customized products and excellent service across all divisions. ARAG wants customers and consumers to get the maximum benefit from its products and services, which is why the company is committed to offering high-quality, innovative, and fair products.

ARAG also designs its products to be modular and flexible so that they can fulfill the individual customer's needs in the best possible way. Over 90 percent of products are offered in Basis, Komfort, and Premium packages, and customers can also choose from five excess levels. This gives customers greater influence over costs and performance. ARAG's product managers regularly liaise with employees who are in daily contact with its customers. This allows insights from sales, claims, and customer services to flow into the development of new products and the optimization of existing offerings.

ARAG submits to a range of external tests and ratings to have its offerings independently checked, and its products and advisory services regularly win awards and are well placed in the rankings. In 2016 these included :

- Premium and Komfort packages of ARAG Aktiv legal insurance for the self-employed rated 'very good' (TÜV Saarland)
- Basis package of ARAG Aktiv legal insurance for the self-employed rated 'good' (TÜV Saarland)
- Family, Senior, and Singles packages of the Flex variant of ARAG's premium legal insurance range rated 'excellent' (Softair)
- Premium variants of ARAG's legal insurance, personal liability insurance, and accident insurance each won the Most Innovative Brand Award in 2016 in the insurance category (Plus X Award)
- Third place awarded to the ARAG Sofort legal insurance product for motorists in the insurance innovation of 2016 category (Euro and Euro am Sonntag)
- ARAG Alltagshelfer® and ARAG Alltagshelfer Plus® won the 2016 Customer Innovation Award (German Institute for Service Quality)
- Five stars ('excellent') awarded to the Komfort and Premium packages of ARAG's accident insurance product (Morgen&Morgen)

* Announcement of the sale of ARAG Lebensversicherungs-AG to Frankfurter Leben Gruppe during the reporting year.

- ARAG's health insurance customer service line won a Service Award and was rated a top ten service (German Society for Consumer Studies (DtGV) in partnership with N24).
- ARAG health insurance rated one of the top three private health insurers in 2016 (German Financial Services Institute (DFSI))
- 5.5 stars of a possible six awarded to ARAG health insurance ([ascore] Das Scoring)
- Top spot for the 37th successive quarter for ARAG health insurance (AssCompact Trends)

For further information please see the 2016 ARAG Holding SE Consolidated Financial Statements.

And when it comes to the clarity of product and customer information, ARAG is leading the way on the German insurance market. This is the conclusion of an independent study in 2013 that analyzed the insurance terms and conditions, brochures, and product information of 21 major German insurers using the Hohenheim comprehensibility index. Although ARAG took the top spot, the study also showed that there was still room for improvement. Since then, ARAG Rechtsschutzversicherungen and ARAG Allgemeine Versicherungs-AG have gone to great lengths to make the necessary legal jargon more comprehensible by using as many examples as possible. Insurance terms and conditions, brochures, and product information are all automatically checked by software based on the criteria of the Hohenheim comprehensibility index (HVI). In 2016 ARAG took first place in the Transparency & Convenience category in a product test carried out by the German Society for Consumer Studies, the N24 news channel, and the review site Check24. 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
<p>ARAG considers it a given that its products and services comply with all legal requirements and that product marketing meets the highest ethical standards. Insurance products and services are subject to a number of legal and regulatory requirements. These include, in particular, the Insurance Contracts Act (VVG), the Insurance Supervision Act (VAG), and the guidelines of the Federal Financial Supervisory Authority (BaFin).</p>	
PR5	Customer satisfaction
<p>Customer satisfaction and requirements are explored via a number of channels. These include direct customer surveys using questionnaires and online platforms, as well as focus groups used in market research and comparative studies of holders of multiple policies. Qualitative and quantitative surveys are also carried out in collaboration with market research companies. Customer feedback provides important insights that help to improve internal processes and the products and services on offer. The results of the market research show that ARAG's innovative and comprehensive products are particularly highly rated.</p>	
FS7	Monetary value of products and services designed to deliver a specific social benefit
<p>ARAG is also Europe's largest sports insurer, providing cover for some 20 million recreational sports participants and top-ranking athletes. The company offers products tailored to the needs of a wide range of clubs and associations. The cover that clubs can purchase includes legal, liability, accident, vehicle, illness, financial loss, environmental damage, and luggage.</p> <p>ARAG's product portfolio was enhanced in 2016 with a new insurance solution aimed at sports clubs: The package of services provided by ARAG Sports Insurance can be tailored to each club's requirements and the types of sports that they represent. ARAG Sports Insurance covers clubs' equipment and other property. The product also includes a receivables management module for the collection of outstanding debts as well as extended 'away from premises' cover.</p>	

418 **Customer privacy**

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

As an insurance company, ARAG relies on the trust its customers place in it. This applies in particular to data protection. ARAG 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 personal data will be treated confidentially and in line with legal provisions. Not giving customer data the appropriate protection required by law is potentially a criminal offense that can lead to fines or other legal action.

With the growing use of digital technologies, the issue of data protection has become increasingly important to ARAG. Complying with regulatory provisions, avoiding reputational damage, and retaining the trust of existing and potential customers are top priorities for ARAG, which is why the company has comprehensive data protection management. The system is based on a well-balanced set of rules, comprising the ARAG Information Security Policy, the ARAG Information Security Standard, the Data Protection Plan, the ARAG Workstation Guidelines, and other guidelines and procedures that are continually reviewed and made available centrally on the intranet. Several organizational and technological measures have also been implemented to ensure data is protected. ARAG was one of the first companies to sign up to the German Insurance Associations' code of conduct for processing personal data, established in conjunction with the German data protection authorities. The code of conduct obliges the company to take measures to promote data protection that go beyond the minimum required by law.

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 addition, every department is responsible for adhering to data protection requirements when carrying out its tasks. The departments are supported by the data protection officer in accordance with the duty to promote data protection that is enshrined in law.

To guarantee a high level of data protection, employees' awareness of data protection must be raised, and they must receive relevant training. To achieve this, the data protection officer conducts training that covers the general legal provisions and the specific requirements of the insurance sector. In addition to this, a number of awareness activities are undertaken and suitable communication channels are used to inform staff about changes.

The correct use of data processing software in procedures and data handling processes is audited in order to assess the implementation of legal requirements. These audits are carried out by the data protection officer. Continuous monitoring of the data protection complaints received also provides an insight into how well data protection is established in day-to-day business.

If a breach of data protection is suspected, a complaint can be made in the first instance to the department responsible for the breach. The person affected can also approach the company's data protection officer. They can also lodge a complaint with the relevant data protection supervisory body. ARAG is required by law to report any unlawful data transfers or other disclosure of personal data.

418-1	Complaints concerning breaches of customer privacy and losses of customer data
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Four substantiated complaints by supervisory authorities and three substantiated complaints by third parties were registered in 2016. 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.

419	Socio-economic compliance
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103-1/2/3	Management approach
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Compliance with all legal and regulatory provisions is the most important condition of ARAG's 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 internal 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, are important sources of applicable external and internal provisions. Centralized and decentralized compliance functions ensure that the company always acts in accordance with the continually changing regulatory framework.

ARAG carries out an annual compliance risk analysis and produces a compliance plan with appropriate measures. The progress of their implementation is reported to the Management Board in the compliance report. The number of complaints received and of compliance breaches identified are indicators of how successful the efforts to be compliant are. ARAG has an established complaints management system which is regularly reviewed by the Management Board. Furthermore, an anonymous whistle-blowing hotline has been introduced. 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 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. All five ARAG companies successfully underwent the initial appropriateness test in 2015. 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. 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. The ARAG companies will undergo the follow-up test in 2017.

ARAG carries out regular training on compliance matters. Senior managers are instructed according to the 'train the trainer' principle and are obliged to provide adequate training to their staff. 'Know your client' was very much the focus in 2016 following fundamental reforms to insurance supervision and the implementation of the Insurance Distribution Directive. While ARAG's 'Red Thread' advisory approach has provided suitable guidance for several years now, security requirements and the financial circumstances of ARAG customers were again a key discussion point in 2016.

419-1

Non-compliance with laws and regulations

There were no penalties or fines for non-compliance in 2016.

Information

ARAG uses a variety of publications as well as the Internet to provide extensive information 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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