



ARAG Legal Expenses Insurance Company Limited's *Section 172(1) Statement* **for the year ended 31st December 2024**

The below Section 172 (1) Statement was approved by the Board of ARAG Legal Expenses Insurance Company Limited ('the Company') (formerly DAS Legal Expenses Insurance Company Limited) on 31 March 2025 for disclosure on the Company's website in respect of the 2024 year-end.

Section 172(1) statement

The Directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006, which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to:

- *the likely consequences of any decisions in the long term;*
- *the interests of the company's employees;*
- *the need to foster the company's business relationships with suppliers, customers and others;*
- *the impact of the company's operations on the community and environment;*
- *the desirability of the company maintaining a reputation for high standards of business conduct; and*
- *the need to act fairly as between shareholders of the company.*

All members of the Board are subject to the requirements of the Senior Managers and Certification Regime ('SMCR'). The aim of the SMCR is to reduce harm to consumers and strengthen market integrity by setting new standards of personal conduct for everyone who works in financial services, and by making senior people in firms more responsible and accountable for their conduct, actions and competence. The Board are subject to SMCR requirements including, but not limited to, the Conduct Rules, fit and proper assessments and regulatory referencing.

The following paragraphs summarise how the Directors fulfil their duties:



Consequences of any decisions in the long-term

Each year, the Board undertakes a review of the Company's strategy. Once approved by the Board, the strategy forms the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of these decisions in the long term, and its long-term reputation.

The ARAG UK Chief Executive Officer is responsible for delivering the plans and strategy agreed by the Board, with authority delegated to executive managers but subject to all decisions being made on the basis of the values and standards mandated.

The importance of Legal Expenses Insurance (LEI) to both consumers and Business Partners continues to be high, with the expectation that demand for legal and assistance services will continue to grow. ARAG UK is well-positioned to take advantage of this demand given four key factors:

- Its experience and knowledge in underwriting LEI;
- Its focus & capability in relationship management, which support a wide network of business partners and distributors;
- Its understanding of the legal landscape and ownership of the end-to-end customer journey through owning a law firm (ARAG Law Limited) (formerly DAS Law Limited); and
- Its network and interconnectivity with quality delivery partners.

The Company developed a three-year plan (2025-2027) ('the Plan') outlining the development of its business based on this strategy. The Plan forms the basis of forward-looking assessments of the Company's risk and solvency positions taking into account investment to transform its capabilities in a number of key areas. Within the Plan period, the Company aims to:

- Achieve successful integration by delivering the benefits of the business transfer of ARAG PLC;
- Enhance the customer journey and improve customer outcomes;
- Optimise use of the Law firm to increase value to the Group;
- Achieve sustainable and profitable growth by best-in-class product and service proposition; and
- Become an employer of choice.

As the Company is an insurer it is authorised by the Prudential Regulation Authority ('PRA') and regulated by the PRA and Financial Conduct Authority ('FCA') and is subject to Solvency UK regulations, the Company is therefore required to gain a full understanding of all of its risks and put in place a robust risk management and governance system which continually evolves. The Directors fulfil their duties partly through a governance framework



that delegates day-to-day decision-making to employees of ARAG UK, details of which can be found in its governance framework below.

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the achievement of strategic objectives, including the delivery of good customer outcomes, and operational financial performance targets. Management recognises the critical importance of maintaining efficient and effective risk management systems.

The Company has a dedicated Risk Management function with clear mandate from the Board of Directors and its committees. This is supplemented with a suite of risk policies, a clear organisational structure and documented delegated authorities and responsibilities for the executive management committees and senior managers.

The Company manages its business risks and uncertainties using an Enterprise Risk Management Framework ('ERMF') which, through the Governance structure of the Company, implements risk identification, assessment, management and Reporting to the Board and its sub-committees. The ERMF includes the following key components:

- Risk Culture;
- Risk Governance (based upon "three lines of defence" principles);
- Risk Strategy;
- Risk Appetites;
- Policy Framework; and
- Risk Cycle (Risk Identification, Risk Assessment & Measurement, Risk Steering, Risk Monitoring & Reporting).

The Company aligns its Enterprise Risk Management Framework with regulatory requirements and strategic goals. A consistent risk appetite framework fosters transparency and action on exposures, while a strong risk culture is promoted through ongoing risk management education and development programs.

Interests of the Company's employees

There are no individuals employed directly by the Company; all personnel are employed by a fellow subsidiary. Disclosures relating to employees can be found in the Financial Statements of the sister company, ARAG Services Limited (formerly DAS Services Limited).

Business Relationships

The Company's strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this, it needs to develop and maintain strong client relationships. It values all suppliers and has multi-year contracts with key suppliers.



ARAG UK's reputation with stakeholders is critical to the continued success of its business. ARAG UK has set an appetite for threats to its reputation. In particular it takes appropriate measures to uphold the expectations of its key stakeholder's, including business partners and customers; current and future employees; regulators; HM Revenue and Customs; shareholders; and group partners.

Community and Environment

The Company's approach is to use its position of strength to create positive change for the people and communities with which it interacts. It wants to leverage its expertise and enable colleagues to support the communities around it.

ARAG UK is committed to making a positive impact for its customers, business partners, employees, community and environment. Its founding principle of providing Access to Justice underpins everything that it does and is the foundation to its great company culture.

Corporate Social Responsibility ('CSR') is an important part of the Company's culture. ARAG UK strives to play an active role in the communities within which it operates through charitable donations, fundraising and community work. The Company supports an active CSR forum, with representation from employees at all locations, which is responsible for overseeing the approach to charitable giving and organising various fundraising events and activities.

Throughout 2024, ARAG UK employees successfully raised and donated over £10,364 to various charities. It has fundraised for two employee-nominated charities as well as supporting other employee-nominated charities through the 'Monthly Pot'. In 2024, ARAG UK focused its support on The Bristol Law Centre and the Bristol and Wales Cat Rescue.

Employees are invited to apply for the Company-funded 'Monthly Pot' and throughout 2024 the Company provided donations to 12 different charities.

ARAG UK annually takes part in an ARAG SE Group wide initiative called ARAG Day. This year, colleagues worked together to rack up the miles 'virtually' travelling across the Group. Whilst walking, running, cycling, rowing or dancing their way across the country, funds were raised in support of The Bristol Law Centre. In addition, the Law firm also ran Law Clinics helping provide legal advice and aid to those who might otherwise not have been able to afford it.

All employees are entitled to one volunteering day per year, to use alongside their annual leave allowance. Some of the volunteering days were used to:

- Carry out site recognition, ground cultivation and tree species selection.



- Help adults who are in a difficult family environment, unemployed, on lower income, homeless, refugees by: preparing activities and playing rooms, engaging with children in the activities and supervise and helping out in the kitchen lunch clean up.
- Garden the surrounding areas and care for the animals at Holly Hedge.
- Litter picking across the Bristol City Council area.
- Help adults with dementia; serving refreshments and supporting the carers.

ARAG UK recognises the value of employee development, involvement and opportunity. The adoption of 'best-practice' policies and procedures ensure it is an employer of choice. As well as regular internal learning and development opportunities ARAG UK sponsored a large number of employees to gain external development including apprenticeships and professional memberships. Internal progression is actively encouraged and all managers are trained on their role and responsibilities in developing their teams. ARAG UK continues to run five employee-led inclusion networks, working to raise awareness and improve processes focussed on creating a sense of belonging for all employees. ARAG UK continues to leverage the learnings it gains by signing up to several charters, including "Women in Finance", "Women in Law", "Race at Work Pledge".

ARAG UK champions employee health and wellbeing by providing employees access to mental wellbeing support via our Employee Assistance Programme ('EAP'). This provides employees and their families access to practical information, and confidential emotional support 24 hours a day, seven days a week. In addition, the Company has a number of qualified Mental Wellbeing Champions, a dedicated intranet page informing of the support and benefits available. A mental health training module is in place for all employees to access on the 'Learn@ARAG' portal.

The Company recognises its responsibility to the continual improvement of its environmental performance and sustainable development, and aims to achieve environmental best practice throughout its operations. This is also a focus of the CSR and the Health & Safety forums.

In 2024, audits were undertaken to review printing volumes. We continued to source 100% Green Energy. As a result of the change in ownership we are currently recruiting for a Sustainability Manager who will be charged with reviewing and re-imagining our governance and approach to sustainability. At Group-level ARAG is committed to becoming Net Zero by 2030.

In 2023, the Facilities department investigated the installation of solar panels for the Bedwas Office and installing electric car charging ports at Trinity Quay. These projects will be implemented in our Carbon Reduction plan, with plans to review in 2025. The Company also completed its Print Queues project which will reduce the amount of paper being consumed.



Business Conduct

The Company is regulated in terms of its conduct by the FCA. A Senior Manager has responsibility for the firm's performance of its obligations under the Code of Conduct ('CoCON') Chapters in the FCA Handbook. Furthermore, there is a Governance Committee that reports into the Board, its responsibilities include the implementation of ARAG UK's compliance framework within the Regulatory Risk Appetite set by the Board and the establishment and oversight of Conduct risk management practices.

Acting fairly

The Company only has one shareholder, its intermediate parent undertaking, ARAG UK Holdings Limited (formerly DAS UK Holdings Limited). The Company's parent company and the wider Group of companies of which it is a part are considered in business decisions, although all members of the Board recognise their duty to the Company.