



# *ARAG Legal Expenses Insurance Company Limited's* *Section 172(1) Statement* **for the year ended 31st December 2025**

The below Section 172 (1) Statement was approved by the Board of ARAG Legal Expenses Insurance Company Limited ('the Company') on 27th March 2026 and signed on 1<sup>st</sup> April 2026 for disclosure on the Company's website in respect of the 2025 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 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 continue 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); and
- Its network and interconnectivity with quality delivery partners.

The Company developed a three-year plan (2026-2028) ('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 growth and profit targets by offering the right products through the right distribution channels.
- Deliver a seamless end-to-end experience, integrating innovative core products and complementary services to meet the needs of our target market and deliver good customer outcomes.
- Embrace technological innovation and AI, approaching all organisational change with a "digital by default" mindset.



- Create an inclusive, engaging and high-performance culture where all employees can give their best and feel recognized, rewarded and valued.
- Embed and adhere to a strong governance culture.
- Aspire to embed the principle of sustainability.
- Increase access to justice by proactively driving customer awareness and understanding of legal expenses insurance

As the Company is an insurer it is authorised by the PRA and regulated by the PRA and 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 Company's risk and financial management framework is designed to protect the achievement of strategic objectives, including the delivery of good customer outcomes and sustainable financial performance. Management recognises the importance of maintaining effective and proportionate risk management systems.

A dedicated Risk Management function operates under a clear mandate from the Board and its committees, supported with risk specific policies, a clear organisational structure and documented delegated authorities and responsibilities for the executive management committees and senior managers.

Business risks and uncertainties are managed through the Company's Enterprise Risk Management Framework (ERMF), which provides a structured approach to risk identification, assessment, management and reporting to the Board and its sub-committees. Key components of the ERMF include risk culture, governance based on the three lines of defence, risk strategy and appetite, a supporting policy framework, and a defined risk cycle covering identification, assessment, monitoring and reporting. The ERMF is aligned to regulatory requirements and the Company's strategic objectives. A consistent risk appetite framework promotes transparency and timely management action, while risk awareness is embedded through ongoing education and development.

## 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.



## 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.

The risk of potential loss due to damage to the Company's reputation, resulting from negative publicity, stakeholder perceptions or operational failures.

Maintaining a strong reputation is essential to ARAG UK's ongoing success. The Company has established a defined risk appetite for reputational threats and implements measures to meet the expectations of key stakeholders, including business partners, customers, 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 are the foundation to its great company culture.

Corporate Social Responsibility ('CSR') is an important part of the Company's culture. Following the harmonisation of ARAG plc and DAS UK, a new CSR strategy was founded in June 2025, which combines the best of both legacy strategies into one whilst increasing the company donations. ARAG UK strives to play an active role within the communities in 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 2025, ARAG UK employees successfully raised and donated over £24,000 to various charities. It has fundraised for two employee-nominated charities as well as supporting other employee-nominated charities through the 'Monthly Pot', later harmonised to the 'Quarterly Give'. In 2025, ARAG UK focused its support on The Bristol Law Centre in the first half and Cancer Research UK in the second half.

In addition to monetary donations and sporting fundraising, ARAG UK held an auction of office furniture, laptops and phones to employees.



Employees are invited to apply for the company-funded 'Quarterly Give' and throughout 2025 the Company provided donations to 5 different charities.

ARAG UK annually takes part in an ARAG Group wide initiative called ARAG Day, an initiative aimed at raising awareness of access to justice and fundraising for chosen charities across ARAG branches in every corner of the globe. This year colleagues at the two offices took part in a fundraising Tombola, in support of our chosen charity Cancer Research UK. As well as a commitment to supporting the Bristol Law Centre by providing pro bono advice for two separate clinics ran by the Bristol Law Centre, focusing on employment advice and civil issues.

As part of the strategy, all employees are entitled to one volunteering day per year; to support a charity or organisation close to their hearts. Some of the volunteering days were used to:

- **Help those in need** by setting up a dining hall and assist with food preparation for a charity providing hot Christmas lunches to those in need.
- **Support a charity in Newport** by packing Christmas gifts and hampers for families living in poverty, helping ensure they can enjoy a special meal and toys for their children.
- Take part in a **beach clean-up** to help protect marine life and keep coastal areas litter-free.
- Take part in **Macmillan's** "Run 60k in June" challenge to raise funds and awareness for cancer support, including a memorial run and a bake sale event.
- **Use professional expertise** to create a high-level resource plan for a local charity, supporting their transformation goals as a charity with limited funding.

ARAG UK is dedicated to empowering employees through development, involvement, and opportunity. By embedding best-practice policies and procedures, we continue to position ourselves as an employer of choice.

In 2025, ARAG UK strengthens its investment in professional growth through:

- **Fully funded Professional Qualifications and Apprenticeship Opportunities:** Employees are supported in achieving recognised qualifications relevant to their roles and career aspirations. This year alone, we enrolled 35 employees onto apprenticeship programmes to develop relevant skills, knowledge and behaviours in their chosen field. This represents an investment of over £500,000 in developing future talent.



- **Internal and External Development Opportunities:** Alongside regular internal learning sessions and professional qualifications/apprenticeships, ARAG UK sponsored over 200 employees for external development opportunities, representing an investment of over £260,000.
- **Leadership Development Programme (ILM Accredited):** Our internal leadership development programme, accredited by the Institute of Leadership & Management (ILM), equips future leaders with the skills and confidence to succeed.

Internal progression continues to be actively encouraged, and all managers receive comprehensive training on their responsibilities in developing and supporting their teams.

These initiatives not only strengthen individual career paths but also drive organisational success, ensuring our people have the skills and confidence to thrive in a rapidly changing industry.

ARAG UK is committed to championing employee health and wellbeing through a wide range of support options. These include our Employee Assistance Programme (EAP) providing employees with 24/7 confidential support; our Health Cash Plan offering access to various treatments with the ability to claim back costs; our Digital GP app ensuring quick and convenient access to medical guidance; and a team of Mental Wellbeing Champions who are available to listen to our employees and sign post to other support, and who provide a number of wellbeing engagement opportunities throughout the year to create a safe and accepting space for people to connect and share. This year our Mental Wellbeing Champions have hosted six events ranging from online drop-in sessions to in-person walks and activities. Our dedicated intranet page keeps employees informed about available support and benefits, shared grounding and relaxation techniques, and provides links to additional resources. We also provide a mental health training module which all employees complete on the 'Learn@ARAG' portal with further training tailored for Team Leader and Managers.

## 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, the Governance Committee that reports into the Board, is responsible for 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. 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.