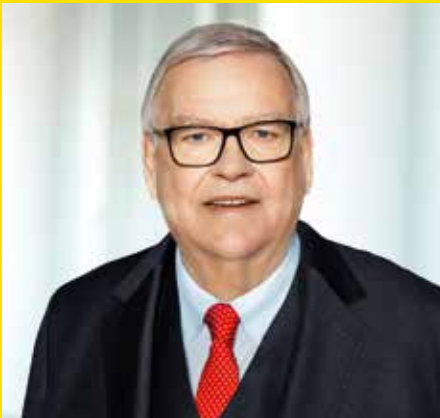


ARAG HOLDING SE

# Sustainability Report 2018



Auf ins Leben.



Dear readers,

This is the third issue of the ARAG Sustainability Report. For us at ARAG, sustainability means accepting responsibility and making our commitment transparent – for customers, employees, shareholders, society and the environment.

Our concept of comprehensive corporate responsibility is based on the founding idea expressed by my grandfather Heinrich Faßbender, who was devoted to ensuring equal opportunity for everyone under the law. That idea is firmly anchored in the philosophy of our independent, family-owned enterprise and is perhaps even more important than ever today. In order to ensure that we continue to evolve, we conduct a review every two years for the purpose of determining how we can adapt our efforts in support of that objective in response to constantly changing needs. What issues are particularly important and current at this time? In addressing this question, we identified those issues and asked ourselves how we can best contribute to the sustainable development of our business, society and the environment. You will find a transparent overview of our findings in the material matrix on page 52 as well as a detailed discussion on the following pages of the GRI Report section.

In order to offer better and deeper insights into the issues we regard as especially relevant at the time, we report on a new focal topic in each year's issue of the mag-

azine. The topic this year is "Equal Opportunity in the Digital World." This matter has become tremendously important in our age of digitally driven change. On the one hand, the digital transformation is an important driver of progress for our business. We recognized it years ago as an excellent opportunity to improve our competitive strength considerably. We firmly believe that digitalization is a stroke of luck for ARAG.

On the other hand, digitalization also poses new risks with which our society must learn to cope. One such risk is associated with the rise of hate and harassment in the Internet. Well aware that the digital world is not a lawless realm, we are committed to equal opportunity and offer concrete help and services here as well – with new products that offer protection for Internet users (ARAG web@ktiv Internet legal insurance), with our social engagement in opposition to cyberviolence and bullying and with our political efforts on behalf of better protection for the victims of cyberbullying. After all, the digital transformation can be truly successful only if it remains clearly focused on the common good. And we must all do our part to make that possible.

Dr. Dr. h. c. Paul-Otto Faßbender

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# FROM THE PLAYGROUND TO THE INTERNET

REPORT

*Whereas teasing once took place openly on playgrounds and in classrooms, quarrels and insults at schools have since shifted to social media in the digital age. Cyberbullying has taken exclusion and denunciation to new, dangerous heights.*

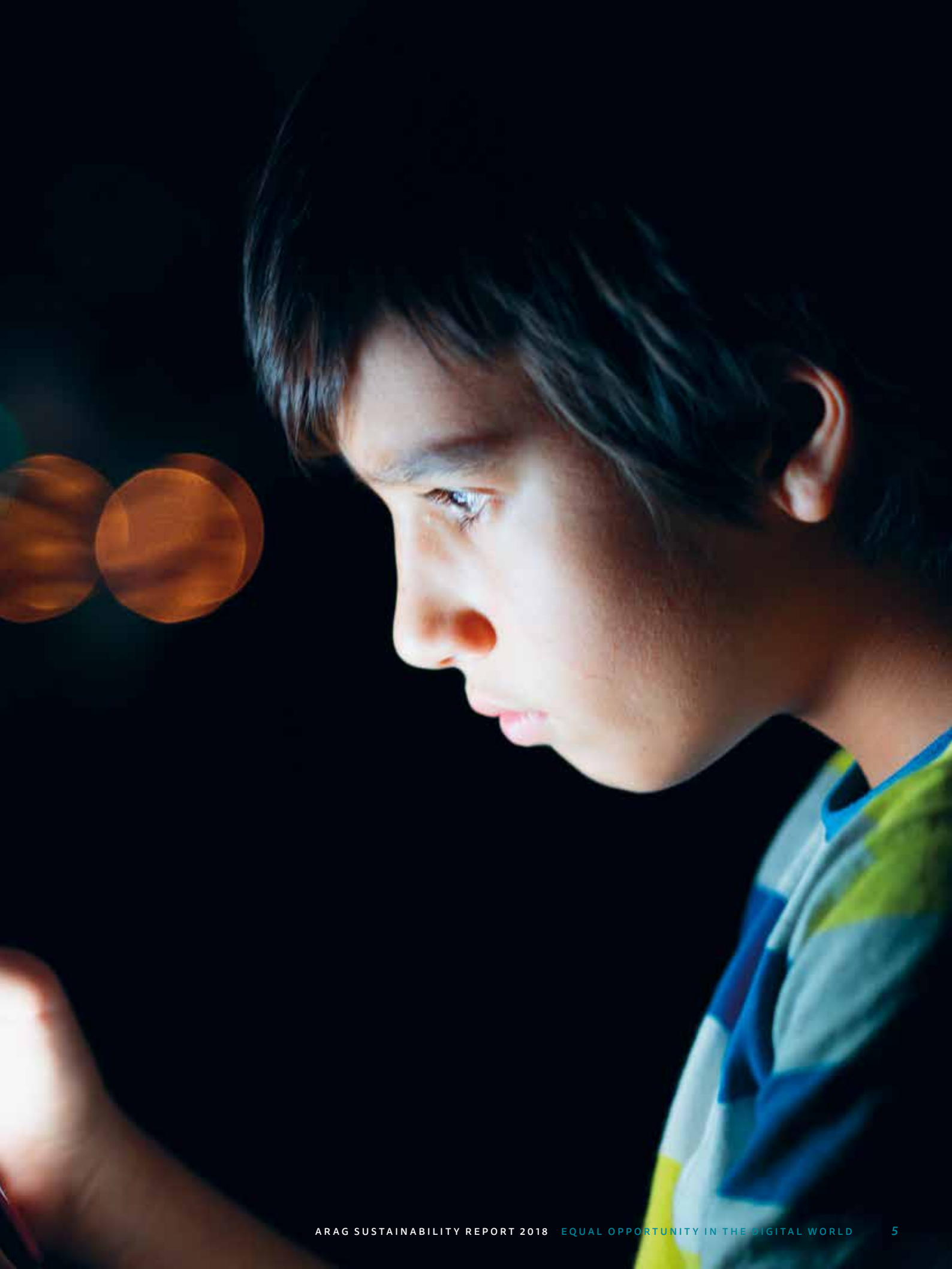


THORSTEN LEYENS



GETTY IMAGES





## EVERYDAY CHATTING AT SCHOOLS

A look at chats between school students reveals a disturbing picture. Hate and baiting are part of the daily routine.

Tuesday, 5. Feb. 2019

**Luca**  
Marius brown-nosing again ... what he said again today in English class ...

15:22

**Sandro**  
the way he kisses Berger's ass – makes me angry, that fucker

15:23

**Luca**  
word! I'll add the spastic to the chat LOL

15:24

Marius is added to the chat by Luca

Aren't we allowed to speak in class, or what????

15:32

**Luca**  
ah go on, lay down on the train tracks and help us all

15:34

**Sandro**  
be doing himself and world a favor

15:35

**Luca**  
or jump off the bridge ... but he doesn't have the balls for that ...

15:36

**Sandro**  
we could give him a little help ^^ hey Marius let us know when you need a push

15:39

Sarah is sitting on her bed at home, smartphone in hand, reading the hate messages of her schoolmates in several chats. When her mother enters her room, it becomes clear that she is not aware of her daughter's problems. This is a scene from a TV spot explaining the problem of cyberbullying. It forms part of the initiative "Schau hin!" (Look!), a joint program introduced by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth and the two public service broadcasters "Das Erste" and "ZDF." In a joint effort, they aim to stem the tide and use this campaign to alert parents to the signs of cyberbullying and encourage them to act in the best interest of their children. Because what is shown in the 30-second clip sadly has become part of everyday life for many families and is by no means a peripheral phenomenon anymore.

The spot also makes clear: Bullying is not restricted to the classroom. With the digital age, it has taken on new dimensions. The hostilities now also reach students at home – via their smartphones, in social networks, by email or by calls. Those affected can hardly shield themselves from cyberbullying, as it is out in the public sphere and available 24/7.

Hate crimes committed against children and young people unfortunately are not isolated incidents anymore. In social networks, they have become ubiquitous. On the one hand, young people use these networks as a retreat – to communicate with each other and build and maintain friendships. But at the same time, these platforms constitute a public forum where users can distribute insults and hate. About 80 percent of cyberbullying cases where embarrassing photos are shared involve social media. The most perfidious thing about it is that even after the bullying has stopped, the evidence remains and can still be found on the net.

### CYBERBULLYING DEMORALIZES PEOPLE AND MAKES THEM SICK

According to the study entitled "Cyberlife – both fascinating and dangerous; Cyberbullying among school students" [conducted](#) by the Anti-Cyberbullying Alliance and sponsored by ARAG, about 17 percent of the participating students had already been victims of insults and hate in the Internet. One of the findings of this study is particularly interesting. Apparently, the phrase "violence begets violence in return" is familiar

Source | [www.fritzundfraenzi.ch](http://www.fritzundfraenzi.ch)



**Total exclusion:** Bullying used to stop when the school day ended. Today, victims of cyberbullying are harassed round the clock thanks to the omnipresent smartphone.

to those who move about in the digital world; for although only one out of every five students claimed to have been guilty of cyberbullying, 36 percent of all perpetrators had also been victims of cyber-attacks at least once. The anonymity of such bullies makes life particularly difficult for their victims. And many incidents are never reported to the platforms in question because the victims feel helpless and don't believe that they can defend themselves against such attacks. This sense of helplessness and the repeated attacks can cause severe psychosomatic trauma, depression or feelings of loneliness and isolation. At worst, victims of cyberbullying commit suicide, as in the case of the young Canadian Amanda Todd in 2012 (see the interview with Jo-Anne MacDonald, page 11).

## CONCEPTS FOR THE PREVENTION OF CYBERBULLYING

So what can be done? The German Federal Government passed a law known as the *Netzwerkdurchsetzungsgesetz* (Network Enforcement Act, NetzDG). The new law, which took effect on 1 October 2017, obliges commercial operators of social networks to monitor their contents more strictly. "Obviously illegal" content must be deleted from these platforms within 24 hours, whereas legal compliance checks extend the deletion period to seven days. While critics regard the law as a step in the right direction, they believe that the constitutional principle of freedom of opinion is still in danger. Consequently, ARAG supports the independent Research



ARAG sponsored the first comprehensive study on cyberlife and cyberbullying among young people. These and other studies on the subject are posted online at

[www.hass-streichen.de](http://www.hass-streichen.de)





# ANTI-CYBERBULLYING-INITIATIVES

## INFO GRAPHIC

*Insults, defamation or embarrassing photos: More and more children and adolescents are becoming victims of slanderous behavior in the Internet. The increasing prevalence of cyberbullying is the reason why the number of initiatives and contact centers\* is steadily rising in Germany.*

### ! JUUUUPORT

**HANOVER** | The association is a nationwide advisory platform on which young people can help each other with problems they have experienced in the Internet.  
[www.juuuport.de](http://www.juuuport.de)

### MEDIENSCOUTS NRW

**DÜSSELDORF** | The Medienscouts NRW training program is open to school students and is part of the program known as "Train the Trainer."  
[www.medianscouts-nrw.de](http://www.medianscouts-nrw.de)

### BÜNDNIS GEGEN CYBERMOBBING

**KARLSRUHE** | The Anti-Cyberbullying Alliance raises awareness among young people and adults in matters relating to the use of social networks. The recently published "Bullying Study 2018" provides information about bullying and cyberbullying among adults in the DACH area.  
[www.buendnis-gegen-cybermobbing.de](http://www.buendnis-gegen-cybermobbing.de)

\*Due to limited space, the list of initiatives is far from complete. The map shows only a selection that implies no rating.

### [!] SCHAU HIN

**BERLIN** | The initiative launched by the German Ministry of Family Affairs, TV broadcasters ARD and ZDF and TV SPIELFILM magazine was introduced in 2003 for the purpose of providing tips for parents and teachers who want to help their children deal with the various media.  
[www.schau-hin.info](http://www.schau-hin.info)

### klicksafe.de

**LUDWIGSHAFEN** | klicksafe is an EU initiative in support of greater security in the Internet and implemented by the media authorities of Rhineland-Palatinate and North Rhine-Westphalia.  
[www.klicksafe.de](http://www.klicksafe.de)

### polizei für dich

**STUTTGART** | The website for crime prevention established by the German Federal and State governments provides clearly presented information and tips on matters of relevance to violence and drugs as well as cyberbullying and cyber-grooming. It also offers a comprehensive list of aid programs and advisory centers.  
[www.polizeifuerdich.de](http://www.polizeifuerdich.de)



## GRI

### Conflict Management in Schools

Further information on this project is provided in the chapter entitled "Social Engagement" on p. 82.

Institute for IT Law and Internet Policy of the University of Passau (For..Net) is in the process of drafting an alternative personal rights law that would provide greater legal protection for victims (see page 17). Although schools generally are aware of the extent and the impact of cyberbullying, teaching staff often feel out of their depth in tackling the problem without professional help. In fact, one in two teachers feels helpless in trying to protect students when using online media. This is the result of a study by the German Association for Voluntary Self-Regulation of Digital Media Service Providers (Freiwillige Selbstkontrolle Multimedia-Diensteanbieter, FSM e.V.), which was realized by the Hans Bredow Institute for Media Research and the JFF – Institute for Media Research and Media Education. FSM was founded 20 years ago and its declared aim is the protection of young people in online media.

### CYBERBULLYING IS A GLOBAL PROBLEM

ARAG has been involved in the implementation of a prevention concept in cooperation with the Ministry of Schools and Education of the State of North Rhine-Westphalia since 2014. Within the framework of the "Conflict Management at Schools" project, school principals, teachers, social workers and par-

ents are being trained as school mediators. The goal of this project sponsored by ARAG is to establish the first nationwide quality standards for mediator training <sup>GO</sup>. Some 55,000 students in North Rhine-Westphalia will benefit from this project. A total of 284 mediators have been trained to date. Training is conducted by experienced trainers at the local level in order to ensure that the contents of the training program can be adapted individually in keeping with the specific needs of each school – a measure that also responds to the wishes of teachers who want more training and continuing education programs of relevance to cyberbullying.

Dr. Catarina Katzer, Director of the Institute for Cyber-Psychology and Media Ethics at the University of Cologne, also advocates the introduction of new prevention concepts at schools and supports the demands expressed by many teachers for new contents in teacher training as well as more information and continuing education programs. Katzer is a recognized expert on cyberbullying and cyber-criminology. As a psychologist, she has been concerned for many years with the question of how our social behavior and thought patterns are changing under the influence of the Internet. She is a co-founder of



### ACTIVE LEGAL PROTECTION AGAINST HATE

ARAG developed the ARAG web@ktiv protection package as a means of providing protection and legal support for victims of hate attacks. Contents include active criminal prosecution in cases of bullying, the deletion of slanderous contents and protection against violations of intellectual property rights, online contracts and data/identity theft.

## GRI

### ARAG web@ktiv

Further information on this topic is provided in the chapter entitled "Digitalization" on page 61.



The Conflict Management at Schools project sponsored by ARAG has been **a great success**. Teachers benefit from ARAG's expertise:

[www.konfliktmanagement-an-schulen.de/projekt/](http://www.konfliktmanagement-an-schulen.de/projekt/)



---

**“With our training program for teachers we are embedding help in the fight against cyberbullying permanently in the school program.”**

Dr. Dr. h.c. Paul-Otto Faßbender | *Chairman and CEO of ARAG SE*

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the Anti-Cyberbullying Alliance and advises school and government agencies regarding effective approaches to the prevention of cyberbullying. After all, schools are the places at which the largest numbers of children and youth come together physically.

“Cyberbullying is endless,” Katzer explains in a recent interview with *jetzt*, the magazine for young people published by the *Süddeutsche Zeitung*. “Victims may experience renewed trauma years later when, for instance, something shows up in the Internet again. No matter where I am, the things that others do to me continue to pursue me. Victims are basically pursued round the clock.” Conflicts between children and youth are shifting more and more often into the Internet. The diversity of different digital communication media, such as chatrooms, forums, blogs, social networks like Facebook and Twitter as well as online gaming communities, offers a wealth of potential opportunities for cyberbullying.

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#### GLOSSARY OF CYBERBULLYING TERMS

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**HAPPY SLAPPING** Physical attacks against unknown fellow students, filmed and published in the Internet.

**EXCLUSION** Barring an individual or minority from membership in a community, such as a Facebook group.

**CYBERTHREATS** Threats of physical violence, usually communicated via social networks

**OUTING | TRICKERY** Exposure through the public posting of comments, photos and videos meant to damage someone's reputation. The term “trickery” refers to the fraudulent acquisition and disclosure of personal information.

**CYBER GROOMING** Deliberate initiation of sexual contacts with minors via the Internet, usually by older men posing as members of the same age group in chats.

Other terms are explained online at [www.hass-streichen.de](http://www.hass-streichen.de)

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#### IT'S TIME FOR GOVERNMENT TO RETHINK THE PROBLEM AND TAKE ACTION

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Experts predict that cyberbullying will increase in the future. And the phenomenon is no longer restricted to Germany, but has become a global problem (see the world map on page 18). Some countries have introduced specific legal measures, however. Cyberbullying was made a punishable offense in Italy in May 2017. Furthermore, the Italian Parliament has ordered schools to provide more instruction in media competence. Schools in Sweden are also required to show proof that they are taking active steps to combat bullying. Those which fail to do so can be sued by their students for breach of the obligation to provide due care. That kind of protection still does not exist in Germany. Various initiatives and those affected by cyberbullying therefore demand that more educational work be done to inform the public about the consequences of this type of hate crime, and that politicians take note and proceed to specifically incorporate it in the

# OPEN DIALOG IS IMPORTANT

## SHORT INTERVIEW

*Jo-Anne MacDonald (52) has headed our Canadian subsidiary ARAG Services Corporation in Toronto since 2018. Cyberbullying has now become a major issue of concern in Canada as well, as Ms. MacDonald explains in the following interview.*

**You were once a teacher yourself. Were you confronted with cyberbullying as a teacher?**

**JO-ANNE MACDONALD** I didn't experience any cases of bullying during my years as a teacher. Perhaps that was because college students are older and more self-assured than younger kids. But if I had heard about students being bullied, I would definitely have done something about it.

**Fifteen-year-old Amanda Todd took her own life in 2012 after having been bullied online. How did that affect you at the time?**

**JO-ANNE MACDONALD** I was living with my son in British Columbia back then. We

had never talked about bullying before that, but we recognized the urgency of this issue after that tragic incident.

**Have people in Canada\* become more aware of the problem of bullying in the meantime?**

**JO-ANNE MACDONALD** Oh, yes. And that has given rise to a lively dialog on cyberbullying. The problem is now discussed openly in schools, and students are taught how best to respond as victims.

**How would you react if someone in your family were being bullied?**

**JO-ANNE MACDONALD** The most important thing is to encourage open discussion of





the issue. We need to ensure that it is not dismissed as harmless and that the victims of bullying don't close themselves off. That is the only approach that can lead to a solution and enable us to work together to eliminate the causes of the problem.

\*Cyberbullying is a punishable offense under criminal and civil law in Canada (see page 18). See the full interview with Jo-Anne MacDonald [www.arag.com/en/sustainability](http://www.arag.com/en/sustainability)

Criminal Code, making cyberbullying a criminal offense punishable in the courts. An emergency button that can be used to report harmful and potentially criminal contents to platform providers would also provide better protection against cyberbullying. That would ensure that slanderous postings, images or video actually disappear from the Internet.

The German Federal Government has finally recognized the need for action as well. In November 2018, Federal Minister of Youth Affairs Dr. Franziska Giffey presented the study entitled "Euphoria was Yesterday – Youth and Young Adults between Happiness and

Dependence"  in cooperation with the German Institute for Trust and Security in the Internet (DIVSI). Two-thirds of the young survey participants stated that they definitely expect to be insulted and verbally attacked as soon as they express themselves in the Internet. Says Giffey: "We need a modern youth media safety act that provides for participation, empowerment and protection. We are working on that at the moment. Providers must make sufficient security and reporting systems available to users, and parents need greater transparency when it comes to the question of which media and apps are suitable for their children and which are not." 



The full study is published online at

[www.tinyurl.com/divsi-studie](http://www.tinyurl.com/divsi-studie)



**Facebook Deletion Units.** Personnel in Berlin and Essen are engaged in filtering out hate messages. It is their job to decide whether messages are in violation of applicable laws – or Facebook community standards.





**DELETE**

REPORT

*According to the controversial German Network Enforcement Act (NetzDG), social media platforms, including Facebook and others, are obliged to decide which content must be deleted from the Internet – a lawn-mower principle with consequences.*



KARIN VOGELSBERG



GORDON WELTERS

**B**aiting, malicious attacks and hate in the Internet pose serious problems for society at large. Irrefutable evidence of this fact is provided in several studies published by ARAG SE, the Anti-Cyberbullying Alliance and cyber-psychology expert Dr. Catarina Katzer. These studies conducted between 2013 and 2016 illuminate specific aspects of cyberbullying. “Cyberlife” is an analysis of the problem at schools, “Bullying and Cyberbullying among Adults” shows that the issue is not confined to adolescents, and the “ARAG Digital Risks Survey”

The study is posted at:  
[www.hass-streichen.de](http://www.hass-streichen.de)

is a transnational trend study on the subject of cyberbullying.



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# “Cyberbullying has become a social problem that affects all age groups.”

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Klaus Heiermann | Board Member, ARAG Holding SE

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## REACTIONS TO ATTACKS IN THE INTERNET

*Bullying and insults in the Internet are part of the daily routines of many young people. Their reactions to such attacks differ widely.*

**17%**

have reported such incidents to the providers of the online services.

**58%**

spoke with their parents about the problem.

**50%**

have discussed the problem with their friends.

---

SOURCE | BITKOM Research 2014

The results of these surveys and analyses are alarming. Digital bullying is particularly insidious because it spreads extremely fast and because victims have no place to hide. Attacks in social networks, on YouTube, in e-mails and in chatrooms have the power to destroy lives: 13 percent of all victims turn to alcohol and/or pills in order to mask hostilities at least for a while, and one out of every ten becomes suicidal.

The facts are there for all to see – and of course the political community has also recognized the need to face up to the danger of cyberbullying. The Internet is not a lawless space. The Telemedia Act has provided for the deletion of illegal content for the past ten years. Yet the Ministry of Justice is convinced that the commercial Internet platforms do not adhere strictly enough to the provisions of the law.

### **CRITICISM OF THE NETZDG**

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Consequently, the Federal Government issued a new law. The purpose of the NetzDG is to reduce the incidence of hate crimes and the posting of other illegal content in the Internet. The law took effect on 1 October 2017. The transition period expired on 1 January 2018, and commercial providers are

now obliged to comply with the provisions of the NetzDG. They must respond quickly to complaints. The following are the most important aspects. “Obviously illegal” content must be deleted within 24 hours of receipt of a report or, in less clear-cut cases, access to the message in question must be blocked within seven days. Users and those who file complaints must be informed of decisions without delay. Deleted content must be saved for at least ten weeks for evidentiary purposes. Failure on the part of commercial providers to comply with these rules is a misdemeanor. In cases of frequent or systematic violations, commercial social network providers may be subject to fines in the million-euro range. The NetzDG also requires providers to appoint a representative as a point of contact for government agencies and in civil legal proceedings. They must also issue semi-annual reports detailing all complaints received and steps taken in response.

At first glance, the NetzDG appears to address the most important issues. Yet the law actually has a number of pitfalls and has thus been the focus of criticism from the outset. Eight of the ten experts invited to testify at the original hearing on the draft bill in the German Bundestag expressed significant reservations. The journalists’ organization “Reporters With-

## GRI

### Political Engagement

Further information on this topic is provided on page 84.

out Borders" spoke of a "rush job" that could cause massive damage to the fundamental rights of freedom of opinion and freedom of the press.

### FREEDOM OF OPINION IS IN JEOPARDY

The crux of the matter: commercial platform providers are free to decide for themselves which content they delete. There is no independent controlling instance. As a rule, users have no knowledge about the qualifications of the individuals responsible for deleting content at Facebook, Twitter, etc. Furthermore, the rules according to which such decisions are made are not at all clear. Legal requirements are not always observed in this context. Providers often rely on standards of their own making. Because substantial fines may be imposed when illegal content remains in the Internet and since the time allowed for assessment is short, providers may tend to delete too much, rather than too little. In other words, even content that is actually protected in keeping with the principle of free expression of opinion may be lost as well. We speak of over-blocking when a deletion brigade goes too far in removing content from the Internet. Providers who delete too much are not subject to legal consequences.

The task of assessing the legality of content is actually a sovereign duty of the government – but the NetzDG imposes this duty upon private commercial enterprises. This raises constitutional questions as it applies specifically to freedom of opinion. Even knowledgeable jurists sometimes find it difficult to distinguish between free speech, satire and criminal offense. And making such distinctions is probably too much to ask of legal laypersons employed by social networks. Shortly after the NetzDG took effect, a satirical article in Titanic magazine served as a perfect illustration of the problem: it was not in violation of the law, but it was deleted nonetheless.

### AN ALTERNATIVE TO THE NETZDG PROPOSED BY ARAG AND EXPERTS IN IT LAW

ARAG is also unhappy with the NetzDG, and it is concerned in particular with the issue of personal rights. "On the basis of over 80 years of expertise in national and international legal matters, ARAG is convinced that the NetzDG does not provide sufficiently effective protection for these essential legal rights," concludes Klaus Heiermann, Member of the Board of ARAG Holding SE.

Yet rather than express criticism of the law, ARAG supported the inde-



## WHAT DOES THE LAW SAY?

*Cyberbullying is not actually defined as a punishable offense. Certain provisions of the Criminal Code may apply in cases of cyberbullying. The following three articles are relevant:*

### \$185 Libel

Insults defined as libel are punishable with fines or imprisonment for up to one year – or up to two years if a physical attack is involved.

### \$186 Slander

Persons who assert or disseminate alleged but untrue facts that defame or denigrate another individual may be punished with fines or imprisonment for up to two years.

### \$187 Defamation

Persons who in spite of better knowledge assert or disseminate untrue facts about another individual in order to defame or denigrate the individual in the eyes of the public may be subject to fines or imprisonment for periods of up to five years.

The exact German texts of the articles in question are posted at:  
[www.gesetze-im-internet.de/stgb](http://www.gesetze-im-internet.de/stgb)

Articles regarding acts that are related to cyberbullying as a punishable offense, such as stalking, coercion and threats are posted online at:  
[www.arag.com/de/cybermobbing/strafen](http://www.arag.com/de/cybermobbing/strafen)





## ??? HOW IS CONTENT DELETED?

The Network Enforcement Act (NetzDG) obliges the operators of social networks to delete all contributions from users that are "obviously illegal" under German law or to block access to them in Germany within 24 hours. But how is deletion actually performed? Facebook has not been forthcoming with respect to its deletion criteria and acts primarily in accordance with its own community standards. Facebook takes an essentially critical view of the NetzDG. In its 2018 Transparency Report, Facebook writes: "We comply with the provisions of the NetzDG in Germany. However, we still share a critical attitude towards this law; for the question of whether content is illegal or not should be answered by courts and not by commercial enterprises."

See the **2018 Facebook Transparency Report (in German)** at:

[www.tinyurl.com/Facebook-transparenzbericht](http://www.tinyurl.com/Facebook-transparenzbericht)

pendent Research Institute for IT Law and Internet Policy of the University of Passau (For..Net) in the process of drafting an alternative to the controversial law. "The rule of law and the principle of equal opportunity naturally apply in the Internet as well, although they should not be taken to extremes. Appropriate solutions are both possible and feasible," emphasizes Klaus Heiermann.

### **CYBERBULLYING AS PUNISHABLE OFFENSE**

Prof. Dr. Dirk Heckmann (see interview), Director of the Research Institute in Passau, and former For..Net CEO Dr. Anne Paschke drafted a comprehensive alternative to the NetzDG known as the Personal Rights Protection Act (PRG). "Serious defamation in the Internet must be included in the Criminal Code as an offense in its own right and punished accordingly," explains Prof. Dr. Dirk Heckmann. The new definition of the "crime of cyberbullying" applies in cases in which the attacks in question impose such severe pressure on the victims that they alter the course of their lives in response – by changing jobs, for example, by refusing to leave their homes or by becoming physically or mentally ill. The proposal provides for more severe penalties

in cases in which defamatory attacks drive victims to suicide. The draft law goes far beyond mere standards of punishment, however. Special emphasis is placed on the improvement of victim protection. In addition to the statutory obligation of the relevant agencies to investigate, victims of serious defamation are assigned legal counsel and receive psychosocial support during legal proceedings.

The centerpiece of the draft proposal is a revised set of provisions on telemedia law, which were written as an alternative to NetzDG. Providers and platform operators are not meant to replace the courts. Instead, they should provide what they are best equipped to provide in order to protect personal rights – namely the appropriate technology. The Passau proposal obliges commercial providers to establish procedures for reporting and identifying problematic content. Reported content should no longer be deleted by providers or operators, but documented for evidentiary purposes preservation instead. A court order should be required in order to enforce a deletion. In this way, the question of the legal distinction between defamation, simple insults and free speech in the Internet would be returned to the jurisdiction of the courts – where it clearly belongs. ■



# PROTECTING VICTIMS – PUNISHING OFFENDERS

## INTERVIEW

*The Personal Rights Protection Act (PRG) is a proposed alternative to the controversial NetzDG. It was drafted under the guidance of Prof. Dr. Dirk Heckmann, Director of the Research Institute for IT Law and Internet Policy of the University of Passau and its former CEO Dr. Anne Paschke. Prof. Dr. Heckmann discusses the most important issues covered by the draft bill in this interview.*



### What do you see as the greatest weakness of the current law?

**PROF. DR. HECKMANN** First of all, we have no effective enforcement system. The fact that well over 90 percent of all offenses committed in the Internet, such as slander and defamation, go unpunished is absolutely untenable. I believe that this failure to enforce the law is unparalleled in our legal system. Secondly, there is a definite lack of protection for victims. And thirdly, instead of exploiting the technological expertise of platform operators, we have appointed them to act as judges. That is the wrong approach.

### Your alternative proposal focuses on punishable statements in the Internet. Where does one draw the line between what is permissible and what is not?

**PROF. DR. HECKMANN** We definitely face difficulties when it comes to drawing the line between permissible expressions of opinion and punishable libel. We focus on the truly serious cases in our draft proposal and speak deliberately of severe cases of libel that have a lasting negative impact on vic-

tims' lives. We want to set an example here, and we are fully aware that this cannot solve the problems caused by all of the illegal statements in the Internet. But by beginning with the truly serious cases we will be taking an important step forward.

### According to your draft bill, punishable content should be tagged but not deleted until a final legal decision has been rendered. Why is that?

**PROF. DR. HECKMANN** Our proposal requires platform operators to tag questionable content with "Attention, this posting may be punishable by law!" Anyone sharing this content would be regarded as an accomplice. Such tags would also serve as evidence that the platform operator is aware that a posting is probably illegal. If they don't tag it, they become liable as well.

### Your proposal emphasizes victim protection. How should that be done?

**PROF. DR. HECKMANN** We want to ensure that serious offenses are officially investigated. It is simply not right to demand that

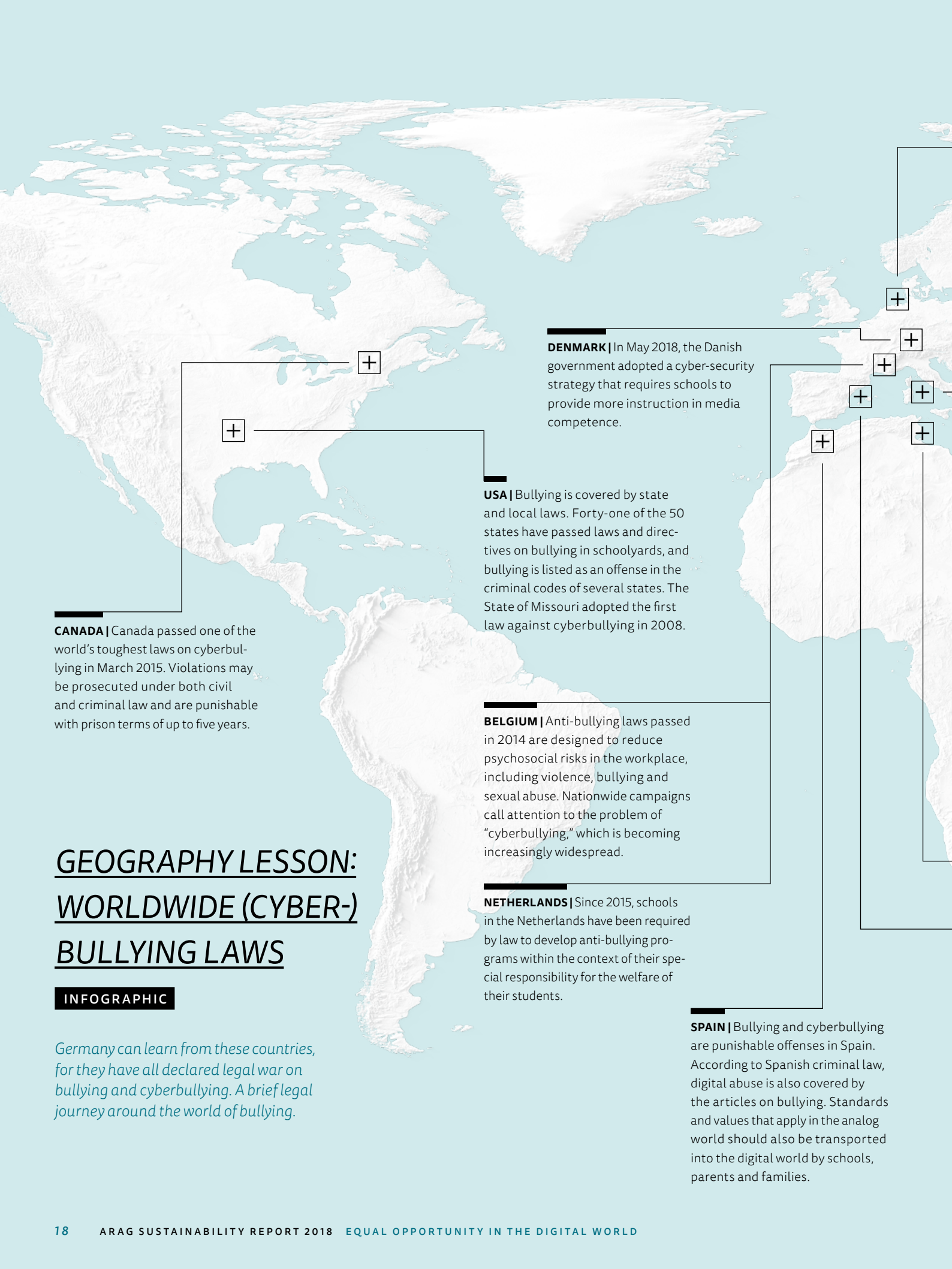


### Prof. Dr. Dirk Heckmann

Prof. Dr. Dirk Heckmann is a Professor of Public Law specialized in security law and Internet law at the University of Passau and a member of the Data Ethics Commission of the German Federal Government. He has also served as an adjunct constitutional judge at the Bavarian Constitutional Court since 2003.

victims file formal requests. Providers should be required to save the content in question and make it available to the courts. Electronic file management facilitates case data access and accelerated proceedings. That is very important for victims. We are convinced that timely rulings will have a preventive effect. We also call for a victim's attorney paid by the government. Victims also need psychological counselling. They suffer and need someone who can help them cope.

The full interview with Prof. Dr. Dirk Heckmann is posted at [www.arag.com/en/sustainability](http://www.arag.com/en/sustainability)



**CANADA** | Canada passed one of the world's toughest laws on cyberbullying in March 2015. Violations may be prosecuted under both civil and criminal law and are punishable with prison terms of up to five years.

## GEOGRAPHY LESSON: WORLDWIDE (CYBER-) BULLYING LAWS

### INFOGRAPHIC

*Germany can learn from these countries, for they have all declared legal war on bullying and cyberbullying. A brief legal journey around the world of bullying.*

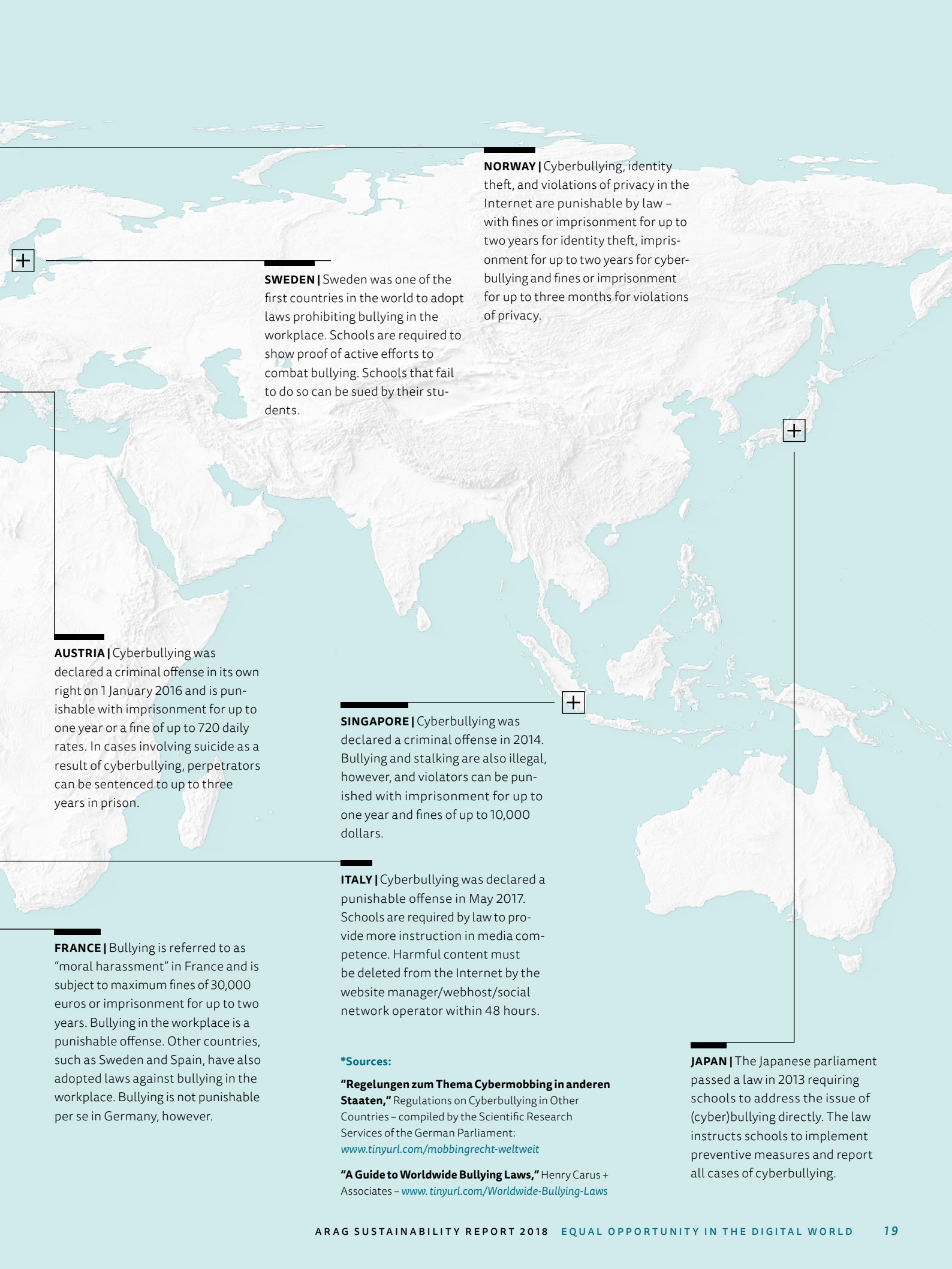
**DENMARK** | In May 2018, the Danish government adopted a cyber-security strategy that requires schools to provide more instruction in media competence.

**USA** | Bullying is covered by state and local laws. Forty-one of the 50 states have passed laws and directives on bullying in schoolyards, and bullying is listed as an offense in the criminal codes of several states. The State of Missouri adopted the first law against cyberbullying in 2008.

**BELGIUM** | Anti-bullying laws passed in 2014 are designed to reduce psychosocial risks in the workplace, including violence, bullying and sexual abuse. Nationwide campaigns call attention to the problem of "cyberbullying," which is becoming increasingly widespread.

**NETHERLANDS** | Since 2015, schools in the Netherlands have been required by law to develop anti-bullying programs within the context of their special responsibility for the welfare of their students.

**SPAIN** | Bullying and cyberbullying are punishable offenses in Spain. According to Spanish criminal law, digital abuse is also covered by the articles on bullying. Standards and values that apply in the analog world should also be transported into the digital world by schools, parents and families.



**NORWAY** | Cyberbullying, identity theft, and violations of privacy in the Internet are punishable by law – with fines or imprisonment for up to two years for identity theft, imprisonment for up to two years for cyberbullying and fines or imprisonment for up to three months for violations of privacy.

**SWEDEN** | Sweden was one of the first countries in the world to adopt laws prohibiting bullying in the workplace. Schools are required to show proof of active efforts to combat bullying. Schools that fail to do so can be sued by their students.

**AUSTRIA** | Cyberbullying was declared a criminal offense in its own right on 1 January 2016 and is punishable with imprisonment for up to one year or a fine of up to 720 daily rates. In cases involving suicide as a result of cyberbullying, perpetrators can be sentenced to up to three years in prison.

**SINGAPORE** | Cyberbullying was declared a criminal offense in 2014. Bullying and stalking are also illegal, however, and violators can be punished with imprisonment for up to one year and fines of up to 10,000 dollars.

**ITALY** | Cyberbullying was declared a punishable offense in May 2017. Schools are required by law to provide more instruction in media competence. Harmful content must be deleted from the Internet by the website manager/webhost/social network operator within 48 hours.

**FRANCE** | Bullying is referred to as “moral harassment” in France and is subject to maximum fines of 30,000 euros or imprisonment for up to two years. Bullying in the workplace is a punishable offense. Other countries, such as Sweden and Spain, have also adopted laws against bullying in the workplace. Bullying is not punishable per se in Germany, however.

**\*Sources:**

**“Regelungen zum Thema Cybermobbing in anderen Staaten,”** Regulations on Cyberbullying in Other Countries – compiled by the Scientific Research Services of the German Parliament:  
[www.tinyurl.com/mobbingrecht-weltweit](http://www.tinyurl.com/mobbingrecht-weltweit)

**“A Guide to Worldwide Bullying Laws,”** Henry Carus + Associates – [www.tinyurl.com/Worldwide-Bullying-Laws](http://www.tinyurl.com/Worldwide-Bullying-Laws)

**JAPAN** | The Japanese parliament passed a law in 2013 requiring schools to address the issue of (cyber)bullying directly. The law instructs schools to implement preventive measures and report all cases of cyberbullying.







# THE PERFIDIOUS COMPLEX OF HATE, FUN AND VIOLENCE

## REPORT

*Many cyberbullies are convinced that their actions are just “fun;” yet the impact of hate in the Internet is devastating for victims. It can destroy lives and poison the social climate. And libel is a serious offense in the eyes of the law.*



KARIN VOGELSBERG



DANIEL HOFER

**Dunja Hayali** is one of the best-known moderators in Germany – and a fervent opponent of hate in the Internet. She confronts her “trolls,” “haters” and “frogs” on Facebook and Instagram with humor and firm resolve.

**W**hen TV moderator Dunja Hayali received the Golden Camera award in the Best Information category in 2016, she called attention in her acceptance speech to an explosive issue: hate, specifically in the Internet. The journalist has been the target of repeated personal attacks in social media and readers’ letters. In her moving address, she talked about threats, insults, verbal abuse and rape threats. “Does anyone really believe that all this hate does any good?” Hayali asked. Canadian feminist media critic and blogger Anita Sarkeesian also published a number of injurious tweets she had received in a single week in 2016 – there were 157 in all, including numerous death and rape


threats. Singer and Grand Prix d’Eurovision winner Lena Meyer-Landrut spoke out publicly against bullying and talked about the suffering hateful comments had caused her. The Green politician Renate Künast (see the interview on page 28) also chose not to remain silent in the face of such attacks and visited authors of hate messages addressed to her in person. The politician and journalist was stunned to realize that such attacks often come from people who are well off but “simply want to let it all out for once.” “If they represent the dominant values of the middle class in Germany, then we have a problem,” warned Künast in a Spiegel video interview in reference to her personal experience with bullies.

# THE WORKPLACE AS CRIME SCENE

Bullying and cyberbullying affect people of all ages, as the "2018 Study on Bullying" released by the Anti-Cyberbullying Alliance clearly shows. More than 4,000 adults aged 18+ were surveyed in this study, which reveals that more than one out of every two attacks (57 percent) happens in the workplace.

Over **30 %** of those surveyed had been  
**VICTIMS OF BULLYING**  
at least once, and that number is rising.

**WOMEN & YOUNG PEOPLE** are especially vulnerable. 

At **57 %** the **WORKPLACE** is one of the most frequent settings for bullying. 

Employees on sick leave due to bullying cost business enterprises **5 billion EUROS.** 

Victims of bullying change jobs  
**TWICE**  
as often as others.

Source | Bündnis gegen Cybermobbing, Mobbingstudie 2018  
[www.tinyurl.com/mobbingstudie2018](http://www.tinyurl.com/mobbingstudie2018)

## **THE INTERNET AS A "FRIGHTENING" PLACE**

It is no coincidence that the four examples cited above involve women, for anti-feminism and misogyny play significant roles in cyberbullying. "Many self-confident women have experienced verbal aggression with extremely sexual overtones," notes the Austrian journalist and publicist Ingrid Brodnig (35). She has written books about hate in the Internet and fake news, and she now represents her country in the EU Digital Champions Initiative. Brodnig does not speak from personal experience alone. The human rights organization Amnesty International warns that the Internet is often a "frightening place" for women. In a study commissioned by Amnesty International, the Ipsos Mori polling institute surveyed 4,000 women in eight different countries. The findings showed that nearly one-fourth of the respondents had been victims of attacks in the Internet. In almost half of all cases, the expressions of hate were misogynistic or sexist in nature. Women are 1.5 times more likely to be bullied than men. This was the conclusion reached by the authors of the study entitled "Bullying and Cyberbullying among Adults" conducted by the Alliance against Cyberbullying and media expert Dr. Catarina Katzer with the support of ARAG SE. This study is one of a total of three studies on the subject of cyberbullying sponsored by ARAG. The other two deal with cyberbullying in schools and with various international approaches to the problem (see pages 4 and 20).

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# “Insults, threats, verbal abuse and hate have nothing to do with freedom of expression.”

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Dunja Hayali | Journalist and moderator

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## PERSONAL SUFFERING AND HIGH COSTS FOR THE GENERAL PUBLIC

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Not only women are attacked online, of course. The problem affects society as a whole and has evolved into a destructive wave of hate to which millions of people are exposed every day. People of all ages and occupations are attacked, defamed, harassed, hassled and coerced in social networks, e-mails, chatrooms, videos and messaging portals – and it makes no difference whether they are male or female, rich or poor, prominent or not. That conclusion is also supported by findings from the studies conducted by ARAG SE, the Alliance against Cyberbullying and Dr. Katzer.

“Cyberbullying threatens to become the time bomb of the Internet, because children and adolescents are not the only people who are helplessly exposed to the phenomenon. An increasing number of adults have become victims of cyberbullying,” as Dr. Catarina Katzer, the author of the comparative study entitled the “ARAG Digital Risks Survey” and Director of the Institute for Cyberpsychology and Media Ethics in Cologne. One need only look at several of the key findings of the ARAG studies in order to

realize how serious the situation is. Roughly one million gainfully employed people in Germany have been bullied. The resulting direct and indirect damages amount to between 15 and 50 billion euros – caused, for example, by production disruptions and illness in combination with long-term damages for which no estimates are available. Many victims become mentally or physically ill after bullying attacks. Typical physical complaints include insomnia, high blood pressure, head and chest pains as well as stomach problems. Nearly half of all victims of bullying also claim to have experienced depression and personality changes. More than one out of every ten victims has had thoughts of suicide. Victims of bullying and cyberbullying miss five more days of work per year due to illness than colleagues who have not experienced such attacks.

According to the Anti-Cyberbullying Alliance, 85 percent of all citizens believe that cyberbullying is on the rise. That is not merely a subjective impression, as researchers confirm that smartphones serve as “smart weapons” that make cyberbullying increasingly mobile. Bullies can send hate messages whenever and from wherever they wish. And there is no



## HELP FOR VICTIMS OF BULLYING IN THE WORKPLACE

Bullying in the workplace often goes unreported – mostly because no one wishes to talk about it. According to surveys conducted by the Anti-Cyberbullying Alliance, only 27 percent of bullied employees report these incidents to their supervisors. The majority simply put up with such behavior silently. Only one-fourth of all companies offer points of contact for complaints about bullying. One-fifth have issued guidelines for fairness in the workplace. And only 16 percent of all business enterprises offer training courses in workplace conflict management.

The management of ARAG SE has recognized the problem and taken appropriate action. Respectful treatment of others is one of the principles set forth in the ARAG Essentials. For ARAG, fairness means establishing equality of opportunity, practicing tolerance, thinking across departmental lines and promoting the balance of work and family life.

The ARAG SE Works Council is engaged in discussions with the employer for the purpose of establishing a conflict management program for employees. The first workshops devoted to this matter have already taken place. Several Works Council members are being trained as conflict and bullying counselors. The program is to be implemented initially at headquarters in Düsseldorf.



### Diversity and Equal Opportunity

Further information on this topic is provided on page 79.



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# “We are dedicated to promoting equal opportunity in cyber-life, for the Internet is no legal vacuum.”

Dr. Dr. h. c. Paul-Otto Faßbender | Chairman and CEO, ARAG SE

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escape for their victims, because they are vulnerable to attacks on smartphones and tablets at any time. There are virtually no possibilities for retreat in the face of these never-ending public attacks. That is what makes cyberbullying so perfidious.

## **SADISM AND MALICE AS MOTIVES FOR CYBERBULLYING**

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But how are such attacks possible, and what motivates the perpetrators? They are made possible, first of all, by the anonymity and invisibility offered by the Internet, which break down inhibitions and suspend the rules of social behavior. People type words, insults and vulgarities they would never utter to anyone face to face. Some people underestimate the power of such messages and do not expect a reaction from the targets of their attacks. The offender is not present when the victim receives the message and needn't experience that person's feelings of fear, sadness, despair or anger. The American psychology professor John Suler speaks of “emotional hit-and-run” in this context.

“Digital Champion” Ingrid Brodnig distinguishes between two kinds of offenders: “trolls” and “zealots.” “Trolls” are sadists who provoke others deliberately and for fun.

They take pleasure in the emotional suffering of others. The Anti-Cyberbullying Alliance reports that nearly one-third of all bullies are motivated by pure enjoyment of nastiness, while 22 percent act out of boredom. And that applies in equal measure to both adolescents and adults. According to Brodnig's definition, the so-called “zealots” want only their opinions to be heard and accepted. It is useless to confront them with counterarguments. They have no interest in discussion but simply claim to be in sole possession of the truth. Journalist Dunja Hayali also knows from personal experience that some attackers can no longer be reached with offers of dialog and objective reasoning. “No one listens to anyone anymore. People's own words are twisted, and those who don't accept the other's opinion are idiots, liars, sluts or totally remote-controlled.”

## **THERE ARE LIMITS TO “FREEDOM OF EXPRESSION”**

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Cyberbullies often justify their behavior as the “free speech” or “satire.” But that is questionable in both a moral and a legal sense. For the World Wide Web is not a legal vacuum. Article 1 of the German Constitution, which states that “Human dignity is inviolable,” makes no exception for the Internet. Freedom of expression is a precious right of all human beings under the rule of law. But it is subject to certain duties and legal restrictions as well and ends, for example, where it





**From left to right:** Digital entrepreneur Nico Lumma, Bundestag Member Renate Künast (Bündnis 90/Die Grünen), Handelsblatt Editor Johannes Steger, Klaus Heiermann (Board Member, ARAG Holding SE) and Sabine Frank, Director, Regulation and Consumer Protection at Google Deutschland, discussed the opportunities and risks associated with the Network Enforcement Act in Berlin.

## ANSWERS TO HATE IN THE INTERNET

A panel discussion on a serious topic took place in Berlin in late November: "Hate me more quietly – the Network Enforcement Act and Reality." Invitations were extended by the Handelsblatt, and ARAG was a partner to the event. The participants discussed the opportunities and risks associated with the NetzDG and addressed the possibility of achieving a sustainable solution to the problem of hate, fake news and bullying in the Internet.

With the NetzDG, which took effect in early 2018, the German Federal Government hoped to establish a uniform and clearly defined procedure for determining what must be removed from digital platforms and what may be allowed to remain. The law requires platforms such as Facebook or YouTube to delete illegal contents reported by users within certain fixed time limits. But the law has been the object of harsh criticism, particularly because it assigns responsibility for deciding what is legal and what is not in the hands of commercial providers rather than courts.

violates the honor of others. That is also clearly stated in Article 10 of the European Convention on Human Rights. Nor is everything permissible simply because it is labeled as "satire." It is not satire, for instance, when defamatory statements are attributed to certain people. The fine distinction between freedom of expression and allegedly satirical criticism becomes a precarious balancing act. Thus Dr. Dr. h. c. Paul-Otto Faßbender, Chairman and CEO of ARAG SE, is justifiably concerned with the issue of personal rights in the Internet. He

warns that "Behavior patterns that promote systematic violations of personal rights are taught, learned and employed through cyberbullying and cyberviolence."

### **THE NETZDG LEAVES ROOM FOR IMPROVEMENT**

ARAG is not convinced that the Network Enforcement Act (NetzDG) affords effective protection for personal rights in the Internet. The law has been and remains the object of harsh criti-





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## **“The Internet is worth defending as a place of enlightenment.”**

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Ingrid Brodnig | author and journalist

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### **RECONQUERING THE INTERNET**

The author and journalist Ingrid Brodnig (35) is concerned with the effects of digitalization on our society. She has written three books on the subject matter, most recently *Lügen im Netz* (Lies in the Internet), which deals with political manipulation in the Internet.

Brodnig writes a weekly IT column entitled #brodnig for the news magazine *Profil* and was named Austria's Digital Champion on the EU Commission (an independent position devoted to promoting digital awareness) by the Austrian Federal Government in 2017. She has received several awards for her work.

cism. In force since 2018, it imposes obligations on social media providers, in particular. They are required to delete illegal postings within short deadlines. The problem is that it is not left to courts to decide whether a given content is in violation of the law, but rather to the platform providers themselves.

And in ARAG's view the law provides insufficient protection for victims. The procedure for reporting legally questionable content established by some providers is much too complicated, for example. Yet victim protection is cited as a priority issue when international experts respond to questions about ways in which cyberbullying can be curbed. An “SOS button” on all social media platforms could help.

Some experts see the NetzDG as a first step in the right direction but argue that it is in need of improvement. The independent Research Institute for IT Law and Internet Policy of the University of Passau (For..Net) has drafted an alternative proposal for the controversial law with the support of ARAG SE. The proposal drafted by Prof. Dr. Dirk Heckmann (see the interview on p. 19), Director of the Research Institute in Passau, and former For..Net CEO Dr. Anne Paschke calls for the definition of serious defamation in the Internet as a criminal offense in its own right as well as improvements in victim protection. In the fall of 2018, Bündnis 90/Die Grünen submitted a petition for a change in the law against hate in the Internet for consideration by the German Bundestag. The party calls for a “comprehensive strategy in opposition to

## HOW HATE PERVADES THE SOCIAL MEDIA

*A look at comments posted on various social media sites reveals how the anonymity of the Internet eliminates inhibitions – as in the case of the group known as “Stop the tide of asylum-seekers – in Lower Bavaria as well.”*

**Rudolf M.** ignorant propaganda ard and zdf pensioners  
Like · 6 hrs. ago

Write an answer ...

**Helga W.** How about poisonous gas, doesn't cost so much and we'd be rid of a few problems ... makes me sick when I see how our country and our citizens are abandoned ...  
Like · Answers · 2 Likes · 28 November, 10:19

**Martin G.** Too hard :)  
Like · 1 Like · 28 November, 12:23

Write an answer ...

**Detlef S.** What an idiot ..... got no words  
Like · Answers · 2 Likes · 27 November, 16:58

Write an answer ...

brutalization in the Internet” and wants to require that illegally deleted contents be restored (so-called Put-Back clause). The Greens also call for the establishment of a clearing office for special disputes in order to enable users to defend themselves against unjustified deletions of content.

### HATE IS AN ISSUE IN THE ANALOG WORLD AS WELL

The issue of cyberbullying deserves the considerable attention it generates. After all, hate is not confined to a virtual parallel world, but also has a real impact on people's everyday lives. In an interview with Deutschlandfunk, Renate Künast, Green MP and legal expert, said that “With 30 million Facebook users in Germany, all of this hate speech, even when it isn't punishable by law, has a real impact on real, analog life. That prompts us to ask whether we are really willing to allow this digital world, which affects the analog world as well, simply to go on as it is and let people be bullied and insulted?” “Hate in the Internet is infectious. I don't believe that the Internet is the cause of social dissonance. But I do believe that it can intensify and promote that dissonance,” warns author Ingrid Brodnig. She appeals for zero tolerance, and calls upon people to reject hate in the Internet and refuse to dismiss it as harmless; to report attacks and stand behind the victims of such attacks; and to set rules in their own profiles and blogs,

insisting, for example, on the principles of politeness and enforcing a consistent policy against cursing and insults. For there can be no objective dialog where insults are tossed back and forth. The fact that, according to findings published by the Anti-Cyberbullying Alliance, twenty percent of all victims of cyberbullying have suffered such attacks in the Internet themselves, speaks for itself. Thus it comes as no surprise that 28 percent of attackers cite revenge as their motive.

### VICTIMS MUST NOT REMAIN SILENT

Responding to aggression with aggression will not help people escape from the spiral of violence. Ingrid Brodnig advises victims of cyberbullying to take three specific steps

instead: document hate messages with screen shots, make attacks public and file a complaint. Those who want support in the process can benefit from ARAG's web@ktiv Internet legal insurance policy (see page 9). It covers active prosecution in bullying cases, deletion of defamatory contents, protection against IPR violations and in cases involving online contracts and data or identity theft.

Yet in spite of the gravity of the situation, Digital Champion Brodnig does not wish to condemn the Internet. On the contrary – the Internet is not “finished,” she says. Everyone must accept the obligation to make it safer and provide better protection for personal rights. “The Internet is worth defending as what it is really supposed to be – a place of enlightenment,” says Brodnig. ■■■■■

# VISIT FROM A HATED WOMAN

## INTERVIEW

*As a politician (Bündnis 90/Die Grünen), Renate Künast has experienced hate speech in the Internet. So she decided to visit her haters – and was astonished.*

**Ms. Künast, as a politician, you are concerned with the problem of “hate in the Internet,” and have been attacked many times yourself. What is your assessment of the situation? Is cyberbullying on the rise?**

**RENATE KÜNAST** Yes, cyberbullying is increasing for the simple reason that more and more children use the Internet today. Bullying is shifting progressively from the schoolyard to chat groups and social media. Another serious problem is cybergrooming – acts carried out in preparation for sexual abuse of children and adolescents. Perpetrators use social networks in the Internet to find their victims. A recent study conducted in Hessen shows that over one-third of all respondents had suffered

insults in the Internet. Significantly higher rates were reported for young people and people from immigrant families, in particular. Sixty-nine percent of participants between the ages of 18 and 24 stated that they had been insulted online. The consequences are evident: 17 of those affected reported bouts of depression, and that figure rises to 30 percent among young adults.

**You visited individuals who had attacked you in the Internet. What made you decide to do that, and what did you learn from those meetings?**

**RENATE KÜNAST** I was curious to know who was behind these electronic messages – who I would meet. Speaking with critics and

dealing with uncomfortable opinions have always been important to me. I was surprised to learn just how different the people behind these postings were. The one group shared concerns with everyday problems and the fear that they are not taken seriously in the political realm. Another group was clearly composed of right-wing extremists. I learned from our talks that we need to make our decisions more transparent. But that's not all. Government needs to focus more clearly on everyday life.

**What should government and civil society do to combat cyberbullying?**

**RENATE KÜNAST** The UN Convention on the Rights of the Child states that children are entitled to protection, support and participation. That is why we need a digital environment in which children can make competent and self-determined use of online offerings and are protected against risks. That includes instruction in media competence – in schools and other settings. Furthermore, children and adolescents must have convenient, free access to competent, independent counselling services. Search-engine providers and commercial, publicly accessible telemedia that offer content that may impair development or endanger young users are already required to appoint youth

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**“We need a general strategy concerning the brutalization of public discourse and intimidation on the Internet.”**

**Renate Künast** | Member of the Bundestag (Bündnis 90/Die Grünen)

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protection offers today. These programs must be monitored more thoroughly, as many providers do not comply with the applicable provisions.

### **Your party is critical of certain aspects of the NetzDG. Where do you see the greatest weaknesses?**

**RENATE KÜNAST** Glaring design flaws in the NetzDG are in urgent need of remedial action. The Green Party has petitioned for a comprehensive package of related measures.\* I call for a precise definition of reporting and assistance procedures and a general strategy concerning the brutalization of public discourse and intimidation on the Internet.

Although the EU Commission has not intervened, we know that it views the NetzDG as an experiment. The law has met with international acclaim and unwanted imitation. Thus an honest and thoughtful assessment of what has been going on in the Internet for years is all the more important today. The New Right employs state-of-the-art, sometimes military, strategies to promote the trend toward division in our society. Social networks serve as fuel for populism. Severely abbreviated news, deliberate false information and organized hate campaigns stir up the mood of discontent. It will take a concerted effort on the part of society at large to preserve our democracy. Government is challenged to maintain the balance between the protection of personal rights and freedom of opinion.

### **How can social media users help protect themselves?**

**RENATE KÜNAST** Users need to ask themselves who they want to be seen by in the Internet. "Who do I want to send messages to

me?" "And what can I write publicly?" What we need in this context is greater awareness of the actual effects of Internet content. But users can also contribute to their own mutual protection. Initiatives like #ichbinhier establish a sense of solidarity with victims. Ultimately, however, we need to stress that it is the perpetrators and commercial providers who must be held responsible – not the victims.

\*The petition to the German Bundestag filed by Bündnis90/Die Grünen is posted at: [dip21.bundestag.de/dip21/btd/19/059/1905950.pdf](https://dip21.bundestag.de/dip21/btd/19/059/1905950.pdf)



### **Renate Künast**

The committed jurist, Green politician and MP Renate Künast (63) has been the focus of numerous vicious verbal attacks on Facebook & Co. She went on the offensive, visited her attackers and engaged in dialog with them. In her book entitled *Hass ist keine Meinung: Was die Wut in unserem Land anrichtet* (2017) she analyzes the origins of hate and explains where it will lead if nothing is done about it.



# MATCHING FACES TO VOICES

## REPORT

*Digital services and personal customer support – is that possible? It is, as a visit to the ARAG Service Department reveals. Competent employees spend a lot of time every day responding to telephone calls from customers.*



SEBASTIAN LÜHMANN



JAN LADWIG

**W**hen it comes to the quality of service provided by German companies, some progress has been made in the often-cited “German service desert,” but the desert is still quite barren. A series of new guides help consumers find their way out of the jungle of telephone waiting lines. Business columnist Tom König has even written a book on the subject entitled *I’m a customer. Get Me Out of Here: Absurdities from the Service World*. Yet customer satisfaction is an essential success factor for business enter-

prises, as numerous market research studies indicate. They show that customers want one thing above all: quick and simple answers to their questions – without having to spend hours on the telephone or waiting three days for an e-mail answer. Annette Golisch knows what that’s like. At age 50, the insurance expert has been working in the ARAG Service Department for 20 years and advises customers on the telephone every day. Her number-one rule is patience. In spite of the time pressure, she spends as long as it takes to answer every question to

each caller’s satisfaction. That’s quite a challenge for a full-time member of the service team who handles an average of 49 calls a day. Each case is different, and because every caller has his or her own personal concern in mind, there’s absolutely no place for off-the-rack advice. That is why ARAG places so much emphasis on providing competent advice that actually helps customers. Some 700 experts in Düsseldorf and Munich offer personal advice and concrete support to customers. “We don’t have an immediate solu-







**Annette Golisch, Sebastian Filo and Linn Henning** (fltr) represent a perfect knowledge network that helps customers every day and has answers for even the most unusual questions.

#### GRI

##### Customer focus

Further information on this topic is provided on page 65.

tion for every problem, but we do our best to answer every question as thoroughly and clearly as possible,” says Annette Golisch. And ARAG scores high for precisely that reason, as indicated by the results of a customer satisfaction survey conducted by ARAG Health Insurance in 2018 (see the box on the right).

#### **IT'S ABOUT PROVIDING THE BEST POSSIBLE CUSTOMER SERVICE**

What does Annette Golisch like about her job? “It’s the blend of professional expertise, and our customers’ trust in our advice – especially when you consider how openly and honestly our customers communicate with us even though they don’t know us personally at all.” Her colleague Sebastian Filo nods and adds: “We never leave our customers out in the rain.” Sebastian Filo (44) has been working here nearly as long as Annette Golisch. He began his career with ARAG 18 years ago. As a Department Expert for Planning and Management in ARAG Customer Service, he regards such closeness to customers as a “typical feature

of ARAG.” To him that distinguishes his call center from “traditional” ones. In contrast to those, only trained insurance specialists who have been with the organization for many years work in ARAG Customer Service. Some of them completed their training at ARAG. And then there is advanced training to keep all staff up to date. “Regular training and professional coaching are mandatory for us in order to ensure that we can always provide sound, comprehensive advice,” emphasizes Sebastian Filo.

The ARAG Service Division in Düsseldorf comprises four departments: Customer Service, Legal Service, Claims Service and the ARAG Service GmbH for emergency calls. The Customer and Benefits Service department is located in Munich. Telephone service accounts for a major share of the workload in all departments – roughly 50 percent of total working hours. Thus coaching sessions are focused on the daily challenges of telephone service, such as conflict management or professional dialog management. In cases involving highly emotional issues,



such as a severe illness of a customer or a customer's relative, specially trained colleagues are there to respond to such situations with empathy, guide customers professionally through the jungle of the health-care system, make appointments for patients or deal with doctor's bills. "Our job is to give customers the best possible support and assist them with their problems," explains Nicolas Pörtl, Senior Vice President, Customer and Benefits Service, ARAG Krankenversicherungs-AG in Munich, with reference to the service mission.

### DIGITALIZATION FREES UP TIME FOR CUSTOMER COUNSELING

ARAG service experts are trained and coached by external trainers, in-house specialists and telephone coaches. Linn Henning (33) is one of our in-house specialists. The trained jurist and recently appointed specialist has worked in ARAG Legal Service in Düsseldorf since 2014, where she coaches colleagues and deals with legal matters. The professional training courses help prepare employees for new products and regulations as well as changes affecting relevant laws. "It is especially important that employees in our department keep up to date on the current legal situation at all times. High amounts in dispute and large sums of money are often at stake in such areas as medical malpractice. In order to avoid mistakes, we hold meetings and discussions at regular intervals," the jurist explains.



**"What I like most about my job is the blend of professional expertise and our customers' trust in our advice."**

Annette Golisch | Customer Service, Düsseldorf

## A VERY HIGH LEVEL OF SATISFACTION

*According to an international brand study\* conducted among 15,000 consumers in twelve countries, 80 percent of all respondents expect above all that companies listen to them and take their concerns seriously. Only 13 percent believe that these expectations are met, however.*

ARAG exceeds expectations when it comes to customer satisfaction. In a survey of nearly 8,800 customers of ARAG Health Insurance conducted in 2018, for example, 87 of all respondents state that they are satisfied or very satisfied with ARAG. Furthermore, the results of the survey indicate a very high level of satisfaction (nearly 80 percent) with ARAG employees in cases involving telephone contact. In these cases:



Source | ARAG Customer Satisfaction Survey, 2018,  
\*Branshare-Studie 2014, Edelman



## MAKING EMPLOYEES DIGITALLY FIT

More than half of all German business enterprises invest in the digital competence of their employees. That was the conclusion based on the "Digital Office Index 2018" conducted by the Bitkom digital association ([www.tinyurl.com/digital-office-index](http://www.tinyurl.com/digital-office-index)). Advanced training in digital competence is also high on the agenda at ARAG. In addition, new approaches to a change in perspective are being introduced for service employees:

- Service employees have access to special in-house telephone coaches for reflection on discussions with customers.
- Employees develop solutions for practical problems in Design Thinking Workshops.
- Employees assume the role of customers in role plays and "replay" discussions in order to be better prepared.
- New ideas, suggestions for improvement and innovations are discussed and developed further among employees and managers in innovation teams.

### **GRI**

#### **Training and education**

Further information on this topic is provided on page 77.

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## **"We have taken a big step forward on the way to becoming a smart, data-driven organization."**

Nicolas Pörtl | Customer and Benefits Service, Munich

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That naturally takes time, and in order to ensure that our people have enough time to advise customers, we are consistently digitizing other processes as well. "We at ARAG view digitalization as an additional service and communication channel which we can use actively in order to deliver added benefits to consumers. Today, our customers are much better informed than ever before, since they can acquaint themselves with the material in the Internet in advance. As a result, their questions are much more precise and delve more deeply into the relevant aspects of an issue," says Linn Henning. For that reason alone it is important to keep up to date and take the time for our customers. "Thanks to digitalization, we have more opportunities to offer in-depth answers," Henning adds.

Sebastian Filo is responsible for moving the digital transformation process forward. "We've started handling many of the simpler procedures with robot software, which enables us to process them faster," he explains. That makes it easier for customers to obtain the necessary documents and reduces the workloads of colleagues in the department, thus enabling them to spend more time on telephone calls, advisory services or coaching.

### **A WIN-WIN SITUATION FOR ARAG AND ITS CUSTOMERS**

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The "ARAG GesundheitsApp" (Health App) is just one example of a digital service that has been warmly welcomed by customers. It offers private policyholders complete and fully automated overviews of their medical histories. With the app and just a few clicks, customers can obtain necessary documents, read their medical files and ask questions without having to call on the phone. Which medications have I taken? When was my last dental check-up? What diagnoses have been recorded and what treatments have been performed? Customers have immediate access to all of this information at all times with the app, and they can supplement it with personal notes as needed," explains Nicolas Pörtl. And there is another advantage: Submitted invoices are paid quickly, and customers naturally appreciate that. And while people all over the country are still discussing various types of electronic medical files, digital pioneer ARAG has simply gone ahead and created one.

After a year and a half in the market, the app now has more than 100,000 users. "Our rate of growth has increased considerably since the app was released. Our cus-

tomers appreciate the many different possibilities it offers,” says Nicolas Pörtl (39) with pride. He has been in Munich since 2014, and, like his colleague Sebastian Filo in Düsseldorf, is working on expanding the range of digital services. He sees the success of the app as a win-win situation. Nicolas Pörtl: “Our customers are very happy with the app because it saves them time and legwork. We save money because we can process their issues more efficiently through the automated procedures the app offers and because it cuts down on paper, which ultimately benefits the environment as well.

### QUICK CHECK INSTEAD OF BUREAUCRATIC FUSS

Yet another digital service highlight is the “TeleClinic App.” It enables customers to communicate with physicians via video chat. This is a particularly practical option in cases involving relatively minor ailments of undetermined origin, such as rashes. Using the app, customers can simply video-chat with a doctor. The doctor can then make an initial diagnosis and even transmit prescriptions to the patient’s smartphone, if necessary. “More and more customers are using this function,” says Nicolas Pörtl.

But even customers who are not quite digitally fit benefit from innovative services. Within the framework of “Flixcheck,” customers receive individualized enquiries via SMS or e-mail for the purpose of settling minor claims immediately. The customer accesses the Flixcheck web application via the transmitted link and can then respond to the check – simply and without having to download an app. That has been a huge success. 7,000 such chats have been sent to date, and the customer satisfaction rating is nearly 100 percent. “That’s terrific,” says Sebastian Filo. “We weren’t expecting that, but it makes us even happier.”



**Concentrated insurance know-how:** The ARAG Service Team headed by Annette Golisch, Linn Henning and Sebastian Filo (lfr) is always up to date on insurance matters thanks to many years of experience, regular workshops and training session as well as an in-house wiki.

### GRI

#### Data protection

Further information on this topic is provided on page 88.

# TO THE LAST OUTPOST AT HIGH SPEED

## REPORT

*While politicians in Germany are busy discussing the plan to extend the broadband network “to every milk can,” the Scandinavians are just doing it. Good preconditions for ARAG’s digital services in Norway.*



KARIN VOGELSBERG



KATHRINE SØRGÅRD

**S**candinavia is a model in the field of digitalization – in administration, for instance. According to the EU Commission, Finland, Estonia and Denmark hold the top three places when it comes to digitizing services for citizens. Germany ranks 21st among 28 EU Member States. Although Norway doesn’t belong to the EU, its citizens are also optimally networked. In the spring of 2018, the “Digital State” conference in Berlin named the kingdom as a model for smart administration and e-government. Confer-

ence participants learned that the 5.3 million residents of the sparsely populated country have a nationwide 4G broadband Internet to which practically every household has access. Using a personal identification code (ID), every citizen can manage all transactions involving banks or government agencies and even make doctor’s appointments. From founding a company to filing a tax return to announcing a birth – virtually everything can be done digitally in Norway. >







**Not off the digital map:** The Arctic Hideaway located on the remote Norwegian island of Fleinvaer promotes a program of “digital detoxification” for its guests. But Wi-Fi is available there on request.

## NORWAY BANKING ON DIGITALIZATION

Norway has been working according to the “digital by default” principle since 2014. This means that all transactions between citizens and government agencies should be effected by digital means. In Germany, a person’s data have to be registered anew nearly every time he or she visits a government agency, since dozens of registers are maintained simultaneously. In Norway, however, a single entry is sufficient, and all agencies then have access to the data. The country’s public administration has been digitized with great success over the course of the past decade. National government agencies and

local governments are completely networked. Coupled with the progressive expansion of the high-speed Internet, these improvements establish a very solid basis for the development of a program of innovative web services of the kind offered by ARAG Scandinavia AS in a variety of fields ranging from telemedicine to real estate purchasing. All data on real-estate partners can be accessed individually by ARAG Scandinavia AS and its customers, virtually at the touch of a key (see the interview on p. 41). In this way, ARAG Scandinavia AS is improving its (digital) customer services and its efficiency in general.

## AN ESTABLISHED FORCE IN SCANDINAVIA

Johan Dolven (see interview) founded HELP Forsikring AS in the Norwegian capital of Oslo in 2005. At that time, legal insurance did not exist as a stand-alone product in Norway. Thanks to HELP and ARAG, legal insurance is now established in Norway, Sweden and Denmark. ARAG holds a market share of over 70 percent in all three countries. ARAG Scandinavia AS employs 145 people in Norway, 34 in Sweden and five at its branch office in Denmark.

The company offers legal insurance for private individuals as well as trade unions. It maintains cooperative relations with roughly a dozen trade unions and thus reaches a total of 300,000 Norwegian families. Its customer satisfaction rating stands at 90 percent.

ARAG Scandinavia AS offers personal legal insurance for both occupational and private contexts, and legal insurance for real-estate buyers is a major focal point.

ARAG SE purchased its first shares of HELP Forsikring AS in 2007, and the ARAG Group acquired 100-percent interest in the company in 2013.

[www.help.no](http://www.help.no)

### GRI


#### Digitalization and innovative customers offerings

Further information on these topics is provided on pages 61 and 63.

### TELEMEDICINE REACHES DISTANT PLACES AS WELL

Digitalization also plays an important role in the Norwegian health-care system. The Norwegian telematics infrastructure is regarded as the best in Europe. For example, ambulances to which no physician is assigned have access to a tele-ECG service which can be used by emergency rescue personnel in cases in which acute heart attacks are suspected. Telemedicine is used in the treatment of patients on ships and oil rigs. Norwegian hospitals have invested heavily in information and communication technology. This Nordic country is also promoting the development of technical solutions that are capable of supporting elderly and chronically ill people in everyday life and improving the quality of their lives. According to a study commissioned by the Norwegian telecommunications group Telenor, substantial longer-term savings can be achieved in Norway's public health-care system if local governments invest in supporting technologies for public institutions.

### DIGITALIZATION YIELDS ECONOMIC BENEFITS

The Networked Readiness Index (NRI)  issued by the World Economic Forum also evaluates the economic benefits of digitalization. In combination with user-friendly general requirements, reasonable rules and a first-class infrastructure, information and communication technology can

pave the way for economic advantages, as the World Economic Forum points out. Norway placed fourth in the 2016 NRI rankings behind Singapore, Finland and Sweden. Germany ranked only 15th among the 139 countries rated in the index. Johan Dolven, CEO of ARAG's Norwegian subsidiary ARAG Scandinavia AS, recognizes three main reasons for the success of the new technologies in Scandinavia. The first is their extensive technological penetration. The Scandinavian countries of Norway, Sweden and Denmark have the best digital infrastructures in the world. The second reason is that government agencies act as pioneers and have been offering digital citizens' services for years. Today, life without these services would be inconceivable for Scandinavians. And thirdly, the electronic ID serves as the "Open Sesame" for all digital citizens' services. Customers of ARAG Scandinavia can also use this ID to access their personal insurance portals. "The password is very secure – so secure, in fact, that people can use it to vote," says Johan Dolven. "Perhaps it is easier to gain acceptance for such digital solution in smaller countries than in a country like Germany," Dolven suggests. He also recognizes that people in Scandinavia have a strong sense of trust in government and technology. Dolven sees the further expansion of digitalization as a political mandate. He advises the Germans to introduce an electronic identity card of their own. "That would make digitalization a real part of everyday life." 

# A PIONEER IN THE WORLD OF BITS AND BYTES

## INTERVIEW

*ARAG's Scandinavian subsidiary Scandinavia AS is exploiting the advantages of digitalization. Better customer service and enhanced efficiency are powerful arguments in favor of investments in technology, says CEO Johan Dolven.*

**Digital services are a part of everyday life in Scandinavia. And ARAG Scandinavia AS is expanding the scope of its digital service offerings. Where do things stand today?**

**JOHAN DOLVEN** We started digitizing all of our internal processes about five years ago. Today, our attorneys no longer work with paper documents, and our Claims Settlement Department now relies on state-of-the-art technology. We have also created interfaces with external systems, such as those of our sales partners. We've been investing more heavily in digital solutions for our customers for the past two or three years.

**How do your customers benefit from that?**

**JOHAN DOLVEN** They can save a great deal of time, because all relevant documents are readily available. When someone has bought a house, for example, we get all the information we need about the transaction from our real-estate partner. And the system is completely transparent. Every customer has his own personal portal, to which he can log in with his ID. Customers can find records relating to all of their insurance matters in one place and upload documents to our system directly. They can also monitor the activities of their attorneys and keep up to date at all times.

**What do your customers say about that?**

**JOHAN DOLVEN** The level of acceptance is high. Over 50 percent of all cases are reported via the portal. And 50 percent of our customers monitor the progress of their insurance cases via the same website. We ask our customers for feedback every time they log out, and their responses have been very positive. Typical statements include: "Login and handling are simple," and "Getting in touch with ARAG is much easier via the portal."

The feedback we get from our customers tells us that they are using our services responsibly and thinking about them as well. We receive lots of good tips and suggestion, for which we are very grateful, as they offer us a basis for continuous improvement.



### Johan Dolven

Johan Dolven (55) is the CEO of ARAG's Norwegian subsidiary Scandinavia AS. He regards the company as a legal insurance pioneer in northern Europe. Legal insurance is in strong demand in Norway, especially among people concerned with real-estate sales or purchases.

**How does ARAG Scandinavia AS help customers in cases of cyberbullying?**

**JOHAN DOLVEN** We've taken inspiration from ARAG's web@ktiv product. Our service called WebHelp provides help for customers who wish to remove insulting contents from the Internet or have become victims of identity theft – to name just two examples.

# A QUESTION OF RESPONSIBILITY

## QUESTIONS & ANSWERS

*For ARAG, sustainability means above all assuming responsibility – for customers, employees, shareholders, society and the environment. And equal opportunity is always a central focus of concern. Equality of opportunity is becoming increasingly important in the digital world as well, which is why the current Sustainability Report deals with the subject in greater depth. The following Q&A illustrate the multifaceted issues with which ARAG is concerned within the framework of the digital transformation. ARAG also reports openly about all issues that are especially relevant to its stakeholders where the Group contributes significantly to sustainable development.*

## QUESTIONS

- 01** How does digitalization influence ARAG's business activities? //
- 02** What innovations did ARAG add to its product portfolio in 2018? //
- 03** How can teachers learn to deal with bullying // **04** Is there a protective system that holds bullies and defamers to account? //
- 05** Why is the German Network Enforcement Act (NetzDG) a focus of controversy? //
- 06** How important is data protection for ARAG? //
- 07** Why does ARAG invest in the digital competencies of its employees? //
- 08** How does digitalization impact on the health and occupational safety of ARAG employees? //
- 09** What is ARAG doing to promote the digital competencies of children and youth? //
- 10** How are other countries preparing for the digital world, and how do they ensure equal opportunity for all?





# ANSWERS

## 01

Digitalization has a substantial impact on all aspects of ARAG's business and is a central matter of concern within the organization. That is why ARAG is promoting the Smart Insurer Program, a central management tool devoted to the goal of improving the customer's experience on the basis of simplified processes and modern products.

*See page 61*

## 02

ARAG systematically expanded its portfolio by adding a number of innovative products in 2018. The new offerings include such products as tenant's legal insurance (ARAG Miet-Rechtsschutz Sofort) with retroactive coverage and ARAG Accident Insurance with the supplementary "Fit Plus" component, which includes a telemedicine service, among other features.

*See page 65*

## 03

By participating, e.g., in continuing education initiatives such as "Conflict Management in Schools," a program funded by ARAG.

*See page 9*

## 04

web@ktiv is ARAG's Internet legal insurance package that offers an extensive range of benefits, including coverage for prosecution of offenders.

*See page 9*

## 05

Because responsibility for decisions regarding the deletion of content should be left to the courts and not to commercial platforms such as Facebook, Twitter & Co. ARAG has teamed up with experts in IT law in advocating adoption of a personal rights protection law (PRG).

*See page 17*

## 06

Data protection management has high priority for ARAG and is based on a carefully coordinated set of internal rules. All regulatory requirements, such as the EU General Data Protection Regulation, for example, are taken into account. ARAG also complies with the rules governing the treatment of personal data set by the German insurance industry.

*See page 88*

## 07

For the purpose of automating processes, e.g., in order to save time for personal customer support. ARAG is enhancing the digital fitness of its employees through regular workshops, coaching sessions and design-thinking workshop.

*See page 34*

## 08

Digitalization is making employees' work schedules and workplace locations increasingly flexible, and has a positive impact on the work-life balance. However, there are certain risks involved, such as those associated with constant accessibility. ARAG takes these developments very seriously and responds to the related challenges with individualized solutions for its employees.

*See page 74*

## 09

ARAG has been committed to protecting children and youth against dangers posed by the Internet for many years. Among other activities, ARAG has been conducting the "bildung.digital" program in cooperation with the German Children and Youth Foundation (DKJS) since 2017. This program supports schools in Germany in efforts to develop and implement concepts for digital education.

*See page 83*

## 10

The Scandinavian countries have taken the lead in offering digital services for citizens in lieu of personal visits to doctors' offices or government authorities. ARAG's Scandinavian subsidiary ARAG Scandinavia AS makes use of these advantages.

*See page 38*

# GRI Report

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## General disclosures

<b>Organizational profile</b>	
102-1	<b>Name of the organization</b>  ARAG SE
102-2	<b>Activities, brands, products, and services</b>  <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 innovative 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. Internationally, the company is targeting potential growth areas in the legal insurance sector.</p> <p><i>For further information please see the 2018 annual report of ARAG Holding SE (consolidated financial statements) and the 2018 annual reports of ARAG Allgemeine Versicherungs-AG and ARAG Krankenversicherungs-AG (single-entity financial statements).</i></p>
102-3	<b>Location of headquarters</b>  Düsseldorf, Germany
102-4	<b>Location of operations</b>  17
102-5	<b>Ownership and legal form</b>  <p>ARAG SE is the operating holding company of ARAG. Its board members are responsible for the strategic management of the Group, for the day-to-day legal insurance business in Germany, and for the international divisions. The board members of ARAG Allgemeine Versicherungs-AG and ARAG Krankenversicherungs-AG are responsible for the day-to-day management of their subsidiaries. ARAG Holding SE is a family holding company that manages the total assets of the ARAG Group.</p>

102-6

**Markets served**

In its core legal insurance segment, ARAG plays a major role in shaping its markets, both in Germany and abroad, with innovative products and services. The international legal insurance business has been the Group's most significant area of activity over recent years. In a fiercely competitive market in Germany, 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 comparisons. In the private health insurance market, ARAG Kranken (ARAG Health) offers a broad range of effective products, emphasizing its appeal as a provider of full-coverage and supplementary health insurance.

ARAG is focused on its fast-growing property and health insurance business. It also offers attractive pension products for its customers in partnership with Alte Leipziger.

*For further information please see the 2018 annual report of ARAG Holding SE (consolidated financial statements).*

102-7

**Scale of the organization**

The ARAG Group generates revenue and premiums of over €1.64 billion from operations in 17 markets and employs more than 4,100 people worldwide.

ARAG SE employs around 2,700 people worldwide. Where it is possible and makes sense to do so, the quantitative information on employees contained within this report extends beyond ARAG SE to encompass other employees of the ARAG Group. The precise scope is described in each case. The same applies to disclosures related to energy consumption and greenhouse gas emissions.

*For further information please see the 2018 annual report of ARAG Holding SE (consolidated financial statements).*

102-8

**Information on employees and other workers\*****Workforce split by employment contract and working hours**

*Number of persons by gender, December 31, 2018<sup>1</sup>*

	Germany		International		Total
	Men	Women	Men	Women	
<b>Workforce split by employment contract</b>	<b>509</b>	<b>552</b>	<b>823</b>	<b>1,326</b>	<b>3,210</b>
Permanent	481	532	731	1,168	2,912
Temporary	28	20	92	158	298
<b>Workforce split by working hours<sup>2</sup></b>	<b>481</b>	<b>532</b>	<b>731</b>	<b>1,168</b>	<b>2,912</b>
Full-time	465	370	653	834	2,322
Part-time	16	162	78	334	590

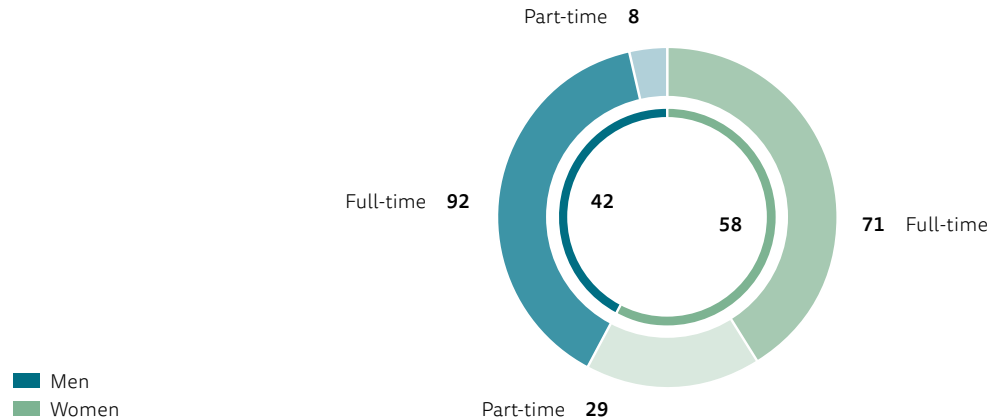
<sup>1</sup> not including 39 interns and trainees and not including inactive employees.

<sup>2</sup> including permanent staff only



## Permanent employees by gender and working hours

(%)



\*(refers to the title of 102-8)

This data is based on the ARAG headquarters in Germany and local offices/subsidiaries in Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, the UK, and the US. The operational insurance companies in Germany and the German service companies that form part of the ARAG Group are not included.

102-9

## Supply chain

In Germany, the ARAG Group buys around €79.5 million worth of services from 1,380 suppliers<sup>1</sup>. 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 claims handlers and auditors. The sourcing of services is the responsibility of Procurement at head office. The services defined in the purchasing policy, however, can be procured directly by the departments.

<sup>1</sup> Includes all creditors of ARAG SE in Germany, of ARAG Allgemeine Versicherungs-AG, of ARAG Krankenversicherungs-AG, and of ARAG IT that have a purchasing volume of greater than or equal to €1,500. This largely excludes smaller expenditures made by individual employees, for example on business trips.

Data for the international branches and insurance companies is not comparable, so it is not taken into account here.

The calculation method used in the 2017 Sustainability Report has been changed. Applied to information from 2017, the method used for this report gives a purchasing volume of €76.7 million bought from 1,415 suppliers.

102-10	<b>Significant changes to the organization and its supply chain</b>
	<p>There were no relevant structural changes within the ARAG Group in the reporting year.</p>
102-11	<b>Precautionary principle or approach</b>
	<p>As an insurance company, the ARAG Group counts risk management among its core competencies and it therefore constitutes a key component of the Group's business management. Detailed information on risk management is provided in the annual report of ARAG Holding SE (consolidated financial statements) and the annual reports of the insurance companies (single-entity financial statements). The Group also publishes comprehensive information on its long-term solvency on an annual basis in the corresponding SFCRs (Solvency and Financial Condition Reports).</p> <p>ARAG sees it as its duty to also prevent environmental risks. For this reason, environmental management plans focused on the efficient use and conservation of resources (energy, water, paper) have been implemented at the company's various locations. Sustainable asset management is also playing an increasingly important role for ARAG in its role as an insurance company.</p> <p><i>Further information can be found on page 67 of this report.</i></p>
102-12	<b>External initiatives</b>
	<p>In 2017, ARAG became a signatory to the corporate diversity initiative 'Charta der Vielfalt', which promotes diversity in companies and institutions and which has as its patron the German chancellor Angela Merkel. No additional voluntary undertakings were signed in 2018.</p>

102-13	<b>Membership of associations</b>
	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. Furthermore, the international branches and subsidiaries are normally members of the trade associations within their respective countries.
	<b>Strategy</b>
102-14	<b>Statement from senior decision-maker</b>
	<i>See page 2 of this report.</i>
	<b>Ethics and integrity</b>
102-16	<b>Values, principles, standards, and norms of behavior</b>
	The corporate guidelines – the ARAG Essentials – outline the company's objectives and the causes that ARAG's employees, managers, and owners champion. These guidelines include the company's self-image, corporate mission, and corporate values. The ARAG Essentials help employees to shape the company's future with the customer in mind. They also serve as a basis for the ARAG Leadership Standards, which support the implementation of the guidelines in day-to-day business. The ARAG Essentials are handed out to every new employee. Additional 90-minute workshops hosted by ARAG provide an opportunity to discuss the Essentials with co-workers. An online tool on the Group website conveys the core messages of the ARAG Essentials in a light-hearted way, and provides information on the international branch offices – available in all the 13 languages used in the Group.

## Governance

102-18 Governance structure

### The ARAG Group

Asset and  
investment  
management

**ARAG Holding SE**

Operating Group  
Holding Company

**ARAG SE**

and legal  
insurance

**Management  
Board and  
Central Group  
Functions**

**Group  
Development/  
Business  
Organization**

**Group Sales/  
Products and  
Innovation**

**Group Finance**

**Group IT  
and  
Operations**

**Group Risk  
Management/  
Group  
Controlling**

Operating  
insurance  
companies

**ARAG Allgemeine  
Versicherungs-AG**

(Casualty and property  
insurance)

**ARAG Kranken-  
versicherungs-AG**

(Health insurance)

**Interlloyd  
Versicherungs-AG**

(Specialized in  
broker sales)

**International companies**

(Legal insurance/  
legal services)

Service  
companies

**ARAG IT GmbH**

(IT services for the  
ARAG Group)

**Cura Versicherungsvermittlung  
GmbH**

(Brokerage firm)

**ARAG Service  
Center GmbH**

(Emergency telephone service)

*For further information please see the 2018 annual report of ARAG Holding SE (consolidated financial statements).*



<b>Stakeholder engagement</b>	
102-40	<p><b>List of stakeholder groups</b></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><b>Collective bargaining agreements</b></p> <p>71 percent of employees at ARAG SE Germany are subject to a collective pay agreement. The proportion of employees that are subject to a collective pay agreement is 51 percent if it includes employees in the local offices in Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, the UK, and the US.</p>
102-42	<p><b>Identifying and selecting stakeholders</b></p> <p>ARAG has a close relationship with stakeholders who have considerable influence on the company's success and who in turn are heavily influenced by ARAG's commercial activities. They include, in particular, customers and employees. Ongoing survey measures as well as feedback requests in relation to specific occasions are used to learn more about their disposition toward ARAG and their assessment of the company. In addition, data provided by stakeholders is collected and analyzed for the purpose of improving the service offering.</p>
102-43	<p><b>Approach to stakeholder engagement</b></p> <p>In the ARAG Group, responsible dealings with employees, customers, and partners are based on a long-term sustainable approach to business. ARAG positions itself as the internationally successful, innovative quality insurer – independent and family-owned. The company derives a strong sense of social responsibility from this philosophy and is highly committed to its social causes. More than 80 years after Heinrich Faßbender founded the company, ARAG's business practices are still guided by his professed goal: To enable all citizens to enjoy equality of opportunity before the law. This fundamental principle means that corporate social responsibility is firmly and directly enshrined in the ARAG business model.</p> <p>In accordance with this corporate mission, ARAG puts the customer and their needs first. The company gauges customer satisfaction and expectations on an ongoing basis and through a variety of means. Feedback questionnaires and an online platform are used to conduct customer surveys, and ARAG uses focus groups for market research, as well as comparative studies of holders of multiple policies. Qualitative and quantitative studies are carried out in collaboration with market research companies in order to answer specific questions.</p>

At the end of 2016, ARAG launched an online community called ARAG Denkraum ('thinking space') as a pilot project. The aim is to engage in a direct dialog with customers and to work with them on innovations. ARAG uses the platform to survey customers on specific topics, products, and processes, for example, and to host discussions in open forums.

In May 2018, ARAG conducted a qualitative offline survey of its web@ktiv product. The results were used to design the new generation of the product.

At the end of November 2018, ARAG invited legal insurance customers to two inaugural roundtables at its Düsseldorf headquarters. In a moderated discussion, the participants were given the chance to talk about their personal experiences with ARAG and to communicate their wishes and new ideas. They were able to openly express their opinions and share their experiences, which gave ARAG a direct insight into customer expectations and needs that is being used to optimize services and internal processes.

102-44

#### Key topics and concerns raised

It is clear from market research surveys that customers not only want strong and reliable insurance cover but also digital solutions and means of communication. At the same time, there is still a desire for a service that is personal and individual, and is ideally provided by a single point of contact. Customers would like to be able to choose freely between the different channels of communication depending on their requirements and circumstances. They generally expect their matter to be dealt with simply, quickly, and digitally. Friendliness, professionalism, reliability, and empathy are the soft factors that customers expect of employees.

There is also growing demand among customers for innovative products that offer reliable protection against losses caused by the rise in online crime, for example. To meet this demand, ARAG is planning to launch a new web@ktiv product for private individuals and the self-employed in mid-2019 (*further information on web@ktiv can be found on page 9 of this report*). A great deal of feedback and suggestions from customers and sales partners has been incorporated into the development of this product.

Key concerns for ARAG employees are a good work/life balance and the ability to pursue a career in a way that is compatible with family life. ARAG provides a range of options to address these needs.

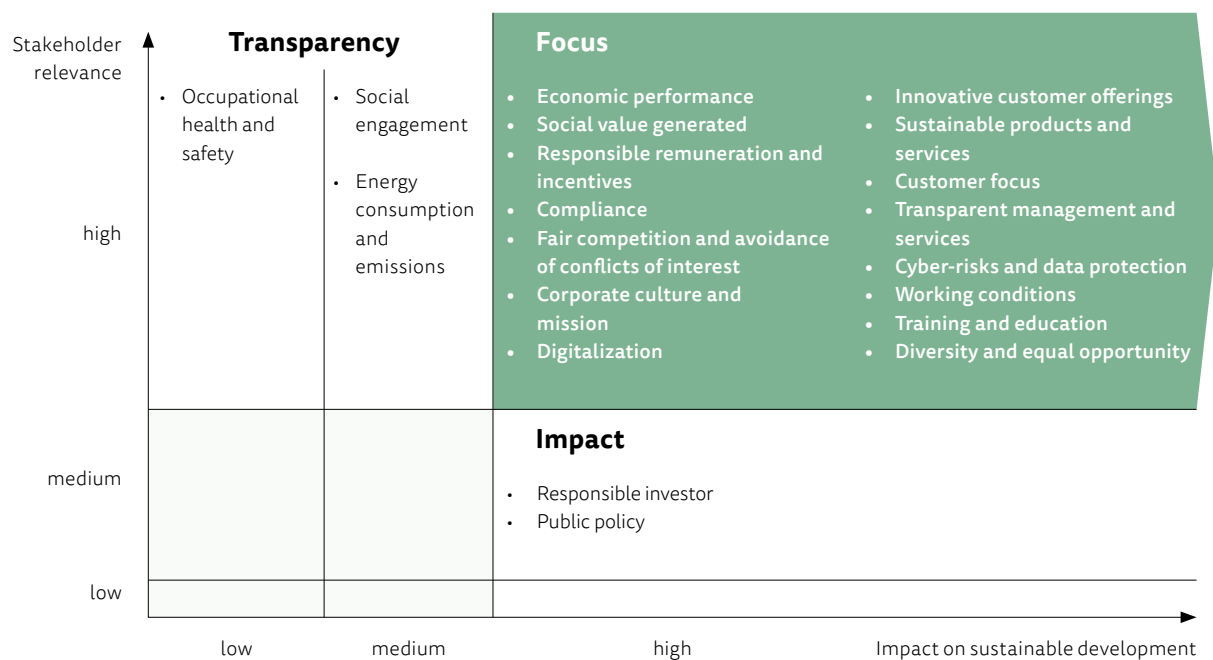
*Further information can be found on page 72 onwards in this report.*

<b>Reporting practice</b>	
102-45	<p><b>Entities included in the consolidated financial statements</b></p> <p>Sustainability reporting covers all material German and international insurance companies belonging to ARAG Holding SE.</p> <p><i>For further information please see the 2018 annual report of ARAG Holding SE (consolidated financial statements).</i></p>
102-46	<p><b>Defining report content and topic boundaries</b></p> <p>The principles for determining report content and quality have been applied to the entire reporting process. In 2018, in order to determine the material sustainability topics to be covered, ARAG held a workshop in which it reviewed and updated the list of material topics identified two years previously. As part of this comprehensive process in 2016, consideration was given to the points of view of ARAG's various functions, the Group, the individual companies in Germany and abroad, and the most important stakeholder groups. The most important divisions were involved in the update. However, they were called on to contribute their experience from intensive dialog with external stakeholders so that the external view of the company could be taken into account as well. All topics that are highly relevant to customers or where ARAG has a substantial impact on sustainable development were included in the GRI reporting. To fulfill the Supervisory Board's mandate, auditors were appointed to support and review this process and its findings. The findings are also incorporated into the non-financial statement for the Group as part of the process to implement the CSR Directive Implementation Act.</p>

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102-47      List of material topics

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102-48      Restatements of information

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Some information contained in the previous year's report has been restated, for example because of new calculation methods. The changes are noted in the appropriate places.

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102-49      Changes in reporting

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The material topics were reviewed and updated in autumn 2018 (see 102-46). As a result, the sustainability reporting for 2018 covers 20 topics. See disclosure 102-47 for a list of material topics.

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102-50      Reporting period

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2018

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102-51	<b>Date of most recent report</b>
	June 2018
102-52	<b>Reporting cycle</b>
	Annual
102-53	<b>Contact point for questions regarding the report</b>
	<p>Kathrin Köhler/Katharina Pförtner  Corporate Responsibility &amp; Sustainability  Corporate Communications/Marketing</p> <p>ARAG SE  ARAG Platz 1, 40472 Düsseldorf, Germany  Tel: +49 (0)211 963 2225  Fax: +49 (0)211 963 2220  nachhaltigkeit@arag.de</p>
102-54	<b>Claims of reporting in accordance with the GRI standards</b>
	This report has been produced in accordance with the GRI standards (Core option).
102-55	<b>GRI content index</b>
	<i>See page 92 of this sustainability report.</i>
102-56	<b>External assurance</b>
	No external audit has been carried out.

# Topic-specific disclosures

## Economic topics

Economic performance	
103-1/2/3	<p><b>Management approach</b></p> <p>The ARAG Group is the largest family enterprise in the German insurance industry and is one of the world's three leading providers of legal insurance. As an independent family enterprise, ARAG pursues a long-term strategy and focuses on profitable growth through a conservative risk and solvency policy. The emphasis is on maintaining a compartmentalized risk structure with a good level of risk diversification.</p> <p>Independence is at the heart of ARAG's self-image. It shapes all areas of its business activities and enables ARAG to dedicate its full attention to its customers, the most important stakeholders. The company's resources are mainly used to service the customers' requirements and to fulfill its value proposition. One example of this is ARAG's conservative dividend policy. Most of the profits made are reinvested into the company to strengthen the Group's financial foundations and ability to invest. Independence and an international outlook also form the basis for ARAG's brand strategy.</p> <p>In the German market, the ARAG Group is maintaining its focus on further developing its property and health insurance businesses. At international level, the Group is pursuing a vigorous expansion of its legal insurance business. The revenue and profit targets derived from this two-pronged growth strategy are broken down for each management level as part of a planning process. A variety of tools contribute to ARAG achieving the growth targets it has set itself. These include the three-year plan for all Group companies, the target agreement system, the comprehensive risk management system as per Solvency II using a partially internal risk model, and the internal control system (ICS).</p> <p>The ARAG Group and its international companies are facing growing pressure from new competitors that are changing the market with innovative products and new ways of interacting with their customers. In 2018, the competition in several markets was additionally reshaped by mergers and acquisitions. This was the case in the Netherlands and Belgium, for example. Thanks to its innovative strength, however, ARAG is well positioned to remain competitive and to use opportunities such as the digital transformation to its advantage. As in previous years, despite increasing competitive pressure and mature markets, ARAG was able to grow its customer base and increase its premium income in 2018. Overall, business was very successful in 2018, both in Germany and internationally.</p>

201-1	<b>Direct economic value generated and distributed</b>  <i>See ARAG Holding SE 2018 annual report (consolidated financial statements)</i>
	<b>Social value generated</b>
103-1/2/3	<b>Management approach</b>  <p>In Düsseldorf, where it has its headquarters, the ARAG Group is a leading employer with around 1,400 employees. It has a positive impact on the region's employment rate and plays a role in improving the attractiveness of Düsseldorf as a business location. The business environment in North Rhine-Westphalia benefits from ARAG's operations in a variety of ways. Many jobs in the supply chain and in sales, for example, are supported by ARAG's activities. As an attractive employer, the company also generates value for society at its international locations by providing stable, future-focused jobs. This is underlined by the low staff turnover and long average length of service.</p> <p>As a family enterprise in the financial sector, ARAG is highly attractive to applicants thanks to its active HR management and a concerted effort to strengthen the brand. Developing local staff and managers is an approach that ARAG has been pursuing for several decades as part of its HR strategy. This also applies to the highest management level. In the international business, a particular objective behind this approach is to ensure close customer relations, which are absolutely vital in the insurance industry. Belgium, for example, is a country with three official languages – each of them predominant in a different region – and so it is of utmost importance to hire suitably qualified local staff. Language skills are also of crucial importance at ARAG Canada. In Scandinavia, ARAG strives to employ employees from all areas in order to reflect the diversity of the society there. It is the only way for the company to ensure that customers receive the best possible service across the whole region.</p> <p>For the ARAG Group, the subject of generating value for society is undergoing a fundamental shift in meaning, however. This is because demographic change is presenting significant challenges to the insurance industry as whole and particularly in Germany. Over the next ten years, ARAG expects more than 30 percent of its German employees to reach pensionable age and leave the workforce. This will mean a loss of expertise that will need to be replaced at the earliest opportunity by means of a suitable recruitment policy. In Germany and internationally, ARAG already has to compete directly with companies from the insurance industry and other sectors to attract the best talent. The company anticipates that this competition will get fiercer in the future.</p>

In 2018, in response to this trend, the Human Resources Department ran a comprehensive program aimed at overhauling its recruitment practices and processes. The program, called Einstellungssache ('a question of recruitment'), increased the number of suitably qualified applicants by around 20 percent thanks to a web-based active sourcing campaign and an incentive-driven recommendation scheme. Going forward, ARAG will further increase its attractiveness as an employer by investing in the continuing professional development of its employees and by expanding its ARAGcare health program. *Further information on training and education can be found on page 77 onwards in this report; see page 74 onwards for information on occupational health and safety.*

Today's up-and-coming young professionals have a clear expectation of the digital capabilities that their employer should possess. This is an area in which the company has proved its worth for a number of years now. ARAG is forging ahead with the Smart Insurer Program that it launched in 2018 with the aim of positioning the Group as an innovative employer. The annual measurement of staff turnover is one of the ways that ARAG gauges the effectiveness of these measures. *Further information on the Smart Insurer Program can be found on page 61 onwards in this report.*

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202-2

#### Senior management hired from the local community

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In Germany, ARAG hires the majority of senior managers for both of its main offices locally, i.e. from the federal states of North Rhine-Westphalia and Bavaria. The administrative offices of ARAG's international branches and subsidiaries are mostly located in major industry hubs. This makes it easier for ARAG to implement its local recruitment strategy abroad. No data on this is collected, however.

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203-2

#### Significant indirect economic impacts

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The economic importance of ARAG in and around the city of Düsseldorf where it is headquartered was last examined in a 2011 report into the importance of the insurance industry in North Rhine-Westphalia. The study showed that ARAG's business activities create numerous jobs in the supply chain and in sales. The above-average income of ARAG employees also boosts the local economy. In total, around €180 million flows back into North-Rhine Westphalia every year.

ARAG also promotes economic growth and employment in the regions where its international offices are based. In Spain, Italy, and Scandinavia, for example, ARAG is highly regarded as a market-leading company in its specialist segment. In the Netherlands, ARAG is one of the leading employers in the legal sector and one of the three largest employers in the area of Leusden.



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## Responsible remuneration and incentives

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103-1/2/3

### Management approach

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A responsible remuneration policy is an integral part of the governance model of any corporate business and is therefore also of particular importance to all companies within the ARAG Group. ARAG is able to attract suitably qualified staff and managers because its remuneration is both commensurate with performance and competitive. Having employees and executives who are motivated and whose performance is rewarded lays the foundation for sustained business success. At the same time, care must be taken to ensure that the remuneration policy encourages the correct behavior and does not pose risks or create misincentives that could damage the company and, by extension, its stakeholders too.

ARAG's remuneration policy is set out in guidelines for the Group and for the individual companies as well as in the remuneration management handbook. These directives are also applicable to all international branches and subsidiaries. The remuneration management handbook sets out the general principles of the remuneration policy, the remuneration structure of the various function groups, the culture of salary adjustments, and the processes involved in managing remuneration. These are based on systematic market comparisons that are continuously updated. Remuneration falls under the remit of Group Human Resources. Human Resources acts for employees on behalf of the Management Board of the respective company, and acts for the Management Board members on behalf of the Supervisory Boards.

40 percent of the variable remuneration for Management Board members is linked to the attainment of short-term targets and 60 percent to the attainment of long-term economic targets. Social factors such as fairness, openness, and farsightedness are also taken into account in addition to the short-term economic targets. These are based on the ARAG Essentials and are incorporated into the individual target agreements as qualitative assessment criteria. A key challenge lies in structuring remuneration and incentives so that they support the company's goals and so that all employees can see and understand how they work. The international branches and subsidiaries can also specify additional remuneration rules that are specific to their market. In Italy, variable remuneration is linked to the attainment of the targets set out in the strategic three-year plan, while a validation committee examines the form and appropriateness of remuneration for all employees below the CEO. Variable remuneration in Spain is based on an assessment of quality by the brokers, who are the main sales partners.

Group Human Resources examines the appropriateness of the target agreement system every year, because of the important role it plays in remuneration. The findings of the review are presented to the Supervisory Board of the respective company, which can then form an opinion of the system taking into account the German Act on the Supervision of Insurance Undertakings (VAG).

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**Fair competition and avoidance of conflicts of interest**

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

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Compliance with all statutory and regulatory requirements is of vital importance to ARAG because of its focus on legal insurance. The company is therefore obliged to avoid conflicts of interest. ARAG is committed to fair competition and takes measures to protect this that exceed the statutory requirements. This helps ARAG to maintain its good reputation and the trust of its customers – two factors that are crucial for competitiveness in the industry. Aside from the statutory provisions, ARAG also takes guidelines and recommendations of international organizations such as Transparency International and the Organisation for Economic Co-operation and Development (OECD) into account. The compliance guideline and the Code of Compliance set out mandatory internal rules and instructions for employees on how to deal with invitations, promotional activities, and corporate events. The compliance guideline stipulates, for example, that employees are not permitted to offer or grant unauthorized benefits – whether directly or indirectly – to others in connection with their business activities or to accept or solicit these. This provision extends to both monetary and non-monetary benefits. Promotional gifts and invitations may only be granted if doing so does not give the appearance of dishonesty or impropriety. As a rule, no gifts should ever be presented to civil servants and other holders of public office, and conflicts of interest should always be avoided.

In February 2018, the EU Insurance Distribution Directive (IDD) came into force in Germany. Its primary aims include improving the level of protection offered to consumers and harmonizing competitive conditions for all parties involved in the sale of insurance. In January 2017, ARAG launched a Group-wide project designed to implement these wide-ranging new regulations not only in ARAG SE but also in all operational insurance companies (ARAG Allgemeine Versicherungs-AG, Interlloyd Versicherungs-AG, ARAG Krankenversicherungs-AG), international branches, and service companies (Cura Versicherungsvermittlung GmbH, CUR Versicherungsmakler GmbH, ARAG Service Center GmbH). The aim was to ensure compliance with the legislation by the time it became effective. In Germany alone, the project consisted of nine subprojects containing 97 work packages; the branch CEOs were responsible for their implementation. Sixty-three work packages were implemented in the European branches. The project was brought to a successful close by February 23, 2018 when the IDD came into force.

Digitalization is presenting additional challenges. It is bringing about dramatic changes to traditional business models in the insurance industry, above all in sales. In 2018, ARAG focused particularly on online sales platforms that pass on commissions either wholly or in part to customers in contravention of the rules prescribed by the German Federal Financial Supervisory Authority (BaFin). ARAG stopped working with the platforms if they were found to be doing this.

The Compliance function, but first and foremost all managers and employees of the ARAG Group, are responsible for ensuring that these rules are adhered to. In 2013, well before the IDD came into force, all German insurance companies owned by ARAG signed up to the code of conduct of the German Insurance Association (GDV) for insurance sales activities, which explicitly sets out how to deal with conflicts of interest. ARAG's internal rules and measures are reviewed by an independent auditor every two years in order to ensure that they fulfill the requirements of the code of conduct. The findings of these audits are published and freely accessible on the GDV's website. None of the audits conducted to date have identified any deviations from the code of conduct on the part of ARAG companies.

In addition to compliance with all Group-wide policies and guidelines, ARAG's international companies and branches ensure that they always operate in accordance with all legal requirements and industry standards that apply in their respective country.

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205-1

#### **Examination of risks arising from conflicts of interest**

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ARAG continuously and systematically analyzes the potential for conflicts of interest at all its locations. Annual police crime statistics provide a basis for this, along with the most recent Corruption Perceptions Index published by Transparency International and the Insurance Banana Skins survey conducted by the Centre for the Study of Financial Innovation and PricewaterhouseCoopers (PwC). The international locations have their own written codes of conduct for dealing with conflicts of interest and these are made accessible to employees. Apart from the sales risks described above, ARAG is not exposed to any increased risk of conflicts of interest in Germany or abroad.

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205-2

#### **Training on how to avoid conflicts of interest and bribery**

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As part of general compliance training, the Supervisory Board members, all Management Board members, and senior managers at the first and second management levels receive regular training on how to avoid conflicts of interest. Senior managers are obliged to train their staff according to the 'train the trainer' principle. ARAG also publishes regular and

ad hoc intranet updates on these topics to keep employees informed. The Group's international offices are encouraged to conduct additional country-specific training courses. A large-scale, international training campaign at employee level has been planned for 2019 that will also cover the topic of compliance. The training materials were finalized in 2018 together with an external service provider.

205-3	<b>Incidents of conflicts of interest</b>
	No incidents of conflicts of interest that had detrimental consequences were recorded in 2018.
<b>Corporate culture and mission</b>	
103-1/2/3	<b>Management approach</b>
	<p>As an insurer, ARAG works in a fiercely competitive environment and in some very mature markets. Because of this, it is almost impossible to optimize the business any further without accepting a loss of quality when fulfilling the value proposition. This would not be an acceptable option for ARAG, however. It has adopted clearly defined corporate practices that provide orientation, set objectives, and specify responsibilities, and thus ensure everyone is pulling in the same direction. All these factors contribute to the ARAG spirit, which motivates employees and strengthens their commitment, thus lending the company an increasingly important competitive advantage.</p> <p>This corporate culture is reflected in the ARAG Essentials, which since 2006 have provided a clear action and leadership framework for the entire Group. The ARAG Essentials are based on the company's self-image and mission and the six company values and thus lay the groundwork for coordinated and purposeful behavior in an international context (<i>further information on 'Ethics and integrity' can be found under disclosure 102-16 on page 47 of this report</i>). In addition to the ARAG Essentials, the corporate culture is also shaped by the ARAG Leadership Essentials. These guidelines apply at international level and contain rules and suggestions for value-based management. Meeting these requirements is a key aim of the measurement and target agreement instruments that are applied to management work.</p> <p>ARAG periodically adapts its corporate practices to significant changes in the market environment. They need to be comprehensively reviewed in light of the rapid pace of digitalization in the insurance business, for example. This review forms an integral element of the ARAG Smart Insurer Program (<i>further information can be found on page 61 of this report</i>) and focuses in particular on the company's self-image and corporate mission. In a series of local workshops, a total of 85 individual measures designed to progress the digital agenda at national and international level were described and presented to</p>



the Management Board for it to evaluate and prioritize. This bottom-up approach demonstrates the robustness of ARAG's corporate culture even when applied to a complex future-focused topic such as digitalization.

<b>Digitalization</b>	
103-1/2/3	<p><b>Management approach</b></p> <p>In addition to internationalization, digitalization is a key topic for ARAG that heavily influences all aspects of its operations. The digital transformation is associated with changes and opportunities that have long been an integral part of the business in Germany and abroad, and will continue to be actively addressed as the company moves into the future. The process of digitalization is organized on a decentralized basis as an overarching development topic, with the ARAG Smart Insurer Program serving as a central management tool that formulates the main objectives, development priorities, and responsibilities. The aim of the program is to further enhance the customer experience through the use of digital technologies, primarily by streamlining application and checking processes and by making customer-facing activities more transparent. The ARAG Smart Insurer Program is therefore customer-driven as well as technology-driven. The Smart Insurer Program also reviews the progress of implementation on the customer side, with specific indicators used to measure aspects such as customer satisfaction.</p> <p>The Group has made a conscious choice to give the management teams individual responsibility for implementation and a great deal of flexibility. The same applies to the international branches and companies. In the Netherlands, ARAG translated the Smart Insurer Program into strategic goals that are adapted to local circumstances. The intention is for digitalization to be used, for example, to make the workplace more attractive and to improve collaborative work. In 2018, the introduction of the internal social platform ARAG for Everybody represented a first step in this direction.</p> <p>Even before the Smart Insurer Program was developed, ARAG was making a concerted effort to harness the opportunities presented by digitalization. It has initiated a large number of digital products, services, and processes in recent years, ranging from new customer portals and the company's first Alexa app, which suggests an ARAG product to people looking for legal insurance and even calculates the premium, to the further digitalization of sales. An example of the latter is the sales process for the new ARAG accident insurance with Fit Plus add-on. The sale is made using an iPad and is particularly transparent. The advisor is able to record all application details so that they are clearly visible to the customer. All the required health data is requested during the medical check in order to avoid follow-up questions.</p>

Another example is ARAG's innovative Sofort legal insurance for tenants, which includes retroactive cover. It can be applied for online: All the customer has to do is provide a telephone number and times when they are available. ARAG will call back within one working day to discuss the details and check that the insurance can be provided. If all conditions are met, the cover will be approved and the policy sent out. If the customer then needs to make a claim, they will receive a cellphone text message containing the claim number and a link to the claim tracking tool on the ARAG website. This provides a simple means for the customer to check the status of their claim. Customers clearly like the company's innovations. The number of online customers is growing all the time and in 2018 alone rose by 10 percent.

Customers are managing more and more areas of their personal lives online, and demand for suitable insurance offerings is growing as a result. Demand is particularly strong for products that offer protection against losses incurred in the digital world, due to the rise in internet crime, for example. In 2019, in response to this trend, ARAG is expanding its web@ktiv product line, which offers reliable protection against online risks. And in 2018, ARAG teamed up with telecommunications provider Telenor to launch a product on the market in Scandinavia that protects against online bullying (*further information can be found on page 39 of this report*).

The international branches and subsidiaries have also launched a large number of digital products, services, and processes. ARAG's customers in the US, for example, can use an online tool to quickly and easily find a specialist lawyer for their case. In Scandinavia, ARAG customers can use the new My Page portal. This personalized customer portal gives them round-the-clock access to all documents as well as a means of making claims and communicating with their lawyers. More than half of all claims are already being made via My Page (*further information can be found on page 39 of this report*).

The success of the digital transformation at ARAG will hinge on understanding digitalization as a customer-focused program of development that is supported by new technological possibilities. The use of big data, for example, will mean that offerings are tailored even more precisely to customer requirements. At the same time, ARAG is striving to improve efficiency because the company will lose around one third of its workforce over the next ten years due to demographic change. It will not be possible to compensate for this loss of expertise simply by refilling vacant posts. In 2018, ARAG in Italy began to use intelligent software to complete certain administrative tasks more efficiently, such as producing quotes or pre-sorting emails. ARAG will also have to design new work models and workplace concepts that will offer all employees a suitable working environment. To this end, it launched the Upgrade your Work project at the end of 2018. The project will initially see all employees in Germany equipped with new computers that will optimize the work they do for the company.

<b>Innovative customer offerings</b>	
103-1/2/3	<p><b>Management approach</b></p> <p>ARAG is a provider of a range of high-quality insurance, offering private and small-business customers in Germany not only its core legal insurance policies but also products and services in the casualty and property insurance and health insurance segments. The company is focused on providing needs-based products and excellent service. To maintain long-term customer relationships, ARAG anticipates how customers' requirements will change and adapts its portfolio accordingly through innovative offerings.</p> <p>The Products and Innovation and Sales departments are mainly responsible for product innovations. They follow a clearly defined product development process and incorporate insights from sales, claims, and customer service into the development and optimization of insurance solutions. To access these insights, the product managers periodically liaise with those employees who are in daily contact with customers. Targeted market research and regular customer surveys also provide key information on market trends and demand. In Austria, ARAG introduced an advisory board for brokers that allows the company to obtain feedback on products and innovations directly from the people who sell them. Customers, meanwhile, can send their views to ARAG by text message.</p> <p>ARAG designs its products to be modular and flexible so that they can meet the needs of individual customers. Over 90 percent of products are offered in the three variants Basis, Komfort, and Premium, and customers can choose from up to seven different excess levels. This enables policyholders to tailor the price-performance ratio of their cover to their particular needs.</p> <p>In 2018, ARAG continued to adapt its insurance product portfolio to customer needs. Buoyed by the excellent response from customers to the introduction of ARAG's Sofort legal insurance for motorists – the first product in the German market to offer retrospective cover – ARAG returned with another innovation last year. As well as traditional insurance cover, ARAG's Sofort legal insurance for tenants provides retrospective cover for certain legal issues that people renting privately may encounter. These include disputes regarding secondary costs, repairs, deposit repayments, and rent increases. The second product variant of this legal insurance for tenants, ARAG Sofort Extra, also covers disputes in which the tenant has had their lease terminated because the owner of the property wants to use it for their own purposes. The retroactive legal insurance for tenants provides protection against claims dating back up to twelve months and that meet strictly defined criteria. The customers benefit from an innovative form of protection that they don't have to wait for, while ARAG gains invaluable access to a broad target audience.</p>

A further innovation is the ARAG accident insurance with Fit Plus add-on offered by ARAG Allgemeine Versicherungs-AG. This product provides customers who suffer an accident with financial support as well as comprehensive assistance to help them get back on their feet. For example, ARAG will cover the costs for physiotherapy, a personal trainer, dietary advice, and motion and gait analysis. ARAG will also reimburse Fit Plus customers for any personal sports equipment that was damaged in the accident, cover the costs of competition entry fees or ski passes, and pay for a first-aid course with a cooperation partner. A particular highlight of the Fit Plus add-on is the telephone healthcare service provided by ARAG's partner TeleClinic. If a customer who has suffered an accident wants to talk to a doctor or would like a second opinion, they can use TeleClinic around the clock, 365 days a year to reach more than 200 doctors with various specialisms – and it all works extremely conveniently via an app, website, or phone call. This goes well beyond the usual service provided by an accident insurer.

ARAG's accident insurance also provides immediate assistance in cancer cases, with the customer paid the agreed amount when they are first diagnosed, i.e. from stage one.

The company's daily payments for hospital stays and incapacity are unique in the industry. The policyholder will be paid an agreed amount for each day that they spend in hospital as a result of an accident. ARAG will pay this for a minimum of seven days even if the policyholder becomes an outpatient. If the policyholder is still unable to work, ARAG will pay a daily rate for employment incapacity for up to 28 days. ARAG is thereby responding to the trend for shorter hospital stays and giving people time to continue their recovery at home.

The international branches and subsidiaries are also continually adapting their offerings to changing customer needs. ARAG Belgium, for example, identified divorce and housebuilding as the two main legal concerns for the country's population. Both have therefore been added to legal insurance products as new modules. For the same reason, a new product offering protection against tax disputes was launched for corporate customers. In 2018, ARAG in Greece added a new legal insurance product for start-ups to its portfolio as well as an additional module for legal disputes related to the use of drones. ARAG monitors the success of its product innovations using revenue and profitability metrics. Feedback from customers and employees provides key insights into satisfaction that are then used to optimize products. In 2018, ARAG was named the most innovative brand in the industry for the third year in succession at the Plus X Awards. The latest success in this prestigious brand award underlines the company's strength in innovation and shows that it is working on the right topics with a view to the future.



Customer focus	
103-1/2/3	<p><b>Management approach</b></p> <p>As an innovative and high-quality insurer, ARAG aims to provide solutions to customers' problems. This is why all its business activities are focused on the interests of the customer, whether this is during the advisory stage, when the policy is being sold, or when a claim is being made. The goal is to provide customers with optimum, personalized support at all stages and to remove as many administrative hurdles as possible. Customer focus is therefore a task that cuts across numerous disciplines and requires dedicated cooperation on the part of all employees of the Group.</p> <p>To live up to this ambition, ARAG offers its employees in Germany and at its international locations regular training and coaching. This guarantees that all members of staff are trained to a high standard both at a professional and emotional level. The latter is particularly important in the provision of professional support for claims and in phone-based conflict resolution. For particularly challenging situations, ARAG has even trained pastoral workers who are able to offer customers the best possible support.</p> <p>The digital transformation and the company's shift towards the provision of smart insurance are allowing ARAG to go in new directions with regard to customer focus. For example, customers now have a number of ways to get in contact with ARAG (phone, online chat, app, social media, post). And in 2018, ARAG launched the Flixcheck service. When a document is requested using Flixcheck, ARAG sends the customer a text message containing a personalized link. This directs them to a web-based app where they will find what they need. Conversely, the customer can quickly and easily document their inquiry – either by writing a message, taking a photo, or providing a signature via their smartphone. All the information entered in the Flixcheck portal is automatically sent to ARAG's customer service team, which swiftly processes the inquiry (<i>further details on ARAG's customer service can be found on page 30 onwards of this report</i>).</p> <p>ARAG's also employs digital aids to enhance the customer experience in face-to-face meetings. Since 2018, for example, all customer advisors in Germany have been using iPads. This makes it easier to compare alternatives and helps the advisor to explain the product. Another benefit is that a digital record of the meeting is automatically created and sent to the customer.</p>

In the Netherlands, ARAG launched the chatbot Lisa, who gives customers legal advice on matters such as online shopping issues. Lisa learns from her interactions and can also answer questions on hours of business, contact details, and other practicalities. ARAG also launched a chatbot in Spain, who advises customers on travel insurance and is particularly popular with younger customers. In recognition of brokers' importance as the most important sales channel, ARAG Spain developed a new sales platform in 2018 that greatly simplified how brokers sell to end customers.

Putting the customer first means offering them the products that they actually need. ARAG maintains a high level of quality by obtaining certifications and by surveying its customers and sales partners. In Scandinavia, for example, ARAG has been systematically recording customer satisfaction since it was founded. The most important question is whether the customer would recommend ARAG to family and friends. For more than ten years, it has achieved customer satisfaction scores of over 90 percent.

ARAG's participation in independent tests and ratings ensures that its offerings are reviewed on a regular basis. The Group's products, services, and customer advice have won many awards that are testament to their quality. In 2018, these included:

#### Germany:

- Overall winner in the 'Most innovative brand in 2018' category (Plus X Award)
- ARAG's Aktiv Premium legal insurance for families and Komfort for individuals rated FFF ('outstanding') by Franke & Bornberg
- ARAG Aktiv legal insurance rated 'very good' (Premium and Komfort) and 'good' (Basis) in the TÜV certification
- ARAG Premium accident insurance including special service package and Fit Plus rated FFF ('outstanding') by Franke & Bornberg
- Komfort and Premium variants of ARAG's accident insurance product given top score (five stars – 'excellent') by Morgen & Morgen Rating

#### International:

- Austria: First place in the legal insurance awards of Austrian insurance magazine AssCompact
- Spain: Best legal cover in the annual insurance barometer of Spanish insurance broker association ADECOSE
- Italy: Online sales platform named best digital product for insurance brokers at the 2018 Italy Insurance Forum Awards

<b>Responsible investor</b>	
103-1/2/3	<b>Management approach</b> <p>ARAG also seeks to uphold its reputation as a responsible company in its asset management activities. It therefore takes environmental, social, and governance (ESG) criteria into account in its investment decisions. Because these bring in an additional perspective, they help the company to gain a more rounded assessment of the risk/return profile of an investment.</p> <p>In 2018, ARAG launched a policy on using sustainability criteria in investment with the aim of standardizing its approach. In the process of implementing the policy, ARAG introduced a negative screening filter that would reject investments based on certain standards and values. The company also made sustainability an assessment criterion that is used in due diligence for the selection of external investment managers. Finally, ARAG is deepening its commitment to sustainable infrastructure under its alternative investment program. It does this by investing in relevant closed-end funds, but not through direct investment.</p> <p>ARAG SE has made it a stated aim that the proportion of direct investments that meet ARAG's minimum standards should not fall below 97 percent. Measured in terms of market value, direct investments make up around 35 percent of the company's holdings. ARAG is yet to define a target for indirect investments. Group Asset Management is responsible for implementing and reviewing these targets.</p>
FS10	<b>Companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues</b> <p>The company does not maintain an ongoing dialog with investees on ESG-related topics.</p>
FS11	<b>Environmental or social screening</b> <p>The rejection criteria are applied directly to fungible investments under management by ARAG. ARAG SE systematically takes account of ESG factors in around 42 percent of its investments at present.</p> <p>Equity investments and affiliated companies account for the bulk of ARAG SE's investments. ESG factors are systematically taken into account in around 66 percent of fungible investments (direct investments and institutional funds).</p>

## Environmental topics

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### Energy consumption 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 plays a crucial role in maintaining a pleasant office climate in buildings and in guaranteeing availability of the IT infrastructure and IT systems. It is the responsibility of the Group Central Services Department, which reports directly to the Management Board, to ensure that there are always enough workplaces and that these have all the necessary functionality. As an internal service provider, Facility Management controls the energy consumption and associated CO<sub>2</sub> emissions. The Procurement Department is responsible for buying in energy and for putting all related services out to tender in the market.

Various systems for lighting, heating, cooling, and air conditioning within the buildings and the infrastructure are controlled by technology such as movement detectors, timers, and temperature sensors. For the ARAG Tower, the company-owned head office building in Düsseldorf, ARAG commissioned a review to obtain an Energy Performance Certificate in accordance with the requirements of the German Energy Saving Regulation. The findings show that the ARAG Tower achieves very good levels of energy efficiency compared with similar buildings. ARAG endeavors to improve these figures continuously and conducts ongoing optimization measures to this effect. In the reporting period, ARAG achieved a further reduction in its energy consumption compared with the prior year. These savings are attributable to the installation of low-energy systems and equipment that are controllable and used only when needed.

ARAG knows that a concerted effort from all employees and managers is required to deliver a strong performance in terms of energy and emissions. The company therefore hosts regular training events in cooperation with external specialist companies and experts to address topics such as lighting and lighting technology, ventilation and air conditioning, heating, elevator technology, soundproofing, and emission protection in office environments. Operating instructions and usage guidelines are provided to training participants to inform them about more energy-efficient ways of using such systems and technologies.

Energy consumption figures and associated costs are collected and analyzed for an accounting period of one month. After ARAG completed the planning process for an in-house energy controlling system in 2017, including the creation of a specifications book for its implementation, an invitation to tender was put out to external service providers last year. The system, which is scheduled to be set up and brought on stream in 2019, will make it clear where modernization and adaptations are needed and allow ARAG to utilize potential for optimization in a faster and more targeted manner.

ARAG's international companies also make ongoing efforts to reduce energy consumption at their locations. The circumstances under which they do so vary greatly from country to country. In some places there is also very limited scope for action because office premises are rented, which limits ARAG's influence on energy saving measures.

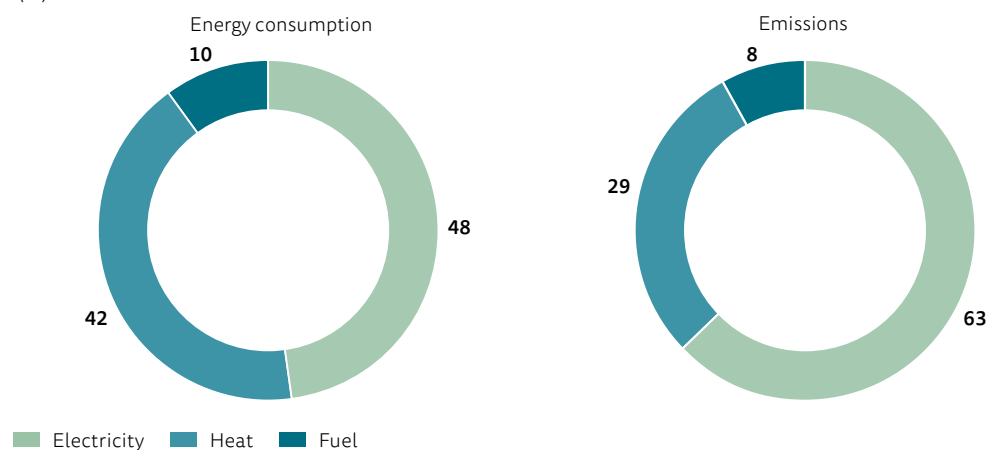
Facility management is not the only area in which ARAG is focusing on sustainability. It is also looking to use low-energy drives in its fleet of vehicles. In 2018, for example, the company replaced one diesel car at its headquarters in Düsseldorf with an electric car. Electromobility is hugely complex for fleet operators, however. Urban infrastructure for electric vehicles is running at full capacity and additional capacity is difficult to bring on board. ARAG's fleet management periodically evaluates the available options for using more vehicles powered by alternative drives. This includes the review and evaluation of large-scale building works that would see charging points for electric cars installed in private or semi-public areas.

The optimization of the vehicle fleets was also a key concern for the international locations last year. ARAG in Austria specifically looked for low emission values when selecting new vehicles. In Belgium, ARAG installed an electric charging point in its company parking lot. The company also modified its fleet strategy, which will now see diesel vehicles replaced with alternative-drive equivalents. A clear shift away from diesel and towards electric vehicles is also evident in the Netherlands. Because this transition is encouraged by government tax incentives, ARAG began to take greater account of emission values in the procurement of new company cars.

302-1	Energy consumption within the organization
305-1	Direct (Scope 1) GHG emissions
305-2	Energy indirect (Scope 2) GHG emissions

#### Energy consumption and emissions by source

(%)





### Energy consumption and greenhouse gas emissions, Germany <sup>1</sup>

	2018	2017	Change
<b>Energy consumption (MWh)</b>	<b>13,892</b>	<b>14,686</b>	<b>- 5 %</b>
<b>Electricity</b>	<b>6,973</b>	<b>7,048</b>	<b>- 1 %</b>
<b>Heating</b>	<b>6,871</b>	<b>7,585</b>	<b>- 9 %</b>
Heating oil	-	-	-
Natural gas	2,774	3,937	- 30 %
District heating	4,097	3,648	12 %
<b>Fuel</b>	<b>48</b>	<b>53</b>	<b>- 10 %</b>
Diesel	47	50	- 6 %
Petroleum	1	3	- 66 %
<b>CO<sub>2</sub> emissions (in tCO<sub>2</sub>e)<sup>2</sup></b>	<b>4,545</b>	<b>4,718</b>	<b>- 4 %</b>
<b>Scope 1</b>	<b>581</b>	<b>821</b>	<b>- 29 %</b>
Combustible	568	807	- 30 %
Fuel	13	14	- 9 %
<b>Scope 2</b>	<b>3,963</b>	<b>3,897</b>	<b>2 %</b>
Electricity <sup>3</sup>	3,054	3,087	- 1 %
District heating	910	810	12 %

<sup>1</sup> This data is based on the ARAG headquarters in Düsseldorf (Germany) and local offices in other parts of Germany.

<sup>2</sup> Calculated according to the guidelines of the WRI/WBCSD Greenhouse Gas Protocol. Scope 1: Greenhouse gas emissions from the operation of heating systems and vehicles, for example. Scope 2: Greenhouse gas emissions from the production of electricity and district heating.

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

### Energy consumption and greenhouse gas emissions, global <sup>1</sup>

	2018	2017	Change
<b>Energy consumption (MWh)</b>	<b>22,561</b>	<b>23,156</b>	<b>- 3 %</b>
<b>Electricity</b>	<b>10,894</b>	<b>11,000</b>	<b>- 1 %</b>
<b>Heating</b>	<b>9,425</b>	<b>10,105</b>	<b>- 7 %</b>
Heating oil	196	340	- 42 %
Natural gas	4,426	5,383	- 18 %
District heating	4,803	4,382	10 %
<b>Fuel</b>	<b>2,243</b>	<b>2,051</b>	<b>9 %</b>
Diesel	1,766	1,627	9 %
Petroleum	476	425	12 %
<b>CO<sub>2</sub> emissions (in tCO<sub>2</sub>e)<sup>2</sup></b>	<b>7,096</b>	<b>7,254</b>	<b>- 2 %</b>
<b>Scope 1</b>	<b>1,552</b>	<b>1,737</b>	<b>- 11 %</b>
Combustible	959	1,194	- 20 %
Fuel	593	542	9 %
<b>Scope 2</b>	<b>5,544</b>	<b>5,517</b>	<b>0 %</b>
Electricity <sup>3</sup>	4,477	4,544	- 1 %
District heating	1,066	973	10 %

<sup>1</sup> This data is based on the ARAG headquarters in Düsseldorf (Germany) and local offices in other parts of Germany as well as in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, Spain, the UK, and the US.

<sup>2</sup> Calculated according to the guidelines of the WRI/WBCSD Greenhouse Gas Protocol. Scope 1: Greenhouse gas emissions from the operation of heating systems and vehicles, for example. Scope 2: Greenhouse gas emissions from the production of electricity and district heating.

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

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

Since 2014, electricity consumption in Germany has been reduced by 466 MWh per year on average. This is equal to an annual reduction in emissions of approx. 220 metric tons of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e). No significant individual measures to optimize energy consumption were implemented in 2018. The focus was instead on pursuing the overall strategy of optimizing existing systems and equipment in line with demand and on an ongoing basis. This enabled ARAG to achieve another reduction in its electricity consumption compared with prior-year figures. The savings amounted to 794 MWh, which represents a reduction of 5 percent.

However, the reporting year was characterized by extreme weather conditions that had a significant influence on the consumption of district heating, which is used to heat and cool the Düsseldorf offices. The consumption of energy generated from district heating rose by almost 10 percent compared with the prior year.

The international locations also took measures to reduce energy consumption and CO<sub>2</sub> emissions. ARAG in Austria, for example, installed energy-efficient air conditioning and offered its staff tickets for the local public transport networks. Measures recommended by the energy audit commissioned by ARAG in Italy in 2015 have been implemented over the past few years. These include switching to LED lighting, optimizing the times at which heating and air conditioning systems turn on, and increasing the use of train travel for business trips. The switch to train travel alone saved 12.6 tCO<sub>2</sub>e in 2018 (compared with flights to the same destinations). In 2019, ARAG in Italy will, as required by law, carry out another energy audit and define further measures on that basis. In the Netherlands, ARAG introduced a new mobility scheme that encourages the use of bicycles and public transport. The company also replaced ventilation systems and equipped all washrooms with movement detectors and LED lighting in order to further reduce energy consumption and emissions.

## Social topics

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### Working conditions

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103-1/2/3

#### Management approach

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ARAG is a reliable but demanding employer that expects high levels of commitment, dedication, and quality from its staff. In return, it offers employees a varied and forward-looking working environment that offers opportunities, fairness, and security. This is crucial for the company's ability to position itself as an attractive employer and to retain skilled employees and high performers for the long term. The ARAG Group relies on a competent, highly committed, and dedicated workforce that is fully focused on delivering ARAG's value proposition for the company's customers.

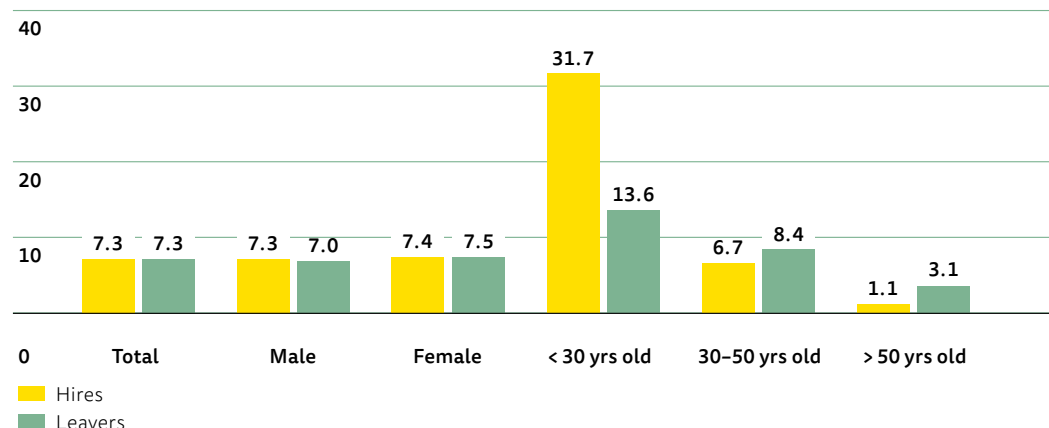
ARAG attaches great importance to offering employees a career environment that is compatible with family life. Greater flexibility in working hours and work locations plays a key role in this respect. Appropriate provisions promote access to managerial responsibility in part-time roles and employees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

ARAG continuously monitors the market and conducts benchmark analyses to ensure that its hiring conditions are more attractive than the market average. It also records, on a group-wide basis, staff turnover and other key risk indicators that are relevant to the management of the company. Both the low staff turnover and the low number of unfilled vacancies are a reflection of how attractive ARAG is as an employer.

The international companies also position themselves as attractive employers in their respective markets. In Belgium, the company is stepping up its partnerships with universities with the aim of recruiting young talent. ARAG in Austria, meanwhile, is putting the spotlight on its family-friendly working conditions. It offers various part-time working models, for example, as well as attractive benefits for parents. In 2018, in a ranking conducted by the German Institute for Quality and Finance, ARAG Italy won an award in the Top Career category and received the Best Job Italy Award for 2019. The company was particularly praised for its friendly working environment and for giving people the option to work remotely, which is currently being taken up by 35 percent of employees.

**Staff turnover by gender and age**

(%)



The percentage figures shown above indicate the rate at which people join and leave the company. Only permanent employees are included in the calculation.

In 2018, 125 women and 88 men joined the company, while 128 women and 85 men left the company. Of the new hires, 84 employees were under the age of 30, 119 employees were between 30 and 50 years old, and ten employees were over the age of 50. Of the staff leaving the company, 36 employees were under the age of 30, 150 employees were between 30 and 50 years old, and 27 employees were over the age of 50.

This data is based on the ARAG headquarters in Germany and local offices/subsidiaries in Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, the UK, and the US.

**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. Permanent employees, for example, benefit from an immediately vesting, nonforfeitable, employer-funded company pension plan, including disability cover. In addition, all full-time employees have the option to defer compensation and can enjoy subsidized meals and parking, manager check-ups, health days, and preventive healthcare offers. Other benefits include an employee assistance program, a wide range of company sports activities, and services such as dry cleaning and shoe care within the office building.

The benefits and other allowances offered by ARAG's international companies vary based on local circumstances, but are generally of a comprehensive nature. ARAG Austria, for example, offers employees free season tickets for local public transport networks and subsidizes the use of external fitness facilities. Employees in the Netherlands benefit from a comprehensive vitality program, which encompasses a wide range of sporting activities, workplace massages, and free flu vaccinations. In Italy, the company offers its staff private language courses, for example, and a home delivery service for their shopping. ARAG Spain supports employees by contributing to their costs for children's school supplies and nursery care. In addition, subsidized physiotherapy services are offered on the ARAG premises. Employees can also benefit from an early retirement scheme.

401-3

### Parental leave

	Men	Women
Number of employees who took parental leave	19	27
Number of employees who returned to work in 2018 after their parental leave	17	10

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

## 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. This approach helps to ensure compliance with statutory requirements, but beyond that it also improves employee satisfaction, reduces absences, and prevents negative impacts on employees' physical and mental wellbeing, and therefore generally promotes better health across the workforce. These are key factors in the company's positioning as an employer of choice in the market.

The internal safety standards implemented by ARAG go beyond the statutory requirements in relation to occupational health and safety. Group Central Services and Group Human Resources are responsible for health and safety in the workplace. The day-to-day implementation is handled by the Health and Safety and Fire Safety Department together with the local health and safety and fire safety officers and the Organizational Development and Healthcare Management Department.



Compliance with statutory provisions and the standards set by the accident insurer (VBG) relating to ergonomics in the workplace are reviewed and documented on a regular basis. Remote workplaces also need to meet legal requirements. So as the company becomes more flexible about where people work, there is an increasing need for such workplaces to be surveyed and assessed. Because of the greater cost involved in this, the health and safety officer is increasingly conducting the surveys remotely. These surveys can – in consultation with the relevant health and safety executive – be done using photographs or video footage, or via a live video chat.

ARAG maintains safety and all safety-related equipment at a level that goes above and beyond the legal requirements. The safety-related equipment and the number of first aiders, fire safety officers, and security officers also exceed the statutory minimum requirements. Emergency manuals and a safety committee ensure that ARAG is well prepared to cope with emergency situations. Evacuation drills are carried out every year. The workforce also receives training via e-learning on the intranet, and employees with special safety responsibilities receive annual training. In Germany, ARAG's health & safety committee convenes four times a year to discuss matters relating to occupational health and safety and fire safety, including possible solutions and necessary action. The committee includes an employer representative, members of the Works Council, the company physician, the occupational health and safety officer, the security officers, and other relevant individuals.

ARAGcare is a corporate health management program designed to make employees more health-conscious. Regular check-ups and campaigns focused on preventing staff getting ill in the first place are among its benefits. Employees also have access to a company physician, who offers consultations, eye examinations, free flu vaccinations, and, from 2019, medical advice for travel. All services can be easily booked via a new digital platform. A range of health courses are also available to employees if required, as is advice from external partners on topics such as childcare, caring for relatives, and professional or personal problems. In 2018, for example, a new series of seminars on the subject of positive psychology was launched. There is also a special check-up for managers, and employees can participate in a range of company sports. For long-term absentees, ARAG operates a return-to-work and disability management system to ensure that the statutory requirements are implemented professionally. External specialists are consulted to make sure that the individuals concerned are provided with the best possible support.

The Organizational Development and Healthcare Management Department within Group Human Resources is responsible for ARAGcare. The ARAGcare committee manages the program in consultation with the health and safety officer, the Works Council, the company physician, and the representative committee for employees with severe disabilities. In 2018, for example, the focus was on risks to mental health. The impact of digitalization on employees' wellbeing is one of the factors that plays a role here. Although the digital revolution is bringing greater flexibility to people's working hours and place of work, helping them to achieve a better work-life balance, the negative effects cannot be ignored. This includes the feeling that they need to be available at all times. Going forward, ARAG aims to meet these challenges with individual solutions that will be better suited to the different types of employees and to people at different stages of their lives.

ARAG employees who wish to make a complaint regarding occupational health and safety can contact the health and safety officer or the employees of the Organizational Development and Healthcare Management Department directly. Feedback can also be given via the intranet, a central email address, and feedback questionnaires that are made available online after evacuation drills. Concerns can also be raised in the ARAGcare committee and the sessions of the health and safety committee. In addition, employees can contact the Works Council or any member of the managerial staff.

Some of ARAG's international companies have implemented additional local measures. In Austria, for example, ARAG offers employees subsidized private health insurance and access to a range of services provided by the company physician, including flu vaccinations and vaccinations against tick-borne infections, and hearing and eye tests. In the UK, the focus for 2018 was on employees' mental health. Here, the company has set itself the target of destigmatizing mental illnesses through education. The objective is for depression and anxiety issues to be regarded as no different to the flu or a broken bone, for example. In 2019, the company will provide a mental health first-aid training course for all line managers.

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

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	<b>Men</b>	<b>Women</b>	<b>Total</b>
Total contracted hours	2,415,126	3,257,257	5,672,384
Total no. of hours absent	83,576	173,001	256,577
Absentee rate	3.5 %	5.3 %	4.5 %

In 2018, no work-related injuries or fatalities were recorded in Germany or at any of the international offices. These figures include temporary employee as well as interns and trainees. The absentee rate is calculated by dividing the number of hours that employees were absent by the total number of contracted hours.

This data is based on the ARAG headquarters in Germany and local offices/subsidiaries in Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, the UK, and the US.

Training and education	
103-1/2/3	<p><b>Management approach</b></p> <p>ARAG's ambition is to become one of the best insurance providers in the market. To achieve this goal, the company relies on a competent, highly committed, and dedicated workforce. Vocational training, skills upgrading, and professional development for its employees are therefore of great importance to ARAG. By providing continuous professional development (CPD) as needed, ARAG maintains the employability of its workforce, keeps their knowledge up to date, and makes them more motivated. It also improves the company's ability to retain high-potential employees. All measures serve to fulfill the brand promise of providing innovative and high-quality insurance.</p> <p>The provision of training and development is governed by ARAG's training guidelines. ARAG is a big believer in equal opportunities, so the various CPD measures are open to all employees. And it's not just the employees who work at the offices in Germany and abroad who benefit from the wide range of options for subsidizing courses and granting time off work for training. These are also available to field reps. Strategic management of CPD falls within the remit of the Senior Vice President of Group 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 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 (HGB).</p> <p>As an insurance provider, ARAG is subject to regulatory requirements concerning staff and management training, for example under the Solvency II Directive and the Insurance Distribution Directive (IDD) of the European Union. The German Act on the Supervision of Insurance Undertakings (VAG) and Solvency II were made part of management training back in 2017. In 2018, ARAG developed a corresponding e-learning program that was launched in spring 2019 and made available to all employees. In 2017, in response to the stricter requirements imposed by IDD, ARAG initiated steps to centralize the organization of specialist training for customer-facing staff at its offices in Düsseldorf and Munich. This reorganization was largely completed in 2018. ARAG has also begun to extend the activities to ARAG IT. Going forward, training for ARAG IT will also be documented centrally in ARAG IQ.</p> <p>One of ARAG's goals is to make its training more personalized and digitally connected. In 2018, for example, web-based training formats were added to the project management program.</p> <p>ARAG also further expanded various learning formats, including on the following subjects:</p> <ul style="list-style-type: none"> <li>• SCRUM: A procedural model for project and product management that is commonly used in agile software development.</li> <li>• Bikablo: A modern visualization method.</li> </ul>

- Design thinking: An approach aimed at solving problems and developing new ideas. The goal is to frame the solution from the users' perspective.
- Customer focus box: A workshop tool that can be used to create products and services that are particularly relevant for customers.

The program is aimed at all employees and managerial staff who want to address changing customer needs and the resultant impact on products, services, and processes. ARAG's training and professional development measures are based on the needs of the company and its employees. Training measures are closely related to employees' day-to-day work in order to maximize the effectiveness of the learning process. For new courses, ARAG always compares various offerings and carefully selects the providers and trainers to ensure that its training is of a high standard. Feedback questionnaires and annual staff appraisal interviews are used to gauge satisfaction with the training measures. All CPD measures planned and carried out by ARAG are carefully documented, including information on time and money spent. This provides the company with valuable insights for the ongoing optimization of the measures.

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404-2

#### Programs for upgrading employee skills and transition assistance programs

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ARAG operates a proprietary web-based skills and qualifications platform known as ARAG IQ that enables all employees in Germany to keep their knowledge and capabilities up to date. The offering includes around 150 classroom-based seminars, training courses, and e-learning courses. Development measures are mainly focused on specialist and methodological skills, leadership skills, personal and social skills, knowledge related to insurance and to business in general, project and process management, and foreign languages. When selecting and designing measures, ARAG always looks to take current trends into account and to equip its employees with the skills they will need to face the challenges of the future within the industry. The Future Initiative program, for example, offers training, workshops, and networking events focused on creativity and design thinking, agile project management, and leadership in transformation (*further information can be found on page 34 of this report*). The training also covers regulatory matters such as the Solvency II Directive and the German Act on the Supervision of Insurance Undertakings (VAG) as well as risk management, internal audit and compliance, data protection, and occupational health and safety. The courses are run by around 20 in-house trainers in addition to various external providers.

Staff retention plays a key role alongside CPD in covering the need for suitably qualified staff and managers over the long term. ARAG's myCareer talent management system supports this goal through a wide range of tools designed to help select and develop personnel. Managers, for example, have the opportunity to register candidates for training

in specialist and management functions. ARAG also supports specialists and managers by giving them the chance to complete a part-time degree course or an MBA.

Apprenticeships at ARAG take the form of vocational qualifications in insurance and finance that meet the needs of the company. As well as maintaining a sufficient supply of new recruits, they ensure a good demographic mix across the Group. In 2018, a total of 68 trainees at various levels were supported in Düsseldorf, Munich, and in Core Sales.

Individual CPD measures are discussed and planned during the mandatory staff appraisal interviews that take place every year. In total, 3,850 CPD measures were taken across the company in Germany in 2018. Based on this figure, ARAG Sales Administration employees participated in an average of two CPD measures over the course of the year, which is the same participation level as in 2017.

The training and CPD offering at ARAG's international locations is largely comparable with the offering in Germany. ARAG in Scandinavia also operates its own HELP School, which runs courses on a range of legal topics for employees. In the Netherlands, ARAG offers a two-day retirement preparation course in addition to various training programs. ARAG North America focuses not only on professional training but also on comprehensive personal development. The company's management firmly believes that this improves employees' confidence and commitment, which ultimately makes them more resilient.

404-3

#### Employees receiving regular performance and career development reviews

ARAG requires staff appraisal interviews to be carried out annually. A progress review carried out by HR shows that 90 percent of interviews were carried out in 2018.

### Diversity and equal opportunity

103-1/2/3

#### Management approach

Fairness and openness in its dealings with a diverse workforce and a diverse society are key corporate values for ARAG. After all, good working relationships across all countries and cultures are an important success factor for an internationally active insurer. Experience has shown that diverse teams generate creative ideas and make the company more successful over the long term.

ARAG's family-friendly and inclusive approach has a positive impact on the way in which the company is perceived by customers and employees. This improves its appeal as an employer, creates opportunities for cooperation, and makes a wide range of customer groups more accessible to the company. It also avoids any reputational risk that may arise from infringements of the German General Equal Treatment Act (AGG), for example.



Diversity and equal opportunities are anchored in the corporate strategy and the corporate values so that all employees are offered the same opportunities for professional development – irrespective of age, gender, nationality, marital status, or other personal circumstances. To support this objective, the operational strategies of the Human Resources and Corporate Communications departments specify measures to promote diversity and equal opportunities. These include flexible working time arrangements, working from home, and teleworking, and the possibility of giving management positions to part-time staff. In Germany, a total of nine management positions were occupied by part-time employees in 2018. The provision of additional software on mobile devices last year also made it even easier for staff to work remotely. The company thus offers employees suitable working conditions and career opportunities at all stages of life. The representative for employees with a severe disability and the anti-bullying officer at ARAG have specific areas of responsibility that help to promote equality within the Group. Employees can approach either of these two representatives or the Works Council with any concerns.

ARAG's gender diversity project aimed at promoting equal opportunities for women and men produced a 20-point catalog of measures that included the provision of appropriately equipped parent-child offices, life coaching for employees, and advice on matters such as childcare and caring for relatives. The project was completed at the end of 2018 with all measures having been implemented.

ARAG is not only a strong advocate of equal opportunities for men and women. True to its core principle of 'unity in diversity', the cultural diversity of its workforce also makes ARAG a stronger business. The company is proud to unite people from a wide range of countries in one organization and considers the expression of individual personalities and views as a source of added value. International management seminars, which were attended by all members of ARAG's senior management team from Germany and abroad in 2018, as well as other international training programs promote constructive dialog between employees. This improves their understanding of the similarities and differences between cultures.

ARAG regularly reviews the effectiveness of the measures that are taken, including by calling on specialist independent auditors such as berufundfamilie Service GmbH (*further information on working conditions can be found on page 74 of this report*). The company also compiles annual statistics to determine whether women and men have equal opportunities. An evaluation of the CPD measures forms part of this. In management reporting, the CPD measures are analyzed for socio-demographic data, including age, gender, years of service, and hierarchy level.

The percentage of women at the top two management levels has increased in recent years, but a gender balance has not yet been achieved. For this reason, ARAG is actively promoting the advancement of women by giving employees greater flexibility in when and where they work and by improving its childcare offerings. Winning acceptance at management level for concepts that add value for employees but are more complicated

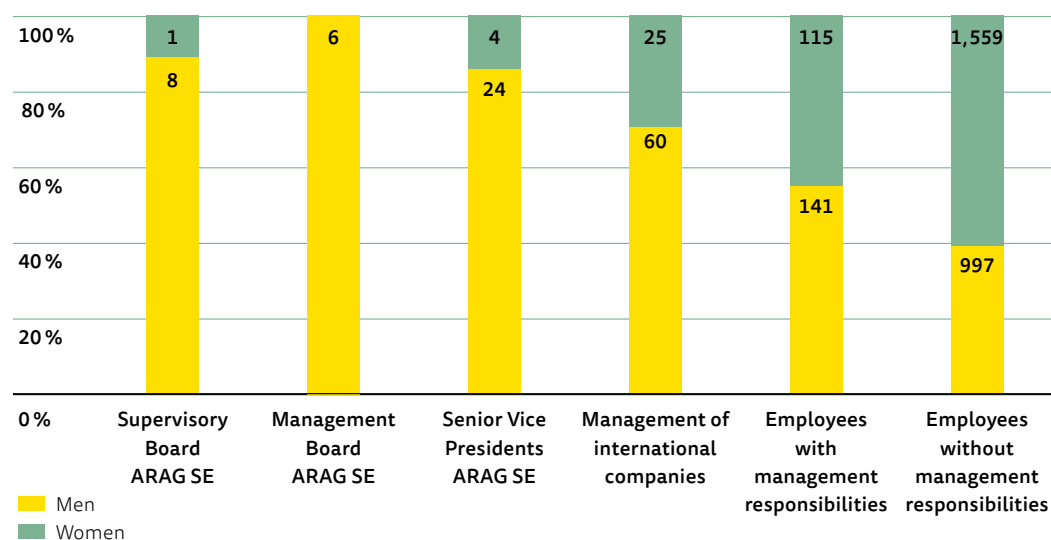
and time-consuming to administer remains a key challenge, however. Such concepts include working from home and allowing part-time staff to take on management roles. In 2018, ARAG Spain updated its 'Plan de Igualdad de Oportunidades', which had been launched in collaboration with the Works Council in 2009 in order to promote equality of opportunities. The updated plan is based on an in-depth analysis of gender equality, which revealed that the proportion of women in the workforce has risen by 8 percent over the past ten years to reach 58 percent. There were also more women than men at management level. Although equal pay has not yet been fully achieved, the wages paid to new hires are now more or less the same for both genders.

405-1

## Diversity of governance bodies and employees

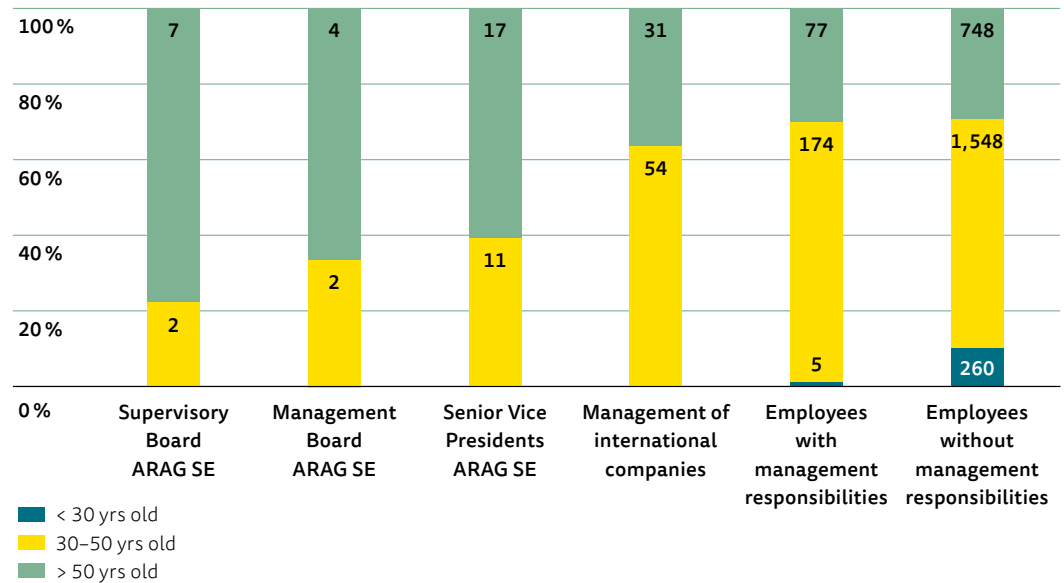
### Governance bodies and workforce in 2018, split by gender

(% and absolute numbers)



## Governance bodies and workforce in 2018, split by age

(% and absolute numbers)



This data is based on the ARAG headquarters in Germany and local offices/subsidiaries in Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, the UK, and the US. The figures for the Supervisory Board and Management Board in the 2017 Sustainability Report were erroneous and have been corrected here.

## Social engagement

103-1/2/3

### Management approach

ARAG attaches great importance to the connection between corporate and social responsibility. This is reflected in its long-term business strategy and makes a significant contribution to the success of the company. As an independent family enterprise, ARAG can operate without any pressure from external investors and with a view to the longer term, thus enabling it to engage in credible corporate social responsibility. This is all the more important as customers, business partners, and sales partners, as well as employees, are paying increasingly close attention to the additional economic and social benefits that ARAG can offer.

The corporate mission enshrined in the ARAG Essentials guidelines emphasizes the Group's corporate citizenship. At its German and international offices, ARAG supports local projects and initiatives in the fields of sports, culture, and education. A dedicated team within Group Corporate Communications/Marketing is responsible for these. The Group's social commitment is regularly assessed through participant surveys and response analyses.

As part of its commitment to corporate citizenship, ARAG supports not only large-scale initiatives with budgets in the single-digit millions but also smaller projects. All activities have the common goal of making a positive impact on society and business in the local area. ARAG takes a long-term approach to the projects and believes in providing regular funding and support that contribute both to ARAG's good reputation and the acceptance of its business model.

One of ARAG's most important commitments in Germany is to the German Children and Youth Foundation (DKJS). In addition, ARAG supports the scholarship program 'Chancen nutzen' (seizing opportunities) for students at the Heinrich Heine University in Düsseldorf and the 'Deutschlandstipendium' scholarship program for students at the University of Applied Sciences (HSD) in Düsseldorf. It also contributes to funding schemes at other universities and research institutions.

With the support of the Ministry for Education and Schools of North Rhine-Westphalia, the 'Conflict Management in Schools' program is offered to all high schools and vocational colleges in the state of North Rhine-Westphalia (*further information can be found from page 4 onwards in this report*). More than 280 teachers, specialists in educational social work, principals, and parents from nearly 100 high schools and vocational colleges in different school districts across the state have taken part in the five training cycles completed so far. The sixth cycle of the project is currently in progress at 13 other schools. The participants are trained as 'school mediators'. They contribute the knowledge they have acquired to improve the social climate in schools, change how students deal with conflict, and train some of the students themselves to be peer mediators. The project has been certified under the name ARAG Mediators as a 'Commitment to Action' by the Clinton Global Initiative (CGI). Since 2016, ARAG has also been a sponsor of MediationsZentrale München e.V, a not-for-profit organization that regularly sends out professionally trained mediators to public-sector and private schools in the Greater Munich area to act as impartial points of contact for all conflicts and problems arising in day-to-day school activities.

The protection of children and young people against online threats is a key focus of corporate social responsibility at ARAG. The company believes that the most important need for action lies in the long-term development of media skills, the provision of information and education, and the prevention and recognition of bullying and its consequences. To help address these areas, ARAG worked with the Research Center for IT Law and Social Networks Policy at the University of Passau to develop an alternative to Germany's contentious Enforcement of Rights on Social Networks Act (NetzDG) (*further information can be found on page 12 onwards in this report*). The aim is to offer users of social media better protection against reputational damage. The results were published on Safer Internet Day in February 2018. Targeted measures were also taken to further increase

public awareness of the issues. In February 2019, for example, the [hass-streichen.de](http://hass-streichen.de) ('crossing out hate') website was launched to provide comprehensive information to the public on the subject of cyberbullying and how to tackle it. ARAG has also partnered with DKJS in the field of digital education. The joint initiative 'bildung.digital' (digital education), launched in late 2017, has already been rolled out to 40 schools across Germany to help them develop and implement concepts for digital education.

The 'Kickwinkel' project in Düsseldorf, which ARAG initiated and supports on an ongoing basis together with other local partners, is all about equal opportunities. It is a football-based integration project for male refugees from Iraq, Afghanistan, Somalia, Eritrea, Gambia, Guinea, and Iran who are minors but have no family in Germany. Twenty young people are given the opportunity to train at a Düsseldorf club twice a week, and tournaments are arranged on a regular basis in which teams from participating project partners compete against one another. ARAG also supports several other charitable organizations and sports clubs.

ARAG is also committed to practicing corporate citizenship beyond its core business at its international locations. In North America, the company supports an employee-run corporate social responsibility committee that provides local charities with financial assistance and with volunteers drawn from the ARAG workforce. ARAG is also an active supporter of the Access to Justice movement, which aims to make legal aid available to all. In the Netherlands, ARAG offers free legal advice to sports referees who have become victims of violence, and also covers their costs for medical treatment. In Greece, ARAG provides a free telephone service for people who have lost their job and need legal advice – even if they are not insured by ARAG. Various charities and bullying victims also benefit from free legal advice.

*For further information please see the 2018 annual report of ARAG Holding SE (consolidated financial statements).*

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## **Political engagement**

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103-1/2/3

### **Management approach**

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Developments in the political and regulatory landscape have a considerable influence on ARAG's business activities. They have a direct effect on the Group's risk structure and capital resources, and also influence the way products are designed, marketed, and sold. ARAG is therefore in constant contact with public authorities and government in order to represent the company's interests. Political dialog is the responsibility of the CEO and the Chief Representative. It serves to identify topics of relevance to both sides so that different points of view can be identified and discussed at an early stage. ARAG therefore attaches great importance to open and proactive communication.



The international Group companies are normally members of the relevant trade association in their country. In Austria, ARAG maintains regular contact with the chamber of commerce and participates in the annual discussion of the Federal Government's economic report. ARAG North America strives to use its influence to improve business and regulatory conditions for the legal insurance sector at national and state level. The company maintains relationships with public authorities, most notably at its headquarters in Iowa, and with lobbyists who obtain opinions on proposed bills and changes to state legislation. In the UK, ARAG particularly supported the work of the Civil Justice Committee in 2018.

415-1

#### Political contributions

The ARAG Group is as politically active as it can be and is committed to supporting the democratic structures in Germany. This commitment includes donations to the larger parties represented in parliament at federal and state level. The total amount of financial contributions to these parties came to €60 thousand in the reporting year. ARAG's international subsidiaries did not make any donations to political parties in 2018. In the US, such company contributions are prohibited under federal law.

### Sustainable products and services

103-1/2/3

#### Management approach

As an independent family enterprise in the financial sector, ARAG appreciates the importance of reliability, resilience, and corporate responsibility. The company therefore pursues a long-term strategy that is geared towards sustainable and profitable growth. ARAG acts carefully and prudently, with patience and persistence, and always in the interests of the customer.

This is reflected in the products and services that it offers, which meet the needs of customers as well as the statutory requirements. In addition to its wide range of legal insurance products that offer inherent social benefits, ARAG offers tailored products for sports clubs and associations, sponsorship associations for charitable causes, and carnival societies. The types of cover for such organizations include legal, liability, accident, illness, financial loss, environmental damage, and luggage insurance. Since 2016, ARAG has also been offering a property insurance product specifically for sports clubs. As Europe's largest sports insurance provider, ARAG knows that every club is unique. It therefore offers flexible cover that can be tailored exactly to the needs of individual customers. This principle applies both to products for sports clubs and to many other specialist insurance products, such as insurance cover for events, and cover for owners of horses, sporting arms, or boats.

Since 2018, ARAG's accident insurance with Fit Plus add-on has also provided various services that offer a particular social benefit. They include the telephone healthcare service offered by ARAG's partner TeleClinic, which not only streamlines the provision of care to accident sufferers but also prevents unnecessary treatments and visits to the doctor, saving on healthcare costs in the process. In addition, ARAG's accident insurance provides immediate assistance in cancer diagnoses and pays a daily rate for hospital stays and incapacity (*further information can be found in the section beginning on page 63 in this report*). At its international locations, ARAG focuses on offerings in the legal insurance sector.

The development of new and sustainable products and services mainly falls under the remit of the Product Management Department. There is a clearly defined process for the development of ideas, which covers the generation, collection, evaluation, and prioritization of product ideas as well as the initial and final costing. The Controlling Department is involved in every step. The requirements of a potential certification (for example by TÜV) are taken into consideration while the product is still under development. When the product is on the market, ARAG monitors its performance and profitability using product ratings, customer and staff surveys, the ARAG Denkraum online community, and cost variance analysis.

FS7	<b>Monetary value of products and services designed to deliver a specific social benefit</b>
	In 2018, the sports insurance segment (Germany and international markets) generated revenue of around €43 million. This is equivalent to roughly 23 percent of the total revenue from direct business of ARAG Allgemeine Versicherungs-AG.
	<b>Transparent management and services</b>
103-1/2/3	<b>Management approach</b>
	ARAG attaches great importance to the transparency of its management and services, which secures the trust of customers and employees and thus boosts the company's credibility and competitive position. The ARAG Essentials and Leadership Standards prescribe an open style of communication with customers and employees. They guide the thoughts and actions of all ARAG employees and provide orientation in ever-changing markets.

Making information about products and services understandable is one of the main challenges faced by the insurance industry with regard to transparency. It is important to ARAG that all product information and contractual conditions are as easy for people to understand as possible, for instance through the use of illustrative examples to explain unavoidable legal jargon. Texts for insurance terms and conditions, brochures, and product information are checked using software based on the criteria of the Hohenheim comprehensibility index (HVI) and then optimized accordingly.

Responsibility for ensuring that management and services are transparent lies with all board-level departments at ARAG. The Sales and Product Management Department is responsible for the transparency of product information. The company has put various processes in place to ensure that it achieves its transparency objectives. These include monitoring processes, legal checks to ensure compliance with all laws and regulations in Germany and abroad, and stringent approval processes in product development.

ARAG obviously also complies with all relevant regulations regarding transparency and consumer protection at its international locations and aims to continually improve product information. In the Netherlands, for example, ARAG is particularly focused on training the insurance brokers so that they too are in compliance with all regulations concerning transparency and the provision of information.

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417-1

#### **Requirements for product and service information and labeling**

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

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## Cyber-risks and data protection

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103-1/2/3

### Management approach

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The success of ARAG's business is predicated on an impeccable reputation when it comes to data protection. As an insurer, the company depends on existing and potential customers supplying it with the data that is required to provide insurance cover. They are usually willing to do so if they believe that their data will be treated confidentially and in accordance with the law.

Data protection is also shifting into the spotlight because of digitalization. It is therefore of the utmost importance to ARAG that it protects the data of existing and potential customers, business partners, and employees in order to maintain their trust, meet legal requirements, and avoid reputational damage. The company's comprehensive and updated data protection management system is based on a well-integrated set of policies and procedural instructions that include the ARAG Information Security Guidelines, the ARAG Information Security Standard, the ARAG Data Protection Guideline, and the ARAG Data Protection Management Policy. All of this documentation is updated at regular intervals and can be accessed by all employees via the intranet.

Prompted by the enactment of the EU's General Data Protection Regulation (GDPR) on May 25, 2018, ARAG analyzed the new regulatory requirements and codified them in the ARAG Data Protection Guideline and the ARAG Data Protection Management Policy. The implementation project was completed at all affected locations by the time the regulation came into effect on May 25, 2018. Since then, ARAG has been in compliance with all new data protection requirements. It has also voluntarily undertaken to comply with the German Insurance Association's code of conduct for processing personal data, which was established in conjunction with the German data protection authorities and revised in 2018. This code of conduct obliges the company to take measures to promote data protection that go beyond the minimum required by law. In 2018, on the recommendation of the relevant authorities, ARAG Italy began to subject its intermediaries to an additional cyber-security audit. At locations outside the EU, ARAG is continually adapting its business practices to meet the applicable regulations governing data protection. In Canada, for example, ARAG is fully compliant with the new national data protection law that was enacted in 2018.

In the digital age, data protection is an interdisciplinary function for which all departments need to take responsibility. They are supported in this task by the newly established Data Protection Organization, whose team includes the IT security officer. The company's data protection officer (second line of defense) and Group Audit (third line of defense) monitor compliance with all data protection requirements on an ongoing basis by means of the three-lines-of-defense model. In addition, the data protection officer provides training sessions and individual advice to improve employees' data protection skills and

qualifications and thereby continuously enhance the level of protection. ARAG also takes action to make staff aware of the issues, provides mandatory staff training, and uses internal communication channels to keep employees abreast of the latest developments and changes.

The company's data protection officer engages independent auditors to check whether the data processing programs are being used in compliance with the applicable requirements. Regular security inspections at the German and international locations also help to identify shortcomings in the security architecture so that appropriate measures for improvement can be initiated.

Data protection complaints are monitored continuously. They serve as an indication of whether data protection requirements are being adhered to in day-to-day business. In the event of a suspected breach of data protection, the first step is to lodge a complaint with the relevant department. Approaching the company's data protection officer directly is also an option. A new process for reporting data protection breaches was introduced in response to the statutory requirements. Now, a breach must be reported to the relevant data protection supervisory body and, where applicable, to the people who have been affected within 72 hours of it coming to light. Raising awareness among the departments and their employees will pose the biggest challenge in the years ahead. This will play a crucial role in anchoring within the organization the new criteria for data protection breaches – with the meaning of a breach now also being extended to cover any loss of confidentiality, integrity, or availability.

Training employees and making them more aware of the issues will also become more important in the context of the rising threat of cyber-attacks. The risks are diverse and range from phishing emails, malware infections, and the exploitation of software vulnerabilities to blackmail attempts. In what is known as CEO fraud, scammers trick unwitting staff into believing that emailed instructions to transfer large sums of money are coming from the head of the company. Furthermore, the boom in cryptocurrencies has given rise to the trend in cryptojacking, in which the IT resources of an organization's servers and client systems are misappropriated to 'mine' internet currencies. Some of these methods have now become established business models for criminals, which is why it is absolutely vital to have extensive safeguards in place. As well as periodically raising employees' awareness of the issues and providing them with training, ARAG uses a range of systems to protect its infrastructure. These include firewalls, antivirus programs on servers and client systems, security features for software packages, and extended protection programs. Other standard safeguards include regular updates to the operating systems and related software and databases. Finally, business-critical processes are reviewed and revised on an annual basis and the majority of approvals require verification by a second member of staff. This has so far avoided any incidents of critical disruption to business operations.

418-1	<b>Complaints concerning breaches of customer privacy and losses of customer data</b>
	<p>Fourteen complaints by third parties regarding data protection were registered in 2018 in Germany. Four of the complaints were substantiated and could be traced back to an employee's carelessness. The persons affected received comprehensive written information about the circumstances of their case. ARAG thus acted with the greatest possible transparency. No further action was taken by the authorities. In 2018, one further unsubstantiated complaint was reported via the regional data protection supervisory body, LDI NRW.</p>
	<b>Compliance</b>
103-1/2/3	<b>Management approach</b>
	<p>For ARAG as an insurance company, compliance with all legal and regulatory provisions is a fundamental prerequisite for the retention of its business license, and significantly influences the trust placed in ARAG by customers and other stakeholders. For this reason, compliance has top priority in the Group and across the entire value chain.</p> <p>ARAG has put numerous guidelines and processes in place to minimize compliance risk and avoid reputational damage and legal sanctions. In particular, the Compliance Policy and the Code of Compliance provide important information on applicable external and internal requirements. Centralized and decentralized compliance functions ensure on an ongoing basis that the company always acts in accordance with applicable regulatory requirements. Compliance topics are also regularly addressed as part of training measures. Senior managers are instructed according to the 'train the trainer' principle and are obliged to pass on the course content to their staff.</p> <p>All German insurance companies within the ARAG Group have signed up to the GDV's code of conduct (2013), which stipulates that an appropriateness assessment must be carried out every two years. This approach ensures a high degree of commitment and self-monitoring. None of the external audits conducted to date have identified any deviations from the code of conduct on the part of ARAG. 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. Thanks to the GDV code of conduct, the participating insurance companies within the ARAG Group were well prepared for the EU Insurance Distribution Directive (IDD). Other European countries do not have a comparable code of conduct.</p> <p>ARAG produces a compliance plan with appropriate measures that is based on an annual compliance risk analysis. In 2018, the focus at all European locations was on the implementation of the IDD and the EU General Data Protection Regulation (GDPR). Preparatory measures were taken in Greece even though the country's parliament had not yet passed any legislation to enact the regulations. In addition, ARAG conducted a thorough analysis of risk with the aim of preventing money laundering. The progress</p>



of implementation is reported to the Management Board in the compliance report. The report also makes reference to analyses from the complaints management system. The extent to which compliance efforts have been successful is indicated by the complaints received and the number of compliance breaches identified. Complaints can be directed to an anonymous whistle-blowing hotline. Employees also have the option of submitting complaints to the German Federal Financial Supervisory Authority (BaFin) and to the ombudsman. Going forward, ARAG aims to continuously improve the practicability of its internal policies and procedures.

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419-1

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**Non-compliance with laws and regulations**

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No penalties or fines for non-compliance were imposed on ARAG SE in Germany in 2018.

# GRI content index

## General disclosures



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The GRI Materiality Disclosures Service was performed on the German version of the report.

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\* No data collected.

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\* No data collected.

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## Information

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

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