

Diversity & Responsibility

Corporate Responsibility Report 2005

Bertelsmann Financial Highlights

Key Ratios (IFRS)	2005	2004	2003	2002	2001 Pro forma
in € millions					
Business Development					
Consolidated revenues	17,890	17,016	16,801	18,312	18,979
Operating EBIT ¹⁾	1,610	1,429	1,026	787	–
Operating EBITA	–	–	1,123	936	573
Operating EBITDA	2,274	2,112	1,866	1,666	–
ROS in percent	9.0	8.4	6.7	5.1	3.0
Net income	1,041	1,217	208	968	1,378
Investments	2,565	930	761	5,263	2,639
Consolidated Balance Sheet					
Equity	9,170	8,846	7,631	7,744	8,384
Equity ratio in percent	40.0	42.2	37.9	34.9	35.3
Total assets	22,932	20,970	20,164	22,188	23,734
Economic debt ²⁾	3,931	2,632	3,227	5,184	3,247
Leverage factor ³⁾	2.2	1.6	1.9	–	–
Employees (in absolute numbers)					
Germany	32,117	27,350	27,064	31,712	31,870
Other countries	56,399	48,916	46,157	48,920	48,426
Total	88,516	76,266	73,221	80,632	80,296
Dividends to shareholders of Bertelsmann AG	287	324	220	240	–
Profit participation payments	76	76	76	77	77
Employee profit sharing	48	29	29	34	–

This overview shows the figures reported in the Annual Reports of preceding years.

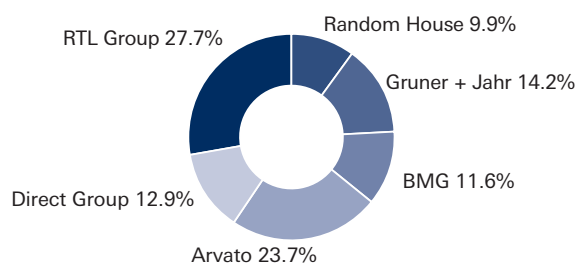
¹⁾ With effect from January 1, 2004, Bertelsmann has used Operating EBIT to measure income from operating activity. The figures for the 2003 and 2002 fiscal years were adjusted for the sake of comparability.

²⁾ Net financial debt plus provisions for pensions and profit participation capital

³⁾ Economic debt/Operating EBITDA (after modifications)

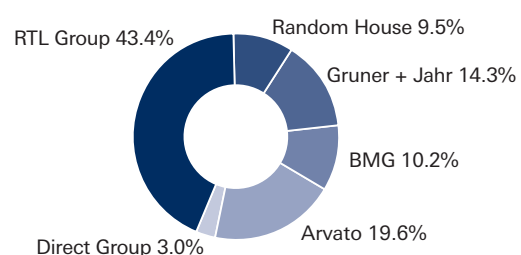
Total Revenues by Division

in percent*



Operating EBIT by Division

in percent*



* Basis: Total revenues of the divisions before Corporate/Consolidation

Corporate Divisions at a Glance



RTL Group is Europe's leading broadcast and TV production company, with holdings in 34 TV channels and 34 radio stations in eleven countries, and worldwide content production.



Random House is the world's largest consumer book publisher. Its portfolio comprises more than 100 editorially independent imprints that publish some 9,000 new books each year.



The Gruner + Jahr printing and publishing company is Europe's largest magazine publisher. It produces more than 285 magazines and newspapers in over 20 countries, as well as the publications' complementary websites.



The BMG division consists of the Sony BMG Music Entertainment joint venture and the BMG Music Publishing company. Sony BMG unites legendary labels like Columbia Records, Epic, RCA Records, Arista, Jive and J Records under one roof.



Media requires service providers. Arvato AG, one of the world's largest media and communications service providers offers this diversity – from conventional printing down to modern services such as service centers, financial clearing houses and mobile services.



The Direct Group division brings media to people – from books to DVDs. The selection and service offered by Direct Group's clubs, shops and online stores have won over more than 35 million members in 22 countries.

Key Ratios

RTL Group	2005	2004	2003	2002	2001 Pro forma
in € millions					
Revenues	5,112	4,878	4,452	4,362	4,054
Operating EBIT ¹⁾	756	668	503	465	–
Operating EBITA	–	–	503	465	385
Employees (in absolute numbers)	8,970	8,117	7,254	7,378	6,625

Random House	2005	2004	2003	2002	2001 Pro forma
in € millions					
Revenues	1,828	1,791	1,776	1,995	2,039
Operating EBIT ¹⁾	166	140	115	147	–
Operating EBITA	–	–	147	168	33
Employees (in absolute numbers)	5,395	5,383	5,525	5,626	6,121

Gruner + Jahr	2005	2004	2003	2002	2001 Pro forma
in € millions					
Revenues	2,624	2,439	2,481	2,800	2,973
Operating EBIT ¹⁾	250	210	233	220	–
Operating EBITA	–	–	234	226	198
Employees (in absolute numbers)	13,981	11,671	11,352	11,367	13,033

BMG	2005	2004	2003	2002	2001 Pro forma
in € millions					
Revenues	2,128	2,547	2,712	2,714	2,982
Operating EBIT ¹⁾	177	162	54	43	–
Operating EBITA	–	–	110	125	(79)
Employees (in absolute numbers)	3,597	4,259	4,880	6,452	5,010

Arvato	2005	2004	2003	2002	2001 Pro forma
in € millions					
Revenues	4,365	3,756	3,639	3,668	3,520
Operating EBIT ¹⁾	341	310	261	217	–
Operating EBITA	–	–	261	217	167
Employees (in absolute numbers)	42,155	33,813	31,405	31,174	28,892

Direct Group	2005	2004	2003	2002	2001 Pro forma
in € millions					
Revenues	2,384	2,175	2,286	2,707	3,089
Operating EBIT ¹⁾	53	32	4	(160)	–
Operating EBITA	–	–	4	(150)	(61)
Employees (in absolute numbers)	13,493	12,116	11,893	12,309	13,535

This overview shows the figures reported in the Annual Reports of preceding years.

¹⁾ With effect from January 1, 2004, Bertelsmann has used Operating EBIT to measure income from operating activity. The figures for the 2003 and 2002 fiscal years were adjusted for the sake of comparability.

“The values described in the Bertelsmann Essentials drew me – like many others – to Bertelsmann many years ago. To this day, they have lost none of their topicality and appeal. Bertelsmann’s success and uniqueness build on our shared values.”

GUNTER THIELEN

Chairman of the Board and Chief Executive Officer, Bertelsmann AG

Corporate Responsibility Report 2005

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Create Value, Live Values

Dear Readers,

Everyone loves a success story. But when is a company truly successful? Is it enough merely to concentrate on gratifying financial results? Bertelsmann delivered good results again last year. We were and continue to be a success story – but one that is neither centered on nor limited to our business performance.

In 2005, Bertelsmann further evolved its corporate culture by reformulating and condensing its Bertelsmann Essentials, which encompass all of the company's binding values and goals. They are the thematic focus of this report.

Our fundamental values are rooted in the ideas and beliefs held by Reinhard Mohn, who decades ago committed himself and his company to embracing responsibility towards society. I am delighted that Reinhard Mohn himself sets forth his thoughts on the subject in this volume, Bertelsmann's second and considerably expanded international Corporate Responsibility Report.

As the convictions and values of our post-war founder continue to guide our efforts in the future, this report presents how well Bertelsmann already lives up to its responsibility to society through a vast number of initiatives and enterprises. This is the true foundation of our success story.

Yours,



Gunter Thielen

Dear Readers,

Corporate responsibility, defined as a company's sense of accountability internally to its employees and externally towards society overall, is a longstanding tradition at Bertelsmann. I am very pleased that the following report accurately presents and highlights Bertelsmann's programs and projects.

The great value and purpose of this kind of report is to enable us all to learn from and build upon these initiatives and successes in the future.

Acting responsibly is more than just a public relations exercise. It is more than just sponsoring sports teams and drama societies or donating money for good causes. Social responsibility must suffuse every aspect of day-to-day business. It is credible only when brought to life in the basic attitudes and behavior of our executives. Working conditions, employee interaction, professional development, and corporate strategy – all of these must reflect social responsibility. Our customers will recognize and honor this comportment.

Anyone whose actions are guided by a true and proper understanding of accountability will never squander financial resources, pollute the environment, rig the balance sheet or bully their employees.

Sincerely,



Erich Ruppik



ERICH RUPPIK
Employee Representative on the Bertelsmann AG
Supervisory Board

GUNTER THIELEN
Chairman of the Board and Chief Executive Officer,
Bertelsmann AG



“What’s very important to me is that we executives embody our values. That we don’t preach water and drink wine.”

ANKE SCHÄFERKORDT
Chief Executive Officer, RTL Television

Partnership

Entrepreneurship



“If it didn’t have the Essentials,
what would emotionally
bind the company together?”

GAIL REBUCK
Chairman and Chief Executive Officer, The Random House Group

Creativity

Citizenship

“Upholding a value system doesn’t just mean owning a **chart** that lists those values, it also requires a corresponding **attitude and conduct.**”

JEAN-PIERRE CAFFIN

Managing Director, Deputy Chief Executive Officer, Prisma Presse



Partnership

Entrepreneurship

“Honesty, integrity,
partnership, and communication
– these are the elements that fuel the
business and show the human side of it.”

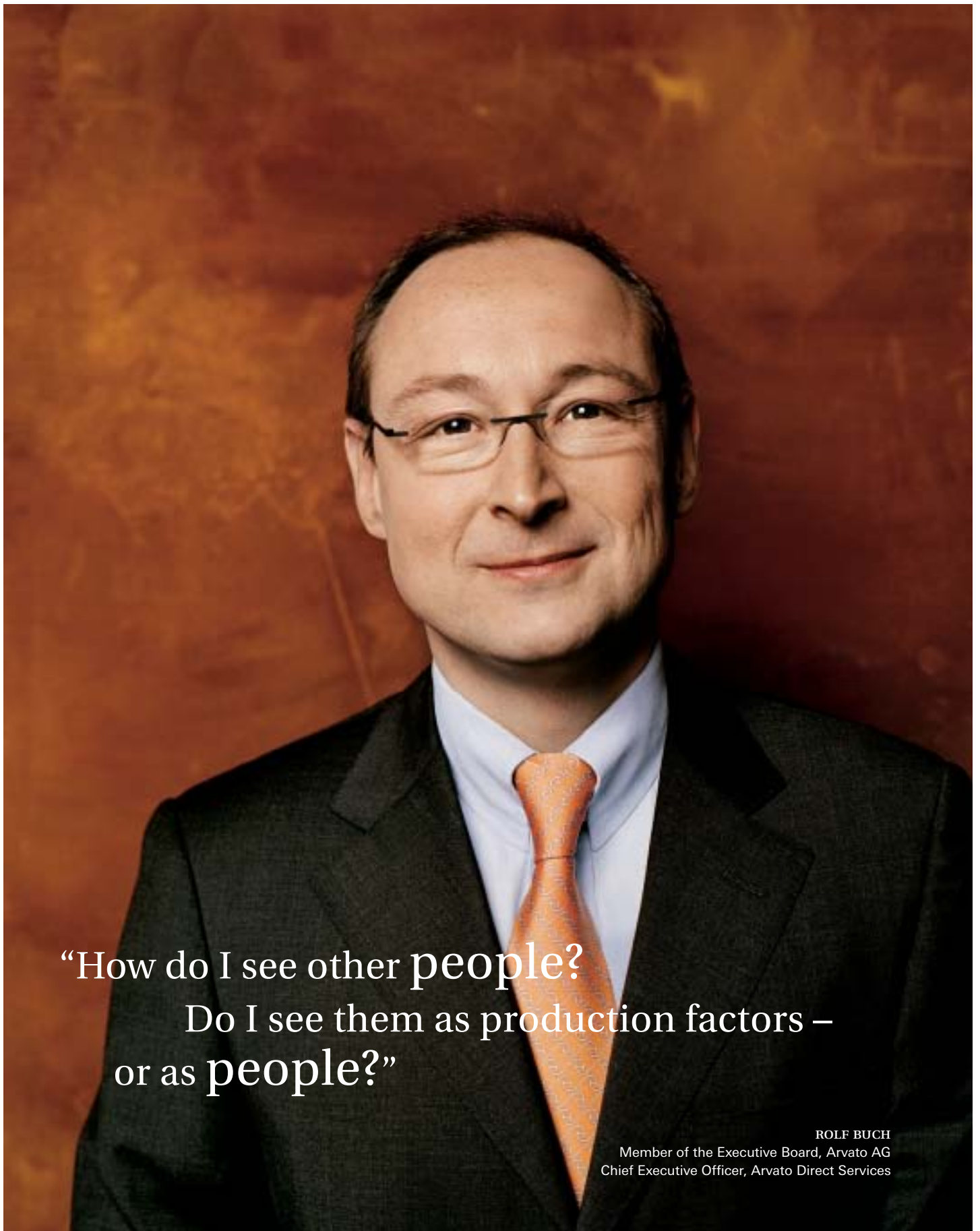
IAN RAMAGE

General Manager, BMG Music Publishing United Kingdom



Creativity

Citizenship



“How do I see other people?
Do I see them as production factors –
or as people?”

ROLF BUCH
Member of the Executive Board, Arvato AG
Chief Executive Officer, Arvato Direct Services

Partnership

Entrepreneurship

“I feel like an **entrepreneur**,
like I’m the owner of the company. That’s a very
good thing. Profit participation at Bertelsmann
encourages employees to take on even more
responsibility. We all share the same goal.”

FERNANDO CARRO
Member of the Executive Board, Direct Group
Chief Executive Officer, Der Club Bertelsmann



Creativity

Citizenship

The Bertelsmann Essentials

The Bertelsmann Essentials convey the goals and basic values of our company's employees, executives and shareholders and are based on the Corporate Constitution. It is the responsibility of our executives to spread and exemplify these values and to serve as role models. The Bertelsmann Essentials reflect the current status of consensus and are subject to constant review, revision and improvement.

Our Mission

Bertelsmann is an international media corporation. We provide information, entertainment and media services to inspire people's daily lives. We aspire to make a valuable contribution to society. We strive to be leaders in our markets and to achieve returns on capital that guarantee the growth and continuity of our

corporation. Our joint efforts focus on creative content and customer relations. We seek to provide working conditions that are equitable and motivating for our employees. We commit ourselves to the continuity and ongoing progress of our corporation.



“It's important for us to be multicultural, to embrace our different nationalities and at the same time to have a strong local focus. People are French when in France, German when in Germany and American when in the States.”

“Creativity? I believe it is thinking outside the box by bringing together imaginatively and accessibly the resources in your head and in your heart...”

The screenshots on this page and the next two pages are taken from “The Spirit,” a film about the Bertelsmann Essentials, which may be viewed at www.bertelsmann.com.

Our Core Values

Partnership

Our corporate culture is based on a mutually beneficial partnership between our employees and the company. Motivated individuals who identify with our values are the driving force behind quality, efficiency, innovation and growth within our corporation. The hallmarks of our participatory leadership approach are mutual trust and respect as well as the principle of delegation of responsibility. Our employees enjoy autonomy to the greatest extent possible. They receive comprehensive information and participate in decision-making as well as in the financial success of the company. We are committed to the professional development of our employees and seek to provide long-term employment.

Entrepreneurship

The principle of decentralization is at the heart of Bertelsmann's management philosophy. It enables our employees to act with flexibility, responsibility, efficiency and entrepreneurial freedom. Our operating businesses are run by managers who act as entrepreneurs: They enjoy considerable independence and bear full responsibility for the performance of their companies. Our executives act not only in the best interests of their individual businesses, but are also obligated to the interests of the group as a whole.

Our Commitment

We expect everyone at Bertelsmann to adhere to this mission and these core values.

Creativity

We provide a home for artists, authors and creative talents in all of our fields of business, promoting their creative development as well as their commercial success. We strive for the protection of intellectual property on a worldwide basis. We promote artistic freedom and freedom of thought, the protection of democracy and human rights, and the respect of traditions and cultural values. Consequently, the content we provide reflects a wide range of viewpoints and opinions. Continuous innovation and improvement, guided by customer needs and interests, are the cornerstones of our success, both in media services and in content businesses.

Citizenship

The continuity and development of Bertelsmann as an independent entity is ensured by the Bertelsmann Management Company's control of the majority of voting rights. In the view of our shareholders, the possession of property creates an obligation to the community. They are committed to the idea that in a market economy a corporation derives its legitimacy by making a valuable contribution to society. The work done by the Bertelsmann Foundation – to which the majority of Bertelsmann shares has been contributed – is also guided by this principle. Our businesses are managed in accordance with the spirit and the letter of the law. They maintain high standards of ethical conduct and act responsibly toward society and the environment.

Bertelsmann Essentials: The Revision Process

A corporate culture in which employees, executives and shareholders work together as partners would be inconceivable if the parties involved did not establish shared values and basic goals. That is the function fulfilled by the Bertelsmann Essentials, which were revised following an extensive and collaborative process that involved stakeholders from across the company in 2005. The newly revised Essentials, which were communicated by the Executive Board on January 26, 2006, are based on the original 1998 version.

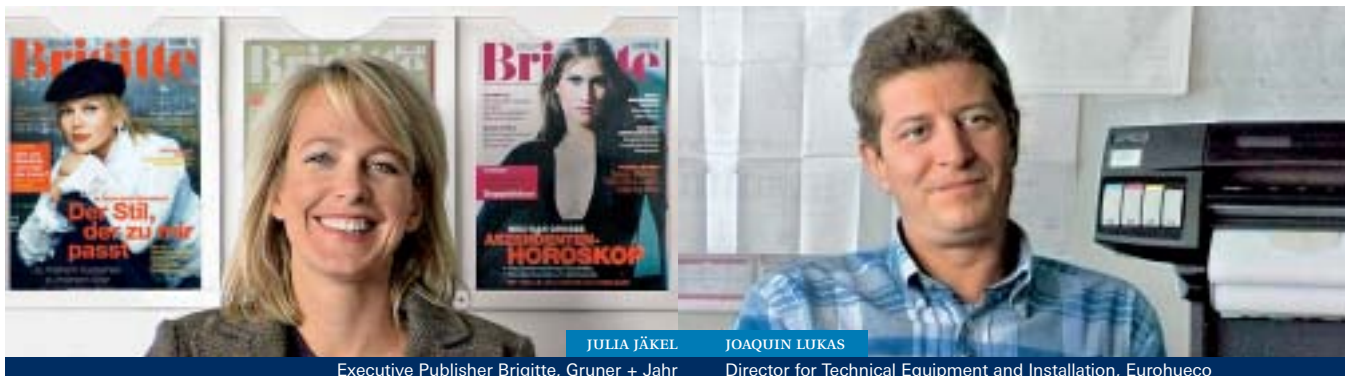
The history of the Essentials begins much earlier, however. As early as 1960, Reinhard Mohn formulated goals and basic values for the company in the “Bertelsmann Principles and Company Regulations.” Today’s Essentials build on those principles and the corporate

culture – shaped by Reinhard Mohn – that has evolved over decades at Bertelsmann. The Essentials create transparency and orientation by describing shared goals and providing a basis for identifying with the company.

The Essentials are what sets Bertelsmann apart. Although many companies have now adopted guiding principles, the difference in content is immense. The emphasis on leadership through partnership, on entrepreneurial spirit, creativity and citizenship is what makes Bertelsmann’s Essentials unique.

Corporate Culture Means Business Success

The revised version seeks to reinforce these central elements. The decision to revise the Essentials and focus on their core messages was the outcome of an



JULIA JÄKEL

Executive Publisher Brigitte, Gruner + Jahr

JOAQUIN LUKAS

Director for Technical Equipment and Installation, Eurohueco

“Entrepreneurial spirit means getting things done, but also being responsible for them, both for good and for bad.”

“Partnership is the most important tool we can develop. The most important things in working together are trust, respect, and the ability to listen.”



CAROL M. MACKEY

Editor-in-Chief Black Expressions Book Club, Bookspan



WILLI PFANNKUCHE

Chairman of the Works Council, Mohn Media

“I think every company should have a mission statement, some kind of a blueprint or guidelines to follow. Even if it's not strict rules or regulations, but they're just guidelines. That's all they are.”

“A company without a culture of its own won't be able to survive in the long term.”

elaborate two-year group-wide discussion that was initiated in response to the findings from the International Employee Survey 2002. Analyses based on the survey results showed a clear interdependency between business performance and a vital corporate culture. With this in mind, the Executive Board made it a priority to highlight the values that make success possible at all levels.

The Essentials are the foundation of Bertelsmann's success. A recent example of this is the deliberate revival of entrepreneurial freedom under Gunter Thielen's management over the past few years. This has rekindled the vitality of many businesses and demonstrated the power of a decentralized company.

Central Values in a Decentralized Company

“Centralized” Essentials and a decentralized corporate structure are by no means mutually exclusive. Indeed, the vital importance of decentralization is firmly embodied in the Essentials. The present revision represents the common denominator of all divisions and all operations at Bertelsmann. Common goals and outlooks do not contradict diversity in values. Each country, each business division, each person has specific goals and values that make them unique – in addition to the shared universal goals and basic values.

A shared understanding was only possible because if the company's management, employee representatives, and shareholders, as well as all of its divisions,

companies and levels, were involved in the two-year process of revision. The initial discussions considerably increased awareness and understanding of the Essentials throughout the group. In 2004, the Executive Board and the corporate HR department first discussed a joint draft with the Corporate Works Council and the international Management Representative Committee. The group agreed to a draft version, which was presented to the company's Top 100 executives at the Year-End Meeting 2004 with the request to continue the discussion in their respective areas of responsibility. This resulted in additional valuable suggestions that were again discussed with the Executive Board, Corporate Works Council and Management Representative Committee, and in the majority of cases fully incorporated into the working draft. The new Essentials were approved by the Bertelsmann AG Supervisory Board in July 2005.

The Essentials Are the Foundation of Our Work

Finally, to ensure their distribution across all of Bertelsmann's companies worldwide, the Essentials are now available not only in German and English, but in ten different languages. The upcoming worldwide Employee Survey 2006 will show Bertelsmann, all its business units and executives the extent to which the high expectations set forth in the Essentials are a living reality.

Entrepreneurial Responsibility in Economy and Society

By Reinhard Mohn

Today more than ever, business enterprises are important social players. We live in an age that is characterized by the growing complexity of systems, an ever more rapid rate of transformation in all areas of society and a corresponding need to re-examine conventional goals and structures.

The global competition we confront today presupposes the creativity and dedication of everyone concerned and demands new forms of leadership. Society and the economy urgently require a paradigm shift: We need more freedom and responsibility for creative minds. We need to recreate the prerequisites that allow for a performance-oriented, entrepreneurial style of leadership.

In considering how to successfully re-motivate people to assume more responsibility in society and the economy, we can and must be willing to learn from other examples – from the corporate cultures at progressive corporations as well as from the Anglo-Saxon democracies, in which citizen involvement plays a pivotal role. By developing a decentralized civil society, but especially by studying the experiences of modern corporate management, we can develop principles in our society that we need to strengthen a capable and adaptive leadership.

Companies with hierarchical structures or outdated objectives – for example, companies that exclusively pursue the maximization of profit – will at some point

no longer be able to encourage their employees to be flexible, dedicated and creative. Only a decentralized organization based on the motivation, creativity and dedication of its management and staff can achieve the required performance levels, superior quality, the lowest possible costs, and the greatest degree of flexibility.

The partnership-oriented corporate culture that has evolved over the past six decades at Bertelsmann can serve as an example here. This structure – which is supported, appreciated and safeguarded equally by the company's shareholders, management and staff – is rooted in the fundamental values of our enterprise. All of us bear responsibility for our universal corporate objective: to make a contribution to society. In keeping with our corporate tradition and the principle of humane values, we work on a basis of partnership and trust. And we use this trust as the foundation for the mandatory delegation of responsibility so that we can provide the greatest possible number of employees with an opportunity for advancement and self-realization. In the spirit of fairness, the regular remuneration paid to staff is enhanced by a share in the profits. Voluntary employers' contributions guarantee the necessary adjustments in response to contemporary developments. Thus, we strive to avoid abrasion losses in the enterprise. We use staff surveys as a tool to recognize problems and to take the necessary corrective action.

Our executives enjoy entrepreneurial working conditions and are expected to accomplish their tasks in a spirit of partnership. Important developments in the enterprise are communicated to employees through detailed dialog and information. The unavoidable disadvantages of a large enterprise are minimized by an extensive delegation of responsibility and a proactive works-council policy. The positive attitude of our employees and managerial staff towards this corporate culture is reflected in our enterprise's success.

Ensuring corporate continuity is in the interest of a large number of stakeholders. The owners are understandably interested in maintaining their property and yields. But the enterprise's staff and customers are also significantly impacted. For this reason, safeguarding continuity in the enterprise is a strategic goal that is in society's interest and underlies the responsibility of corporate management.

The entrepreneurs and their managers must utilize their expertise to solve social problems. They need to assume even greater responsibility in the future to actively contribute to progress and the continuous evolution of social systems.

In addition to employees, citizens and public authorities, many other stakeholders with a relationship to an enterprise need to be considered. Increasingly, investors, associations and political entities are placing new demands on corporations in the realm of transparency, credibility, and social and moral responsibility. In response, many companies have consciously accepted their role and initiated numerous socially

responsible activities. This includes safeguarding jobs, participating in local, social or cultural projects and ensuring the continuity of the enterprise.

This type of commitment on the part of an enterprise and its staff has already become a mainstay of society. In order to master the future, everyone in a position of responsibility in politics, business and society must get involved.



REINHARD MOHN

Member of the Bertelsmann Stiftung Board of Trustees

Family tradition has shaped Reinhard Mohn's image of man. Based on the fundamental values of humanity and social cooperation, he has dedicated himself to promoting partnership and continuity within the enterprise as well as reform-mindedness in society as a whole.

Information, Entertainment – And Control?

Bertelsmann is one of the world's largest media companies. The debate about the power of media and freedom of opinion is a perennial topic. Large media companies are often under suspicion. Criticism over power and influence is an issue we must face up to – and we welcome any opportunity to do so, because our position is transparent: Bertelsmann is diversity.

Each day, millions of people view, listen to, and read our products: They watch RTL Group's programs and broadcasts and immerse themselves in books published by Random House; Gruner + Jahr's magazines keep their readers informed and absorbed, and music from BMG entertains audiences of all ages, all over the world. The selections made by our Direct Group clubs are as trusted and appreciated as the reliability of the services provided by Arvato. But is this high level of customer acceptance enough? Who in fact decides what information and what type of entertainment we produce on a daily basis? What about the quality of our content?

Media is More than a Mere Commodity

Media content is both a business and a cultural asset. We are quite conscious of this dual function, and regard it as the defining factor that makes our business so unique. The Bertelsmann Essentials, our guiding principles, give everyone at Bertelsmann a clear mandate: "We promote artistic freedom and freedom of thought, the protection of democracy and human rights, and the respect of traditions and cultural values. Consequently, the content we provide reflects a wide range of viewpoints and opinions."

Specifically, this means: Our customers are key in determining our range of content offerings. The decisions they make on their remote controls and at newsstands, at the local bookstore and on the Internet provide the metrics by which we develop our products – to the extent permitted by law and determined by our own sense of commitment.

But isn't that true for all businesses? Obviously, a successful media company can't ignore the wishes of its audience. After all, the decisions made by a discerning public have been central to Bertelsmann becoming a leading media company.

Do Media Manufacture Opinions?

We believe that business success cannot be separated from independence and diversity. And yet, media companies repeatedly find themselves the target of criticism. What are a media company's underlying political and ideology-related agendas? Does economic strength translate to power of opinion? If there are just a few providers, won't this impact the diversity of the product range available?

Our products are designed to cater to a variety of people, thereby ensuring a high demand: "Give much, and you'll have given to many minds" – this advice from Goethe's Faust certainly has validity. But quality is a concern of ours as well. We know that the content that we publish each day is very important in understanding political and social contexts. That it can serve to root out injustice and denounce wrongdoing. Media helps us to comprehend and navigate our world and to create understanding.

Therefore, the decision to purchase a media product always serves to shape opinions. It is entirely understandable that mass media have always been criticized for wielding such influence. If content – regardless of whether it comes in the form of entertainment or news – influences the attitudes and opinions of media users, the question of whether and how media companies

present content responsibly is justified. How, for instance, they can make certain that the formulation of reader opinion is not unfairly manipulated or that certain ideologies are favored to the exclusion of others.

A Broad-minded Approach to Counteract Narrow-mindedness

Our entrepreneurial answer to this question is embodied in our Essentials: We do not limit people's individual freedom of decision by being one-sided or – worse yet – making decisions for them. Instead, we promote maximum diversity of opinions and ideas among all those who create and present our content.

Even within the company, we don't always agree on everything – and we wouldn't have it otherwise. There must be diversity of opinion in operational businesses as well. So of course, our own media will run critical reports about Bertelsmann because we know that only this diversity of opinions, ideas and attitudes will ensure a healthy diversity of consumer choices. Therefore, the basic principles of our work are:

1. Editorial diversity internally – to guard against the single-mindedness that can come with a monochromatic approach – and
2. Responsible principled professionalism externally: We are committed to writing, broadcasting, printing and distributing factual and balanced media and information that appeal to our consumers. But how are these principles put into practice?

Autonomy of Our Media Makers

The example of Gruner + Jahr clearly illustrates what diversity and autonomy mean. All our magazines operate on the editor-in-chief principle: the chief editor and his team have complete autonomy and independence in selecting the editorial content for their publication. There are no central guidelines from

corporate headquarters. The equivalent of this principle applies for the content heads at Random House, RTL Group, BMG and Direct Group: It is their responsibility to determine what content is issued in the market, and what offerings are put forward to the customer.

Content Responsibility

This independence and the promotion of decentralized diversity are guiding values in our actions. But for Bertelsmann, taking responsibility for our actions also means setting boundaries. Not everything that can be done should in fact be done. Because the entertainment realm can offer role models and ideals, especially for children and teens, we take very seriously our responsibility as producers, vendors and service providers. Some examples:

- Sony BMG: In the U.S., we go beyond the labels commonly used in the industry, using clear straightforward wording to indicate where lyrics might be offensive to some (“Strong Language”), or if the content includes adults-only material (“Sexual Content”).
- RTL Group: In response to audience complaints, a “Council of Elders” in Luxembourg monitors the content that goes “on air” on our TV channels and radio stations.
- The storage media manufacturer Sonopress, an Arvato subsidiary: Each incoming order is reviewed, and orders for products and services that for instance glorify violence, are resolutely turned down.

Citizenship

Responsibility with and for media does not rest with media makers alone. The catchword “media literacy” implies a responsibility on the part of discerning citizens and consumers. But people need to be taught responsibility and media literacy.



TONY COHEN

Chief Executive Officer, Fremantle Media



CHIP GIBSON

President & Publisher, Random House Children's Books

“The entrepreneurial freedom at Bertelsmann is key for Fremantle Media to create ideas, programmes and brands that entertain, inspire and enrich people the world over. As part of a decentralized group, our production companies connect our creative leaders, delivering powerful, popular and innovative content across territories and cultures.”

“Bertelsmann’s culture of decentralization and divisional autonomy allows for an environment of creative freedom which is, I think, unique in this day and age. This environment, matched with our proud embrace of the core Bertelsmann values of citizenship, entrepreneurship, and creativity, makes Random House Children’s Books an exciting and meaningful place to work. We are able to publish good books that we believe in and work side by side with important social organizations that promote literacy and fight censorship. I can’t think of a better combination.”

For this reason, Bertelsmann companies internationally have many different projects to support parents, adolescents and children in dealing responsibly with the great opportunity of media diversity. Media companies should work to ensure that differing opinions can coexist in mutual tolerance. We believe limiting or purging argument and discussion through concealment and censorship is socially destructive. People’s freedom to make decisions and form attitudes requires an unobstructed flow of information and opinions. That is why, for instance, Random House Children’s Books actively supports the “National Coalition against Censorship in the United States”: to safeguard the presentation of sensitive and controversial points of views and ideas in schools and public libraries.

But only those who are capable of making use of media can benefit from them – which is why Bertelsmann is also committed to promoting reading, the basic technique for acquiring knowledge in a media society. Random House and Direct Group sponsor many projects that aim to improve the reading skills of children and teens.

Diversity Demands Courage and Professionalism

Our younger generations will be called on increasingly to cultivate the virtues of media and civic society: having an opinion of one’s own, making informed decisions, and acting responsibly towards the community. We wish to encourage these skills and in doing so rely on the communicators, the young creatives, journalists, and media decision makers who will contribute to diversity of opinion in the future. One example out

of many: Our journalism academies – such as the RTL School of Journalism and Gruner + Jahr’s Henri Nannen School – are among the most highly acclaimed training institutions for media professionals.

The Henri Nannen School of Journalism in Hamburg, named after the founder of “Stern” magazine, has trained more than 600 graduates in twenty-nine degree programs since its establishment in 1979. This group of alumni has yielded fifty editors-in-chief and senior editors – an outstanding track record and validation of the high quality of its training.

Tomorrow’s TV journalists will have to do more than just create broadcast features. They bear the responsibility for camerawork and editing, and their work is used for TV as well as multimedia applications. That is why the RTL School of Journalism focuses on providing a solid background: Basic journalism study courses in school are joined with practical work experience in TV and with online editorial teams.

Beyond the core journalistic skills, both institutions also teach courage and personal commitment. A complex world requires journalists who are responsive to a diversity of perspectives and who will report on these daily in their capacity as observers and opinion makers.

Henri Nannen once said: “The way I see it, if you’re a journalist, you’re trying to make the world a bit more transparent, a bit more understandable, a little less cruel, a bit more tolerant and open-minded.” This sort of thinking safeguards the diversity in and by which we live.



PETER-MATTHIAS GAEDE
Editor-in-Chief GEO, Gruner + Jahr



DEBORAH DRUBA
Editor, France Loisirs

“The editor-in-chief’s full responsibility for his publication’s content – his absolute freedom in all journalistic matters – is the most credible proof of in-house freedom of the press in a large media company. It is also wise from an economic point of view, as journalists are the people who give a media product its money equivalent identity.”

“I see the clubs as making an important cultural contribution: We help our members to pick the best books from the international deluge of titles. The nice thing about my job as editor is that I don’t have to conform to any regulations, but am completely autonomous in my choice of titles. The only requirement is to cater to the taste of our members!”

But training and education is not the only sphere in which the name “Henri Nannen” stands for courageous, independent journalism. In 2005, Gruner + Jahr and “Stern” magazine jointly introduced the annual Henri Nannen Awards for outstanding achievements in print and photo-journalism. The mandate is to pay homage, beyond our own company, to the dedicated journalists who espouse and advocate reportorial freedom and diversity of opinion worldwide. Freedom of opinion – and by extension, democracy – is enhanced by outstanding quality journalism.

Be Tolerant, Except of Intolerance

Bertelsmann does business all over the world, in a wide range of different societies and political systems. Of course, we comply with the laws of the respective countries – and we also acknowledge and respect their different cultures and multifaceted traditions.

This credo means that, wherever democratic structures are nascent, we do our part to promote the salient traits of a democratic society – diversity, tolerance, mutual respect. And here, too, the principle is: practice tolerance, except of intolerance. Each day our independent reporters and editors, our authors and writers are empowered to report on wrongdoing and injustices, no matter where they occur globally.

We live and breathe cultural diversity in our own companies as well. All the executives and employees who create and offer, language and culture-specific content are local citizens of the respective countries in which they are employed. Bertelsmann’s internationality has local roots: We are French in France, American in the U.S., Spanish in Spain – and

always responsible members of the societies we live and work in.

Economic Strength Does Not Equal Power of Opinion

Editorial diversity, professionalism, content responsibility and citizenship describe Bertelsmann’s core strengths. We are a major media corporation and are successful in all our markets. But our economic strength is drawn from our guiding principles. We are organized as a media company of diversity. Our structure ensures freedom of expression and opinion, better than any outside regulation ever could.

We prefer not just to rely solely on a wide range of providers for variety. We ourselves vouch for the variety and breadth of our product range and for an unimpeded flow of opinions. This, too, is a contribution to diversity in society.

We will never cease working toward a cosmopolitan, diverse media society. However, this diversity can only exist under free-market conditions – and with media-literate users, whom we proudly serve and support every day: people who know what they want and how to get it.

The Mirror of Our Responsibility

Bertelsmann has an unwavering attitude towards responsibility. But how do all those we come in contact with view us? What are their expectations? We asked them – in a stakeholder survey that added another element to our social dialog.

Who are Bertelsmann's stakeholders? The answer seems simple enough: Stakeholders are people who have an interest in and opinion about our company and our products and services. They are influenced by our conduct and actions and we by theirs. And each stakeholder has certain expectations that they bring to our work and to our social involvement. Bertelsmann's stakeholders are individuals as well as institutions: from potential employees, politicians, legislators and non-governmental organizations (NGOs), to capital markets, science and academic institutions, and social groups such as consumer protection agencies, advocacy, as well as religious communities. And, of course, our company's employees and shareholders are stakeholders as well. Understanding where we stand in the perception of these groups when it comes to responsibility, learning about their interests and knowing what topics we will be asked to face in the future is crucial to structuring and aligning our work.

Discourse Sharpens the Vision

We cannot accommodate the expectations of every stakeholder, but we will always strive to balance as many interests as possible. Feedback is important to us because it hones our vision. Our goal is open, constructive social discourse.

With this in mind, we launched our first systematic stakeholder survey in 2005. Our initial questionnaire targeted our home market in Germany, in order to gain experience for this extensive process. Of the 600 institutions identified as stakeholders, 72 were selected because they

- have a close association with Bertelsmann or the media industry,
- are key influencers of German public opinion, and
- are interested in corporate responsibility issues.

We commissioned Sustain Consulting, a company in the Otto group, to perform the survey. The stakeholders were interviewed in 35- to 45-minute phone sessions in the first quarter of 2005. In total, 60 stakeholder organizations took part in the survey – nine stakeholders declined to participate, and three interviews were cancelled due to time conflicts. The survey asked them what issues they felt Bertelsmann should tackle, how they perceive our contribution to society, and what recommendations for action they have regarding our approach to corporate responsibility.

The results bear us out in our activities to date and the emphases we have chosen. However, they also show us where we ought to become more involved.

Responsibility for Media Content

So what specifically do stakeholders expect from Bertelsmann? These were the answers most frequently given:

- a responsible handling of content which can shape opinions,
- promotion of media diversity and freedom of the press,
- a contribution to the socio-political agenda,
- discourse on the social responsibility of companies,
- responsibility towards young media users, and
- responsibility for the quality of media content.

Bertelsmann as an Employer and Economic Contributor

The stakeholders surveyed also assign a high priority to Bertelsmann's macroeconomic function, e.g. as an employer and taxpayer. In their eyes, Bertelsmann is:

- structurally important for the media industry and for Germany as a business location – a responsibility that should be treated with great care,
- responsible for securing jobs, and
- responsible for the locations and regions we do business in.

Responsibility Towards our Own Employees

Stakeholders see the people who work for us as a separate but highly important group. Specifically, this was expressed in suggestions like:

- Bertelsmann should continue to emphasize the importance of its corporate culture.
- Bertelsmann should encourage and espouse training and skills enhancement, promotion, active diversity management and retirement provisions for its employees.

An active commitment to environmental protection, especially in dealing with paper, and helping to promote education are other areas assigned a high priority for Bertelsmann.

Putting the Results into Action

So what are the results of the survey? For one, the knowledge that while we are on the right path, we still have a way to go. The stakeholder survey has been a useful and important instrument in furthering the development of our social involvement. Therefore, we are considering conducting this kind of survey on a regular basis.

It is no coincidence that this report repeatedly and actively elaborates on many of the topics addressed by our stakeholders. Be it the evolution of our corporate culture, diversity, and responsibility for content, our commitment to employees, or our progressive efforts to protect the environment – we are fully aware of the responsibilities we have and are committed to acting as a good corporate citizen. Thanks in no small part to our stakeholders' suggestions.

Your suggestions and criticism of our company, our work and this report are welcome and appreciated. Please write us an e-mail or use the feedback card included at the end of the report.

How It All Began

Since the C. Bertelsmann publishing company was established in Gütersloh 170 years ago, the city's development has been intertwined with that of the company. The roots of this relationship lie in the character and life of the founding publisher.

Carl Bertelsmann was both a good businessman and a model citizen whose success was founded on such strong principles as faith, thrift, discipline – and a willingness to take risks. During the Napoleonic occupation of Gütersloh (1808-1813) and in later years, the printer Carl Bertelsmann dedicated himself to public administration projects, which brought him face to face with the social reality of his time: the misery of society's poor, aged, and children. Young Carl wasn't interested in revolutionary ideologies; he never shared the values and ideals of the French Revolution. Upon becoming a successful businessman in the early 1830s, he started giving back some of his wealth to society.

Guidance and Support in Fast-changing Times

His personal beliefs and principles prompted him to join the Great Awakening movement of the Minden-Ravensberg Protestants. Pastor Johann Heinrich Volkening, an important representative of the movement, was a personal friend. Bertelsmann printed and published Volkening's sermons.

Carl Bertelsmann did not just embrace these ideals, he acted on them. He organized services for the parish poor, supervised the building of a new vicarage, and after 1848 supported the establishment of a school that eventually became Gütersloh's Evangelisch Stiftisches Gymnasium.

The Bertelsmann Family

Carl Bertelsmann applied the principle of "doing good unto others" to his employees at the publishing house.



The insignia of the young publishing house. The motif refers to Psalm 24: "Lift up your heads, O ye gates; And be ye lifted up, ye everlasting doors: And the King of glory will come in" – the content of the first proof Carl Bertelsmann printed after founding the company.

The company embraced the "ganzes Haus" ("whole house") approach, an early modern tradition practiced by many small and medium-sized companies: The family, the "whole house," included not only relatives, but all employees. For example, apprentices lived in the home of the company's owner.

Carl's family took care of sick employees, provided financial assistance for weddings, offered support for professional training, and emphasized recognition of special work achievements. Reinhard Mohn fully espouses his great-great-grandfather's ideals: Humanity and socially-minded conduct are the roots of a corporate culture that is alive and well to this day.

Bertelsmann Stiftung: Encouraging Social Change

In keeping with the longstanding social commitment of its founder, Reinhard Mohn, the Bertelsmann Stiftung foundation is dedicated to serving the common good. It funds its nonprofit work largely with income earned from its holdings in Bertelsmann AG. In 1993, the foundation was endowed with most of the capital shares in Bertelsmann AG. Reinhard Mohn took this unusual step to ensure continuity based on his belief that “a company’s capital cannot be equated with personal assets.”



The Bertelsmann Stiftung building in Gütersloh.

The belief that competition and civic involvement form an essential basis for social progress is central to the foundation’s work. The Bertelsmann Stiftung concentrates its efforts in four areas: Education, Economic and Social Affairs, Health, and International Relations. One current focus of its work lies on the challenges posed by demographic change.

The foundation’s work in “Education” focuses on early-childhood education and quality development in schools and school systems.

In “Economic and Social Affairs,” the foundation explores solutions to unemployment and possibilities for growth and innovation. It is also dedicated to eliminating red tape in bureaucracies.

In “Health,” the Bertelsmann Stiftung favors a paradigm shift and works to develop ideas for a health system that advocates prevention.

In the field of “International Relations,” the Bertelsmann Stiftung presents positioning dialogs for

intergovernmental and international modes of conduct. It develops strategies for the peaceful resolution of conflicts and facilitates the establishment of democracy and a market economy in countries in transition. It helps to promote understanding among nations by hosting international cultural dialogs on a regular basis.

The foundation also pursues projects relating to corporate culture, corporate social responsibility and the evolution of foundation work. It is vigorously working on improving the work-life balance. Every two years, it mounts the renowned international singing competition, “New Voices.” The Carl Bertelsmann Prize, which comes with a €150,000 purse, has been awarded annually since 1988 to states, institutions or companies that have come up with exemplary solutions to key socio-political challenges.

In its project work, the Bertelsmann Stiftung is independent of Bertelsmann AG and nonpartisan. It has spent €605 million on nonprofit projects since it was founded. The Bertelsmann Stiftung does not provide grants or scholarships.

Facts & Figures

Established:	March 14, 1977
Legal form:	Independent private foundation, headquartered in Gütersloh
Founder:	Reinhard Mohn
Budget (2005):	Approx. €60 million
No. of employees:	300
No. of projects:	70

<http://en.bertelsmann-stiftung.de>

Organizing Responsibility

Why Bertelsmann models its corporate responsibility strategy on its decentralized structure – and how this corporate environment gives rise to a wealth of initiatives.

In recent years, corporate responsibility (CR) has become an increasingly important topic for companies around the world. Perhaps this is due in part to the fact that everything we produce and disseminate has an impact on our community, our employees, our shareholders, our customers, our partners and our environment. Nothing we do is without consequences. Corporate Responsibility is not a means in itself.

What does a company do to maximize transparency in its dealings with partners and the public authorities – and thereby curb corruption and mismanagement? What does a company offer its employees in the way of continued training and skill enhancement? Do its employees participate in the company's business success? Does it protect jobs, and go beyond mere compliance with occupational health and security laws and regulations, proactively developing them? Does the company foster the diversity of its workforce and benefit from it? Sustainable treatment of natural resources and energy is also a major consideration. But these are just a few of the many examples and topics we deal with in everyday business life when it comes to corporate responsibility.

Our Framework for Responsibility – The Bertelsmann Essentials

In our understanding of entrepreneurial spirit, good business and good citizenship are two sides of the same coin. These values cannot be separated. Together they ensure and safeguard a company's ability to make a contribution to society.

This realization is a longstanding tradition at Bertelsmann. Our basic guidelines, the Bertelsmann Essentials, consist of four pillars that support our culture. They are partnership, entrepreneurial spirit, creativity and citizenship, and together they determine the scope and direction of our CR activities.

These core values, in combination with our business focus, yield natural priorities for our CR activities. The four subfields to which we assign particular dedication and attention are: employees, social involvement, economic responsibility, and responsible treatment of our environment.

Every strategy is measured by the reality of its individual actions, and many of our companies' projects and programs are highlighted in this report. As for the organizational framework of our activities, one fundamental value is of paramount importance:

“The principle of decentralization is at the heart of Bertelsmann's management philosophy.” The management's job lies in creating the framework that makes success possible. But the success of the company is determined first and foremost by the initiatives of its own many autonomous entrepreneurs.

Accordingly, this belief is at the heart of our Corporate Responsibility strategy. We have operations in more than 60 countries all over the world. All these markets are governed by different cultures, traditions, rules

and laws. Great independence and a high measure of self-responsibility are characteristic of the way our companies are managed. These are also the principles that guide us as we strive to live up to our responsibilities.

Our divisions and companies initiate their own CR activities and are responsible for putting them into practice. This is the only way the impressive diversity of decentralized measures and initiatives reflected in this report could have come into being.

Using Existing Structures to Share Ideas

We are committed to ensuring that our CR efforts make an impact and achieve their intended goals. In a decentralized corporate setting, open communications, cooperation and learning from each other are of great importance. For this reason, we set up working groups to do just that. Wherever we can, we take advantage of existing structures in order to ensure maximum efficiency.

Numerous topic-specific task groups have been active for some time now. Examples include our Communications Team and the HR Directors Group at the level of the six divisions, and numerous HR Directors groups at the company level in various countries, the Environment Task Force, and many other subject or task-related teams. These group meetings give experts from our decentralized corporate divisions the opportunity to regularly come together to coordinate their actions and share their views on specific topics. Shared tools, such as a Corporate Culture Toolbox and a Corporate Culture Learning and Reporting System, help them to pool knowledge and best practices. Communication and cooperation help to ensure that good examples set a precedent and that expedient



A forum for sharing ideas: Bertelsmann's Environment Task Force at a meeting in Berlin in January 2006.

processes can be put into practice in other divisions and countries we do business in, without attrition losses.

Over the course of 2006, we will also establish another forum that will facilitate an open sharing of ideas and joint setting of objectives in our CR activities: Representatives from all the corporate divisions will regularly discuss the state and progress of our involvement as well as make recommendations for future projects.

Diversity Cannot Be Standardized

Our success is based on the diversity and autonomy of our companies. This results in a heterogeneity of approaches, which we cognitantly accept and which cannot be fully reflected in standardized parameters. Our corporate responsibility actions must be judged on a case by case basis. And that is precisely why the binding Essentials are so indispensable to our CR strategy and for our worldwide organization: They allow us to combine diversification with guidance, without leveling or limiting the diversity of our activities.

The Value of Partnership

Partnership is a longstanding tradition at Bertelsmann, dating to the 19th century when Carl Bertelsmann saw employees as part of a greater “family” bound by shared ties of integrity and cooperation. Reinhard Mohn reinvigorated this tradition with his concept of partnership as an essential element in the corporate culture (see page 14 of this report).

Bertelsmann’s shareholders, management and employee representatives have long concurred that treating one another as partners not only enhances everyone’s satisfaction and identification with their company and their individual work, but is also one of the key ingredients in business success.

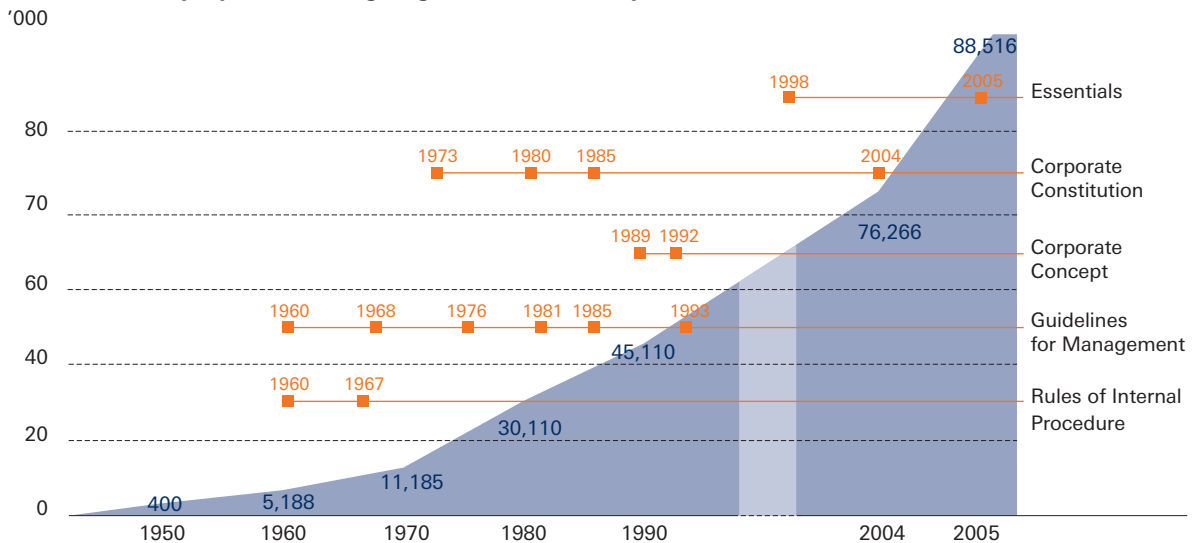
Apart from initiatives at the group level, Bertelsmann relies strongly on the creativity and enterprise of local management for the ongoing evolution of its corporate culture of partnership. This reflects our principles of entrepreneurial spirit and decentralization. The following presents the current status and recent development of some of the group’s most important initiatives.

Promoting Employment and Job Security

One important contribution that companies can make to society is to sustainably promote employment by creating new jobs and making existing jobs as secure as possible. In fiscal year 2005, Bertelsmann increased its numbers of employees by 12,250 to 88,516 – partly through acquisitions, partly through organic growth. Apart from this, Bertelsmann has also developed tools to enhance the security of existing jobs and the professional development of its employees.

An in-house electronic job board went online in Germany in 2001 and is gradually being internationalized. In 2005, it was introduced at Bertelsmann companies in the U.K. Any employee can now go

Number of Employees and Ongoing Evolution of Corporate Goals and Values



“In 2005, Arvato increased its workforce by about 8,500 employees, bringing its worldwide total to more than 42,000 employees. Because jobs can only be created where there is growth, it is part of Arvato’s corporate culture to systematically identify and promote growth initiatives. In doing so, we must keep employee performance competitive enough to be accepted by the market while keeping our working conditions attractive enough to recruit and keep employees.”



WOLFGANG SONNABEND

Executive Vice President Human Resources, Arvato AG

online at home or in the office to find out about job openings throughout the group. Also, all employees can use BeNet, the group-wide Intranet, to express their interest in vacancies throughout the group. The job exchange is managed using an applicant management system known as BeCruiter. BeCruiter also supports the company in its efforts to find new jobs within the group, if possible, for employees whose jobs are at risk. For this task, HR departments use an effective research tool.

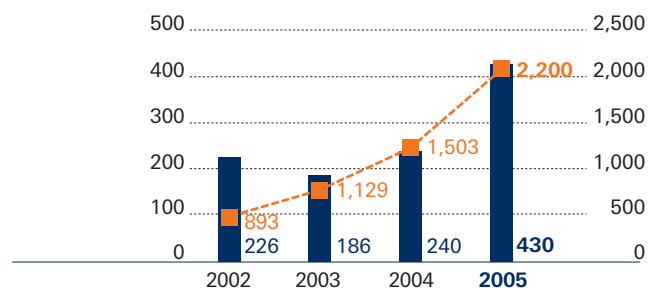
Employee Involvement

Granting everyone in the company the opportunity to help shape its development is an important element in a corporate culture of partnership. Nearly 50 years ago, Reinhard Mohn set up the employee suggestion scheme at Bertelsmann as a means of participation. Since 2000, the program has been known as Bessermachen@Bertelsmann (“Makingthingsbetter@Bertelsmann”) in Germany. It allows the company to draw upon the resourcefulness of its employees to continually optimize its quality and efficiency, and generate new business ideas and concepts. Between 2002 and 2005, the number of suggestions submitted more than doubled to 2,200. During the past business year, they resulted in savings of roughly €1.8 million, a record for Bertelsmann. Bessermachen@Bertelsmann also contributed more than 15 innovative business and product ideas to the GAIN (Growth and Innovation) initiative established by the Bertelsmann Executive Board in 2003. Employees see the in-house suggestions program as a welcome

Employee Suggestion Scheme

Awards in €'000

Number of suggestions





SVEN DEUTSCHMANN

Chief Executive Officer, Sonopress Western Europe

“Our employees’ initiatives and ideas are part of our company’s ongoing process of optimization. Their ideas for improvement and their commitment lead to suggestions for our ideas management. In 2005, one employee’s suggestion for simplifying processes in DVD production was remunerated with the highest reward in Bertelsmann’s history: €70,000. The German Institute for Business Management has commended us for the high level of employee participation in our in-house suggestion scheme.”



ANDREA SCHNEIDER

Human Resources Specialist, RTL Television

“The employee survey is a key element of participation in our corporate culture of partnership and results in greater employee identification with their jobs and the company. The employees feel that they have a say in shaping the company and their own job. That is why, in 2006, RTL Television will be performing the survey for the third time in six years.”

opportunity for contributing their ideas and helping to shape their company’s development. The plan also financially rewards employees: In 2005, awards totaling around €430,000 were paid out to employees, with one suggestion scoring a record payment of €70,000.

One important instrument in employee participation and co-determination is the group-wide employee survey that Bertelsmann implements every four years. In the years between these group-wide surveys, individual Bertelsmann companies have the option of conducting their own surveys. We created the Bertelsmann Survey Services department as an in-house service provider in 2003 to support the divisions and companies in the group, who have increasingly availed themselves of this opportunity. Since the last group-wide survey in 2002, over 20,000 employees at various Bertelsmann companies have had the opportunity to participate in an employee survey.

The seventh group-wide survey will take place in September 2006. As a result more than 6,000 personalized results summaries will be distributed to executives and discussed with the employees in the departments – with the expected eventual results of numerous improvement measures initiated at all levels of the organization.

Employee and Management Development

Respectful and cooperative treatment of employees, promotion of skills and fostering a sense of self-responsibility, along with providing autonomy are some of the most important requirements for Bertelsmann's business success. The training and continued mentoring of employees, as well as management development in the spirit of "leadership through partnership" are among the company's priority assignments.

Bertelsmann's German companies alone offered 37 apprenticeship programs last year. As of December 31, 2005, 1,074 people were being trained at Bertelsmann. Of these, 952 were trainees and dual-qualification students, and 122 were student apprentices and journalists-in-training – 20 percent more than the previous year. This increase is largely due to new startups and corporate acquisitions. Of the 314 trainees who completed the program in 2005, 238 (76 percent) found employment within the group. Nearly without exception, the ones not hired opted instead to study or to do their military or alternative social service.

In February 2005, the first 20 students graduated from Bertelsmann's own "Bachelor of International Management" degree program in Gütersloh. In summer 2001, Bertelsmann became the first German company to introduce this international curriculum. The three-and-a-half-year "Bertelsmann Bachelor" degree combines a traditional industrial business management degree – including hands-on work experience in various departments – with a course of studies in economics in cooperation with the Fachhochschule für Ökonomie und Management



HAYS STEILBERG

Vice President Human Resources, Random House

"At Random House, as an international firm operating in a global environment, we need to reflect the many and varied faces of the societies of which we are a part. As a result, we focus not only on recruiting employees from diverse backgrounds, but also on nurturing a culture within the company that makes all kinds of people feel welcome and respected for who they are."



GERD BÜHRIG

Executive Vice President Human Resources, Direct Group

"With the goal to be the most innovative direct-to-customer vendor of media products, each year Direct Group executives convene at the Direct Marketing Program to share expertise, network, and keep abreast of the most successful concepts in the industry. The focus topic in 2005 was customer satisfaction. The participants all agreed that stimuli from other industries, along with innovative approaches from our clubs all over the world, gave them new impulses for growth and innovation."



Arvato CEO Hartmut Ostrowski speaks to some 80 executives and technology experts from all the divisions at the “Excellence in Technology” event in Budapest, hosted by Bertelsmann University.

(FOM; Advanced Technical College of Economics and Management) in Essen. Bertelsmann will be accepting a new class for the degree every two years from now on.

Bertelsmann was also instrumental in the creation of two new “apprenticed professions” in Germany. Starting in August 2006, Arvato’s call-center units in Germany will be creating new slots for apprentices looking to become a “Kaufmann für Dialogmarketing” or “Servicefachkraft für Dialogmarketing” (Manager for Dialog Marketing or Dialog Marketing Services Professional).

Apart from comprehensive, innovative training, Bertelsmann offers its employees a broad spectrum of options for ongoing qualification and skills enhancement. During the past few years, an average of over 10,000 employees participated in a range of professional training and skills enhancement programs.

Employee development as an ongoing, dynamic process also extends to our executives, who are a formative influence on how partnership comes alive in the corporate culture. In 1998, we established Bertelsmann University. It serves as a platform for the group’s executives to network, share new ideas for their businesses, and pursue their personal development – always with a view to helping executives identify with Bertelsmann and its understanding of leadership through partnership. In fact, Bertelsmann has an entire program devoted to this concept: The Leadership Program has been in place in Germany for many years as “Grundkurs Führen,” and was introduced in France, Spain and the U.S. in 2002. In accordance with the group’s decentralized corporate culture, country-specific features and respective demands of the various businesses are incorporated. In 2005, 27 Leadership Program modules averaging 13 participants per module were hosted worldwide, and in 2006, the Leadership Program is scheduled for introduction in the U.K. In 2004, the Senior Management Program was established in Germany, geared to the specific needs of middle management. Other countries have already shown great interest in this program, which is scheduled to make its debut in Spain in 2006.

Letting Employees Participate in Success

Bertelsmann is a pioneer of employee profit participation in Germany. Bertelsmann introduced profit participation back in 1970, so employees have been taking part in our shared success for 35 years now. The idea that shareholders, management and employees form a communal working community is also reflected in the compensation policy. The profit participation may be paid out in cash or transferred to the Bertelsmann Pension Fund.

In spring 2005, Bertelsmann's German companies alone paid out more than € 7.6 million in profit participation (from the business results of the 2004 fiscal year) to 15,000 employees. RTL Group, Gruner + Jahr and numerous Bertelsmann companies outside Germany have their own models of profit participation.

Promoting Occupational Health

Promoting occupational health is a key element in providing a humane work environment. In 1957, faced with the high premiums and unsatisfactory service from health insurers, Reinhard Mohn established the company's own health insurance fund, Mohn & Co., the precursor to today's Bertelsmann BKK, to ensure that employees would receive excellent medical

attention and care in case of illness. To this day, the Bertelsmann BKK is not only one of the least expensive health insurance funds throughout Germany, but also one of the most effective – notwithstanding the fact that it has to pay over forty percent of the dues it collects to equalization funds in aid of other health insurance providers. For instance, starting in 2006, any full-time German Bertelsmann employee over the age of 45 may choose to undergo a special preventive medical checkup developed and performed by Bertelsmann's Company Medical Services. For employees over the age of 50, it is performed every two years automatically. The scope of the checkup represents roughly seven times the value of the kind of checkup paid for by the state-run



GÜNTER NATHAUS
President, Arvato Print Ibérica



ANDREW JENKINS
President, BMG Music Publishing International

"Profit participation at Eurohueco and other Arvato Print Ibérica plants is unique in the Spanish print industry. We pay market-driven wages and let our employees participate in corporate profits once a specified result is reached. This turns them into partners in the company and shows that the management, shareholders and employees are all in the same boat. Profit participation is a key element in our corporate culture of partnership."

"Our employees share a passion for music, and the business of music. BMG Music Publishing believes all employees play an equally important role in the overall success of the company and whenever possible, the company celebrates its successes together. Ours is a creative and dynamic environment, where teamwork is essential and where individuals can see that their personal contribution to the team is valued by the company."



JOSEPH MAKAREWICZ

Executive Vice President, Offset Paperback Manufacturers

“Organizations must care about the continued welfare of each employee if they expect the employee to care about, and support, the goals and objectives of the organization. Maintaining and encouraging a strong and healthy environment is a great place to start. OPM’s Health Care Commission serves this specific goal – and our clear path of corporate responsibility has created a strong link between our company and our employees and, perhaps more importantly, vice versa.”

health insurance funds. Preventive medical check-ups for employees have become the norm at RTL Television Germany and some Bertelsmann companies outside Germany, e.g. as required by law at all Polish and Portuguese companies, or at Offset Paperback Manufacturers (OPM) in the U.S., which is especially active in occupational health issues. This dedication to employee health is part of the reason OPM was one of the 32 companies named “Best Workplace In America” by the Printing Industries of America and the Graphic Arts Technical Foundation in 2005.

The sports and preventive health program offered in partnership with the Bertelsmann BKK and Company Medical Services focuses on the therapeutic

benefits of athletics and on counteracting job-related stress factors. Regular participation in the appropriate programs can help in preventing a number of illnesses. Apart from this, the programs also have a social function: Colleagues get to know each other better by participating in sports and health programs. Preventive health is beneficial to both the employee and the company – e.g. by reducing the number of sick days and increasing work productivity. And thanks to the commitment of the local management teams, many of the weekly programs are available free of charge. In Gütersloh, each week there are more than 100 events with roughly 3,000 participants per year. The fact that more than 50 percent of them are regulars shows how popular this offer is.

However, staying healthy is also a matter of feeling good at work, and here the management conduct of supervisors plays a crucial role. This premise is in line with what Bertelsmann has believed and practiced for decades, and has now been borne out through internal empirical analyses. Thus cultivating a culture of leadership through partnership also contributes significantly to maintaining the physical and mental health of employees.

Integrating and Supporting People with Disabilities

Bertelsmann's commitment to employees with disabilities includes improving workplace conditions, advising people of their rights and options, and dismantling prejudice. The company focuses its efforts on easing the professional, economic and social disadvantages that people may suffer due to a disability. Part of this is developing innovative aids for employees with disabilities, such as a wheelchair that helps people with physical disabilities to stand up; a car that gives wheelchair drivers mobility without the need to leave their wheelchair; and a system that announces incoming e-mail by vibration and flashing lights. Other important aspects of our work are group-wide education campaigns that advise people with disabilities about their rights and options, as well as initiatives to help overcome any prejudice among colleagues and supervisors.

Bertelsmann uses its position as a creative media company to publicly extol the abilities and skills of people with disabilities. For instance, the group produced TV commercials to abolish some myths about people with disabilities. The ads, broadcast by RTL Group channels throughout the EU between 2003 and 2005, reached approximately 52 million



"Disabilities are no impediment to performance" is the motto espoused by Knut Weltlich, our Group Representative for Employees with Disabilities.

viewers. People with disabilities currently make up 4.3 percent of Bertelsmann's workforce in Germany, nearly twice the percentage in 2002.

In 2005, a report by the European Commission's Directorate General for Employment, Social Affairs and Equal Opportunities paid tribute to Bertelsmann for its innovative and imaginative approach to integrating people with disabilities; Bertelsmann was one of just 19 European companies cited. "Some companies like Bertelsmann," the report reads, "have initiated and developed unique practical working and living aids to benefit people with disabilities in their working environment. These aids are also made available to society in general."

“Gruner + Jahr offers its employees individual working models to help them achieve an optimized work-life balance. Our Family Services also assists with sourcing care solutions. In 2005, G+J became the first company to adopt a company agreement to further improve the work-life balance – with the result that we now continue our review meetings with employees during their parental leave, and have an emergency kindergarten at the Gruner + Jahr Press Building in Hamburg.”



GÜNTER MASCHKE

Executive Vice President Human Resources Management, Gruner + Jahr

Work-Life Balance

A number of problems at the workplace result from the challenge of balancing family and work life. Bertelsmann identified this trend years ago and has developed potential solutions for employees via several programs, which have successfully been put into practice: We have provided funding and organizing support to the public daycare centers “Villa Kunterbunt” and “Villa Sonnenschein” in Gütersloh since 1992 and 1993 respectively. Both facilities are members in Germany’s “Paritätischer Wohlfahrtsverband” (Association of Employer-Employee Charities). 100 childcare slots for three to six-year-old children were created in the immediate vicinity of the work place; the schedule of hours is synchronized with the parents’ work day and is reviewed and adjusted as needed each year. The extension of childcare to children under the age of three is currently being considered.

A Family Services function offered by G+J to its German employees was also introduced at several Bertelsmann companies in Gütersloh in 2005. This agency offers employees consultation about local childcare options and helps them to find family-friendly care. Family Services also provides practical assistance in obtaining care for dependents in need



SARAH NEWMAN

Director, International Human Resources, BMG Music Publishing United Kingdom

“For seven years now, BMG Music Publishing UK has an Employee Assistance Program that provides employees and their close family with free and confidential advice on a wide variety of problems, from emotional or legal matters, stress, career advice to health issues and much more. The opportunity to work through problems with a specialist counselor can be extremely valuable to employees and therefore the company intends to continue this program.”

of aid and attendance – e.g. in dealing with administrative aspects and by providing information about the various care and insurance options. Employees at the Corporate Center have had access to Family Services since September 2005. Bertelsmann pays for all consulting and agency services provided by Family Services, while the family itself pays for the

care. A 2004 Prognos AG survey of eight companies, including Bertelsmann, concluded that companies can achieve competitive advantages and cost savings with work-life balance programs. Partnership as defined by our corporate culture pays off for everyone at Bertelsmann: shareholders, management and employees.

Number of Employees by Region and Division*		RTL Group	Random House	Gruner + Jahr	BMG	Arvato	Direct Group	Corporate	Group
Germany	2004	2,911	576	5,803	406	15,143	1,643	868	27,350
	2005	2,814	492	7,409	198	18,787	1,538	879	32,117
Other European Countries	2004	5,044	1,380	2,558	1,284	11,169	7,194	–	28,629
	2005	5,761	1,366	3,707	1,027	14,387	8,158	5	34,411
Central and South America	2004	14	157	–	275	1,308	–	–	1,754
	2005	–	151	139	222	1,841	–	–	2,353
North America	2004	72	2,982	3,216	1,787	3,834	2,246	39	14,176
	2005	101	3,066	2,620	1,701	4,340	3,003	41	14,872
Africa	2004	4	18	–	51	1,176	–	–	1,249
	2005	4	24	–	45	1,695	–	–	1,768
Asia	2004	57	36	94	349	1,181	903	–	2,620
	2005	47	46	106	317	1,079	658	–	2,253
Australia and New Zealand	2004	15	234	–	107	2	130	–	488
	2005	243	250	–	87	26	136	–	742
Total	2004	8,117	5,383	11,671	4,259	33,813	12,116	907	76,266
	2005	8,970	5,395	13,981	3,597	42,155	13,493	925	88,516

* As of December 31, 2005

The Practice of Fairness

What responsibility does a company have to its business environment? We believe it is the same kind of responsibility that all of us bear as good citizens. And, in order to live up to it, we need to have distinct and self-evident rules and guidelines.

What makes a good citizen? Most people in the world will likely give very similar answers to this question. Good citizens strive to do their best no matter what the task. In doing so, good citizens not only use their personal leverage to get ahead, but also their social intelligence. Good citizens are fair and open-minded towards others. They abide by and respect the rules of coexistence. And they work assiduously to ensure that everyone else does this as well. Good citizens understand that they are not alone in the world.

No matter where you happen to be in the world, this is what most people understand by a good citizen. This is why societies have set up laws and rules that define the basics of living together in a social setting.

Does the definition of a good company differ from that of a good citizen? Is there one set of ethics that governs people in their private lives and a different set for the workplace?

Even today, quite a few people will answer “yes, unfortunately.” Different rules apply to business, the argument often goes.

We choose not to foster such inconsistency. We believe that the attitudes and responsibilities of a good citizen and those of a good entrepreneur cannot be separate. Both responsibilities include fair and respectful behavior towards one another and a clearly defined obligation to give back to society through our actions and our work. For a company, it also includes taking responsibility for our business environment.

That is at the heart of what we do as a good corporate citizen: conduct ourselves so that all might benefit. If you are helpful to others, you will always be valued.

Responsibility as Practiced in Gütersloh

Maria Unger knows this first-hand. She has served as mayor of Gütersloh since 1994. Some 11,000 people in her city work at Bertelsmann – more than 10 percent of our group’s global workforce. Most of the employees at Bertelsmann’s companies in Gütersloh also live in this city of nearly 100,000. This is where they shop, where their children go to kindergarten and school. Bertelsmann is the city’s most important economic mainstay.

Ms. Unger is very pragmatic in her assessment of what Bertelsmann’s social responsibility means to Gütersloh. What would her city be if so many of our employees didn’t work and live here? “Poorer!” says Ms. Unger, “Bertelsmann means such great potential for Gütersloh.” She adds, “and not just in financial terms, either.” The mayor lists the benefits that the company and its employees bring to the city. Among them: top-notch events with celebrated guests that have given the city a reputation as a political, economic and cultural venue beyond its local and regional borders. Maria Unger sees our company as a fair and open-minded fellow citizen – one that can be readily approached to advance an idea or initiative. Good citizens are anchored where they live and work.

Shouldering economic responsibility is part of this mindset – wherever we have operations, of course, not only in Gütersloh.

We are a major economic factor and an important citizen at many of our locations when it comes to direct and indirect investments, such as the creation of new jobs. At year-end 2005, the work-force employed by Bertelsmann all over the world had grown by 12,250 people since the previous year, to a total of 88,516 people.

Exemplary, Transparent Conduct

A good citizen serves as a good example for others. Public sensitivity for fair and transparent corporate governance has burgeoned in recent years. At Bertelsmann, we have an enduring tradition of social responsibility and outstanding commitment to society. We have long encouraged both the development of binding and effective rules for – and codes of – business conduct, and are putting these rules into practice. Bertelsmann sees good corporate governance as an important element of corporate culture. Rules and appropriate control mechanisms are indispensable in this process. The rules must be clear and understandable to everyone in the company, as well as to its business partners. This is the only way to ensure that the rules remain practical, transparent and comprehensible. A willingness to learn is one important virtue of good citizens – only those who are willing to change can expect to succeed. At times this can mean being one step ahead of the others and thus acting as a trailblazer.

Bertelsmann has long set standards with the work done by its Supervisory Board. A number of tasks and functions are handled by the Supervisory Board's expert committees in accordance with regulations. This considerably strengthens the steering function of the Supervisory Board's work.



Values Bertelsmann as a good citizen: Maria Unger, Mayor of Gütersloh.

The voluntary representation of employees on the Supervisory Board, begun in 1974, is consistent with Bertelsmann's corporate culture of partnership. As a media company, Bertelsmann could waive any employee representation and remain within the bounds of German law. However, Bertelsmann chose to take employees' experiences and arguments into account in the decisions of the Supervisory Board.

As a global media company, Bertelsmann is deeply influenced by the internationality of its employees. This cultural diversity is also an important asset in the evaluation of our activities. This is one of the reasons that we have gradually internationalized our Supervisory Board over the past years. In this way, professional expertise and specific cultural backgrounds combine into an effective governance framework.

A benchmark study showed that Bertelsmann practices corporate governance at a very high level – even by international standards. Maintaining these high standards remains one of the goals of the corporate governance process at Bertelsmann, and to this end, the Executive and Supervisory Boards created an interdisciplinary Corporate Governance Task Force a few years ago.

One of the Task Force's assignments has been to analyze recent corporate governance developments and international best practices and to derive recommendations for management and steering at Bertelsmann as needed.

Although Bertelsmann AG – as an unlisted stock corporation – is not directly obligated to do so, it views the German Corporate Governance Codex which was primarily drawn up for public companies as a recommendation.

Ethical conduct in the business environment must also be seen in the context of varying legal and cultural frameworks. Much of what we do is contingent on acquiescence with domestic and international laws and regulations. Compliance with them is as self-evident as an appreciation and respect for the cultural values and traditions of the countries we do business in.

The Code of Business Conduct

What do concepts like fairness, honesty, integrity, respect and responsibility mean in day-to-day business? The question is crucial when it comes to specific action. In 2001 and based on the Bertelsmann Essentials, we published our first Code of Business Conduct, in the United States. One year later, the Canadian Code of Business Conduct was introduced to our businesses in Canada. These guidelines provide Bertelsmann employees with direction on everyday matters of business ethics: How do we conduct ourselves in the company when dealing with partners and public authorities? What measures do we take to counteract corruption and encourage transparency? What should we do if we suspect unlawful conduct? A particularly important aspect in the Code of Business Conduct for a media company is respect for other people's intellectual property.

We see the systematic implementation of these guidelines not just as a matter of a sound ethical culture. The company's reputation is at issue – along with its financial integrity. "Good business conduct is not just good for a company's corporate culture and its employees, it's critical to a company's bottom line," says Andrea Bonime-Blanc, Bertelsmann's Chief Ethics & Compliance Officer for North America. The most important impetus for this has come from the U.S. The past few years have seen landmark cases in which U.S. courts have imposed enormous penalties for unlawful business conduct and violations of practices. In some cases, companies and executives have been penalized or even sentenced to prison for failure to take proper measures against internal fraud and corruption. This corporate misconduct is increasingly becoming a high financial risk – not just in North America but throughout the world. The absence of ethical guidelines or their insufficient integration with everyday business practices, along with insufficient oversight, are increasingly viewed as complicit to breaking the rules. Or, in cases of corruption and fraud with damages for the own company, as furthering criminal misbehavior.



Our Ethics & Compliance team: Andrea Bonime-Blanc and Matt Hayworth in New York.



The Bertelsmann Ethics & Compliance website.

Why Good Colleagues Conduct Themselves as Good Citizens

Practical risk management is another factor for serious consideration. Since the creation of the Ethics & Compliance function at Bertelsmann, the U.S. businesses have conducted a continuous risk-assessment process that helps them identify and address risks inherent to their business activities. In the process, specific recommendations and practical solutions are developed in collaboration with the management of the Bertelsmann companies.

The Bertelsmann Ethics Network includes experts from the Legal, HR, Finance, IT and Accounting departments at our North American companies who work together to improve our ethics and compliance guidelines through seminars and task forces. The Intranet newsletters “aXiom” (for management) and “Ethics E-Bulletin” (for all North American colleagues), provide tools for communicating, networking, and further developing relevant topics. Every two months, the E-Bulletin delivers useful pointers and recommendations for proper ethical business conduct, presents relevant updates and provides information on ongoing ethics projects. An Intranet website contains

all Ethics & Compliance information and activities, and a monthly EQuiz tests employees on their knowledge of ethical conduct.

The Ethics & Compliance Team complements its work concerning codes, guidelines, risk management and communications with training and coaching measures. The “Family Feud Ethics Game Training Program,” an audio-visual program that illustrates ethical workplace conduct through various episodes (harassment, discrimination, electronic communications and health and safety at work), won three U.S. awards in 2005 – including the prestigious PRSA “Big Apple Award” for best employee communications.

Bertelsmann’s 14 Ethics Lines in North America provide a 24/7, anonymous hotline system available to all employees. They can call one of the Bertelsmann Ethics Lines to make recommendations and if necessary, suggestions, for improving ethical practice. They also can report ethically or legally questionable behavior which is then investigated and resolved at the appropriate company. The Code of Conduct also specifies that “whistleblowers” enjoy the special protection of the company. It is gratifying to note that these structures have hardly been used – but it makes sense to have them in place.

Constructive actions based on mutual respect can result in better companies and corporations as well as in a better society.

Sensible Actions, Sustained Relief

As we understand it, corporate responsibility means taking meaningful action with long-term goals in mind – and fully contributing one’s particular skills and expertise in the process.

“Democracy exists for the sake of its citizens, but it can only be sustained if its citizens are actively committed to it! The state’s need for its citizens to show subsidiarity applies equally to entrepreneurs, and while the latter have every right to decide what particular contribution they wish to make, they do not have the right to stand completely apart from society.” Reinhard Mohn’s words, quoted from his book “An Age of New Possibilities,” underscore the responsibility of companies to give back to the communities in which they do business – this includes Bertelsmann, its executives and its employees.

Bertelsmann has determined that the very contribution it wishes to make to society consists of many contributions. In sum, this represents a comprehensive and ongoing commitment to society that is equally drawn from all divisions, companies and their employees. Some company contributions are regional projects, while others involve million-euro donations and noteworthy activities all over the world. It is important to us that our commitment be sustainable and closely identifiable with our business expertise and core competencies. We want to ensure that our effort has a maximum impact. For example: As an international media company, our business naturally stands to benefit – in the long term – from our worldwide commitment to promoting reading skills. We do what we do best: How we give back to society has to be credible, have demonstrable results and create the greatest enduring possible benefit for everyone involved.

“Du bist Deutschland” – You Are Germany

No man is an island. Remarkable achievements require an environment that nurtures them. This is true for citizens and for companies, for individuals and for society as a whole. Citizens who have pride in themselves are more inclined to shoulder responsibility for society. Such self-esteem puts them in a position to take the initiative and convince others to participate, particularly at a time when optimism and excitement about the future are low.

With this in mind, Bertelsmann in fall 2005 initiated, launched and managed the comprehensive “Du bist Deutschland” (“You Are Germany”) media campaign jointly started with 24 other media companies. Its aim is to galvanize Germany by motivating its citizens and instilling optimism about the future.

“A butterfly can cause a typhoon,” claims the news channel N-TV’s talk-show host Sandra Maischberger. “Just treat your country like a good friend,” advises RTL Television’s host Günther Jauch. A little girl calls out: “Get your foot off the brake!” And Germany’s Olympic figure-skating champion Katarina Witt asks: “How about cheering yourself on for a change?” At the cinema theaters and on both public and commercial television, a two-minute commercial starring 40 celebrities and “ordinary” people roused viewers to think beyond themselves, to get involved and dare to do something. A “manifesto for Germany” was drawn up and posted in 61 magazines, seven nationwide and 14 regional newspapers, on 2,326 billboards, on 14 TV channels and in 1,814 movie theaters. By the end of the campaign in January 2006, 38 million Germans were familiar with



One motif from the “Du bist Deutschland” campaign.

it, and “Du bist Deutschland” had become a popular catchphrase.

“We wanted to show that our country has no need to hide behind uncertainty and fear of the future, and so we launched a campaign that instilled confidence in our citizens and called on them to be active about determining their future. Our campaign helped contribute to a new sense of confidence. I am very pleased with the result,” says Bertelsmann’s Chairman & CEO Gunter Thielen, who developed the campaign idea with German media companies as part of his involvement with the “Partner für Innovation” (“Partners for Innovation”) initiative. Sponsors included Bertelsmann AG, the Gruner + Jahr publishing company, RTL Group’s German channels, and RTL Interactive Germany. Their involvement and the pro bono support of all agencies, production companies, celebrities and other partners involved in its implementation turned “Du bist Deutschland” into the biggest social-marketing campaign in German media history: its pro-bono media volume alone exceeded €32 million. “Naturally, a campaign like this cannot single-handedly change everyone’s attitude. But it does create awareness and an openness to the existence of new possibilities and opportunities and to the fact that the responsibility for building a better future also lies with each one of us,” commented Bernd Kundraun, CEO of Gruner + Jahr and co-initiator of the campaign.

The following activities illustrate the wide-ranging social involvement of Bertelsmann, its divisions and companies, and its artists and employees. They stand as a few examples among many.

Donations:

- ⊕ In the wake of the hurricane disaster in the U.S. in 2005, Bertelsmann AG and Random House each donated \$500,000 to the American Red Cross Society. Other divisions, companies and individual employees participated in the relief campaign by organizing their own donations and fund drives.
- ⊕ Gruner + Jahr donated €160,000 for the earthquake victims in Pakistan through the “Stiftung Stern” foundation. The employees in Germany alone collected €30,000, which was matched by the company and topped off with another €100,000. The Stiftung RTL foundation donated another €100,000.
- ⊕ In 2005, Arvato spent €200,000 on donations and charity projects. For instance, its German subsidiaries Mohn Media and GGP Media sponsor projects like “Haiti Care” and “Clown Doctors.” Employees at many locations decided that instead of exchanging office Christmas gifts they would give to local initiatives.
- ⊕ In 2005, the RTL Group channels RTL TVI (Belgium) and RTL (Luxembourg) raised €6.75 million for cancer research in the 17th “Télévie” donations drive, a tradition that has collected some €70 million in donations since 1989.

Ultimately, “Du bist Deutschland” carries forth Reinhard Mohn’s belief that democracy lives by the commitment of its citizens, by their entrepreneurial spirit and their self-confidence. Each person, he believes, bears some of the responsibility for the future of his or her country.



MUHAMMAD AZAM ROOMI
Reinhard Mohn Fellow

“As a Reinhard Mohn Fellow, I learned how to manage projects on an international scale, how to delegate responsibility and enjoyed working within different cultures.”

Reinhard Mohn Fellowship

As a global, decentralized company, Bertelsmann believes that we have an obligation to society to impart our skill set and know-how where they are needed. The annual Reinhard Mohn Fellowship program is one of our significant commitments in this sense. It systematically supports individuals who have made it their mission to give back to society in an entrepreneurial way. The intent of the Fellowship program is to allow social entrepreneurs to share in and learn from the creativity and entrepreneurial thinking at Bertelsmann so that they can apply it to their own project work:

Cristina Martinez set out to improve the living and working conditions of some 2,000 Mexican coffee-growers and their families by offering them continuing education programs. By doing so, she indirectly helps to curb crime and mass migration to cities.

Muhammad Azam Roomi has helped to improve the situation of Pakistani women in their community by providing awareness training as well as health, education, and business startup programs.

Christian Rickerts from Germany motivates hundreds of thousands of German schoolchildren to participate in an annual Volunteer Day with his organization “Schüler Helfen Leben” (“Kids Helping with Life”). They then donate the earnings from their day of work to support long-term education projects in the Balkans.

These are just three of many examples of projects by participants in the Reinhard Mohn Fellowship program, which celebrates its fifth anniversary this year. The Fellowship, which gives social entrepreneurs from all over the world a year to broaden their expertise, their skills and their horizons at Bertelsmann, has already become an internationally acclaimed Corporate Responsibility project. The IESE Business School in Barcelona, Spain, recently completed a case study on the Reinhard Mohn Fellowship, which is now provided to all major international business schools as teaching material.

The program’s participants are selected by a panel of well known individuals from outside the company. The Fellows go on to systematically gain practical and

theoretical experience, learning among other things, what sort of impact leadership through partnership and a deeply-rooted corporate culture can have, both on individual and collective corporate performance. In turn, the Fellows' unbiased view of the corporate culture and business divisions sparks discussions among Bertelsmann's employees.

Reinhard Mohn, in whose honor the unique program was created by the Bertelsmann AG Executive Board on the occasion of his 80th birthday in 2001, is convinced that the principles behind Bertelsmann's corporate culture can also be applicable for the greater social benefit.

Fast First Aid – Bertelsmann's Donations and Relief Policy

The advancing of social projects and the programmed transfer of knowledge – which opens up new and improved prospects for many people, as in the case of the Reinhard Mohn Fellowship – form an important basis for sustainable and disciplined action.

But sometimes extraordinary situations which demand immediate unanticipated action and aid, such as large-scale natural disasters, arise. When this occurs, Bertelsmann does not remain aloof from them, but resolutely takes action to provide sustainable relief.

Donations:

- ⊗ During 2005, Vox, a German RTL Group channel, donated airtime worth €6 million to charities including Caritas, the WWF and the German Heart Foundation, for their commercials. M6 (France) and RTL Televizija (Croatia) also gave free airtime to charities.
- ⊗ The "Fundación Antena 3" foundation in Spain was established in 2005 with the aim of improving the future prospects of teenagers and children. One specific focus of this foundation, which operates under the auspices of José Manuel Lara, the President of RTL Group's Antena 3, is promoting media literacy among children and young adults.
- ⊗ "Die Arche" ("The Ark"), a project with branches in Berlin and Hamburg, Germany, helps children and teens that come from needy communities or difficult family backgrounds. In total, "Stiftung Stern" has donated €125,000 to this project to date.
- ⊗ When a large fire in September 2004 destroyed tens of thousands of valuable books at the Herzogin Anna Amalia Library in Weimar, the Arvato subsidiary GGP Media powered up its printing presses to help. It produced an illustrated book on the library's history; its sister company VVA dealt with the logistics, and Random House distributed the book – all of it pro bono. The proceeds and an additional corporate donation of €50,000 went to rebuilding the unique library.

Culture and Education:

- ⊕ First Book, a nonprofit organization in the U.S., seeks to give children from low-income families their first, brand-new book. One of its major sponsors is the children's book division at Random House, Inc. Dedicated citizens in hundreds of cities make sure that the books are distributed to children who participate in various community relief programs. In 2005, Random House donated almost two and a half million books to First Book. Random House Children's Books also actively supports the U.S. National Coalition Against Censorship.

- ⊕ To encourage public high-school students in New York to develop their literary and musical talent, Random House, BMG and the Bertelsmann Stiftung foundation set up the "World of Expression Scholarship Program" fund in 1993. Since then, more than 22,000 students have entered the annual contests, and more than \$1.2 million has been awarded in college tuition scholarships. In 2005, the panel of judges awarded \$100,000 in financial aid.

- ⊕ RTL Group's British TV Channel Five and the Arts Council England launched the second stage of their Fivearts Cities Initiative in 2005. It showcases the country's broad spectrum of cultural assets and seeks to encourage citizens to discover works of art, as well as their own creativity. Five is broadcasting documentaries to match the initiative.



HELMUT KUTIN

Chairman of the Executive Board, Hermann-Gmeiner-Fund Germany

"The SOS Children's Villages have longstanding, close ties with many Bertelsmann companies. Bertelsmann's relief fund for tsunami victims in Southeast Asia provides further proof of the company's sense of responsibility. We are especially pleased about the fact that Bertelsmann deliberately chooses to provide long-term aid. Children hit by the flood disaster will have a new home for more than ten years – even when public interest has long since turned to other topics."

Bertelsmann's Tsunami Relief

Bertelsmann, its companies and its employees have long provided assistance in the shape of generous cash and "in kind" donations during times of need: for the victims of the 2002 Oder flood in Germany, for the citizens of New Orleans displaced by Hurricane Katrina in September 2005, and for the people hit by the massive earthquake that shook Pakistan in October 2005.

The compassion, generosity and commitment of the media company and its employees were demonstrated impressively in the wake of the tsunami that destroyed large parts of Southeast Asia on December 26, 2004. "In the aftermath of the Southeast Asian tsunami, not only did Bertelsmann and its divisions and companies show deep solidarity with the people affected, many of our employees individually reached out to help," as Gunter Thielen said. A few days after the tsunami, Bertelsmann pledged €1 million to the SOS Children's Villages relief organization. A subsequent fund drive brought in another €200,000 from employees in Germany, the U.S. and U.K., Spain, Chile, Mexico, Italy and Japan. Bertelsmann matched all employee donations, bringing the total funds transferred to SOS Children's Villages to €1.4 million.

The money will be used in India, Sri Lanka and Indonesia to provide a long-term Bertelsmann sponsorship for at least ten years to children affected by the tsunami. SOS Children's Villages welcomes this relief package: "The longer ago a disaster happened, the harder it is to find people willing to help its victims," explains Helmut Kutin, President of SOS Children's Villages.

Many Bertelsmann divisions and companies also organized their own fundraisers for the victims of the tsunami. The “Stiftung Stern” foundation donated roughly €1.5 million, with Gruner + Jahr providing a €100,000 start-up pledge. At RTL Television, a trailer campaign and sales of the CD single “Liberatio” by Krypteria generated over €12.3 million, which were distributed to select relief organizations. The “Gimme 5 (euros)” fund drive by the German RTL Group channel Vox raised roughly €600,000 for SOS Children’s Villages at the end of 2005. Der Club Bertelsmann in Germany collected roughly €30,000 for Bertelsmann’s joint SOS Children’s Villages project in a member fund drive. Above and beyond the group-wide donation, the Arvato subsidiary Webmiles contributed another €115,000, the cash equivalent of webmiles donated for the cause by its customers. And RTL’s radio holdings in Germany presented a €100,000 check from a joint fundraiser.

The Donations Marathon – Help for Children in Need

Bertelsmann, its divisions, its companies, and, of course, its employees help people in need with various kinds of fund drives – and they use their reputation, the power of their brands and their workplace leverage to motivate other people to help as well: the viewers and listeners of RTL Group’s TV channels and radio stations, the readers of Gruner + Jahr magazines and Random House books, fans of Sony BMG recording artists, members in Direct Group’s clubs, and customers of Arvato companies.

One of the best-known examples of how Bertelsmann companies help people in need is the “RTL-Spendenmarathon” (“RTL Donations Marathon”) in Germany, which celebrated its tenth anniversary in 2005. In a twenty-four-hour special each November, celebrity project mentors call on the channel’s viewers to make donations by participating in interactive events or bidding at auctions. Since 1996, the RTL Donations Marathon has generated a grand total of €51.4 million for 60 children’s relief projects all over the world. “We take great care in researching the projects that we plan to advance with our viewers’ donations. Our top priority is that the funds raised go directly and without any deductions to help the children and teens in need,” says Anke Schäferkordt, CEO of RTL Television and Chair of the “Stiftung RTL – Wir helfen Kindern” foundation, about the principles behind the aid.



Stefanie Graf, one of the mentors in the RTL Donations Marathon, is devoted to helping children traumatized by the war in Eritrea.

Activities sponsored by the “Stiftung RTL” foundation (set up expressly for the Donations Marathon) include building kindergartens for traumatized children in Eritrea; renovating the only children’s hospital in Moldova; building a children’s clinic in Sri Lanka and houses for the earthquake victims in Pakistan; establishing a center for people with dwarfism in Bremen, Germany, and a handicapped-accessible school in Berlin.

Read, Read, Read: World Book Day

While the RTL Donations Marathon is dedicated to helping children who lack the basic necessities of survival, many other children in every country on Earth lack access to a fascinating and formative medium that is also the key to education and knowledge: books. Here, too, Bertelsmann does what it can to help. Year after year, World Book Day brings

together people whose connection is based first and foremost on a love of books and reading.

In 1995, UNESCO declared April 23 World Book Day, a global day in celebration of reading. Many of the numerous readings, writing contests, discussion groups and other activities that take place on World Book Day each year are initiated by Random House publishers and Direct Group book clubs.

The idea of World Book Day originated in Catalonia, where April 23 is celebrated with a street festival in Barcelona. Random House Mondadori and the Spanish book club *Círculo de Lectores* are in the center of the action with their bookselling stands, set up in the city’s downtown area, where famous authors do book signings. This street festival concept was adapted by the Chinese book club in Shanghai, which hosted discussions and readings in 2005.

In Germany, World Book Day caters specifically to children and teens. Each year, the Random House imprint Omnibus partners with the “Stiftung Lesen” (“German Reading Foundation”) to publish an anthology of short stories, “Ich schenk dir eine Geschichte” (“My Gift to You: A Story”), which young readers can pick up for free at libraries and bookstores. In addition to providing financial support to “Stiftung Lesen” beyond World Book Day, Random House is deeply involved in literacy projects year round. In Poland, the *Swiat Ksiazki* book club celebrated World Book Day by donating packages of books to school libraries and hosting spe-

“The fire at Weimar’s Duchess Anna Amalia Library was followed by an unprecedented wave of support. The book “Auf daß die Nachwelt nimmer von dir schweigt...” (“May future generations never forget you”), in bookstores just after the incident, gave information about the course of events and the damage done. The net profit to date has been about €50,000. It has also been a central tool in our fundraising drive and has motivated more donors to help. I am deeply grateful to Bertelsmann’s companies for their support.”



MICHAEL KNOCHE

Director, Herzogin Anna Amalia Library

“Five and the Arts Council England share with ‘Fivearts cities’ the same goal – to get more people involved in the arts. It was fantastically stimulating to see how we brought together the different communities through the creative art work that came out of our programs, events and initiatives run throughout the last years in Liverpool, Newcastle and Gateshead.”



KIM PEAT

Controller of Daytime, Arts & Religion, Five

cial events in its shops, as did the French book club France Loisirs. In the U.K., Random House sponsored the “Spread the word” campaign, which involved the distribution of eight million free post-cards throughout the country for readers to send book recommendations to their friends and family.

1,000 Words Against Violence: France Loisirs Helps Adolescents

What may be an indispensable part of culture for some, is for others an enormous opportunity to develop in self-reliance and freedom. Being able to and wanting to read is an important step on the path to a free, self-determined and responsible life.

Encouraging teens who are in youth-correctional facilities, youth detention centers and special classes to read is the goal of a campaign jointly launched by the France Loisirs book club and the French Ministries of Justice and Education. Under the heading “1,000 mots contre la violence” (“1,000 Words Against Violence”), France Loisirs recruits volunteers to visit teens in detention centers, correctional institutions and prisons, and read with them. It all began in late 2003 at the youth correctional facility in Villepinte. Today, 19 penal and correctional institutions throughout France participate in the program.

Culture and Education:

- ⊕ RTL Television also devotes itself to promoting media literacy in Germany, with a number of media packages on specific topics such as TV news and court shows.
- ⊕ In 2005, the Dutch book club ECI received a record 10,000 entries for its annual story writing contest for 8 to 12-year-old children.
- ⊕ On International Children’s Day on June 1, 2005, Direct Group’s Chinese book club launched the campaign “Drifting Bottles – Sharing Reading.” Participating children at Hope Schools – schools for children from poor families, sponsored by charities – were each given a specially selected book, which they would then pass along to another child after they finish reading it.
- ⊕ The “Deutsche Stiftung Musikleben” (“German Foundation for Musical Life”), established in 1962, promotes gifted young musicians throughout Germany. It hosts performance opportunities, loans them valuable string instruments from the “Deutscher Musikinstrumenten Fonds” (“German Music Instrument Fund”), and organizes tours, e.g. with the “Bundesjugendorchester” (“Youth Orchestra of Germany”), as well as underwrites scholarship and mentor programs along with its longtime sponsorship of the nationwide “Jugend musiziert” youth competition. Since 1992, Bertelsmann AG has covered all operating expenses at the foundation’s Hamburg office, so that all other donations can be used entirely for sponsorship work.
- ⊕ Gruner + Jahr has been honoring outstanding young talent on an annual basis with the Henri Nannen Awards for Journalists, the “Brigitte” Fiction Award for young authors, the youth sciences and technology contest “Jugend forscht,” and many other initiatives and contests.



The Chinese photographer Yang Yankang accepts a Henri Nannen Award 2005 in the “Photographic Essay Achievement” category, for his photo essay titled “The Long March to the Holy Lord,” which was published by GEO magazine (Germany) in 2004.

Further Projects and Initiatives:

⊕ Apart from the “Du bist Deutschland” campaign, Bertelsmann was involved in Germany’s nationwide “Initiative für Beschäftigung” (“Initiative for Employment”), the largest employment-related program launched by the German private sector. More than 200 projects were planned and implemented in 19 networks involving more than 400 companies. Bertelsmann Chairman & CEO Gunter Thielen was the initiative’s spokesman for two years, through October 31, 2005.

⊕ More than 50 Random House employees in New York have “adopted” a public early-grade school near their workplace. In a continuation of the “Adopt-a-School” project launched in 1991 by Bantam Doubleday Dell, they serve as one-on-one mentors to students at the school, and spend a year coaching students to help with their reading and learning skills as well as their personal development.

⊕ Making information accessible for the blind and vision-impaired is the aim of Germany’s “Blindenmagazin” (“Magazine for the Blind”), which was established in 1968 by “Stern” founder Henri Nannen and former “Zeit” publisher Gerd Bucerius. Every two weeks, it presents select articles from “Stern” magazine and the weekly “Zeit.” G+J’s “Brigitte” and “Geo” magazines have a similar offer for the vision impaired.

⊕ Since 1992, French RTL Radio has sponsored the “Pièces Jaunes” (“Yellow Coins”) campaign by the “Hôpitaux de France” (“Hospitals of France”) organization, to improve the quality of life of children in hospitals. Since its establishment, the organization has supported more than 4,000 projects in France and the French overseas territories.

⊕ Each year, Bertelsmann employees in Gütersloh participate in the “Lauf gegen den Schlaganfall” (“Race against Stroke”), while their Random House colleagues in Munich run to raise funds for Germany’s Children’s Cancer Foundation.

“Many experts agree that youth violence arises primarily because many teens are incapable of expressing themselves verbally,” explained Jörg Hagen, Managing Director of France Loisirs. Their inability to communicate effectively not only contributes to social isolation, but also prevents teens from resolving conflicts peacefully. This is where the “1,000 Words Against Violence” campaign comes in. Helping kids to expand their vocabulary will hopefully help them break the cycle of violence.

The numerous volunteers are what keep the campaign going. Each teen has a dedicated volunteer, and together they read and discover new words in the process. The pair is then assisted by teachers who facilitate the reading process by using the newly discovered words in classroom instruction, so that they may enter the permanent vocabulary of the teens. “Like France Loisirs itself, the ‘1,000 Words Against Violence’ aims to get teens reading,” said Jörg Hagen. “The project gives us an opportunity to actively promote reading and to do something for cultural life in France.”

Talk Openly, Listen Carefully

Our work is governed by partnership. Applied to society as a whole, partnership signifies a willingness to enter into dialog. An open-minded society lives by open discourse. We provide fitting occasions for such dialog, including the appropriate venues at our locations in Berlin and Brussels.

Berlin is a top political and cultural center. And our “Bertelsmann Unter den Linden 1” building is one of the capital’s key forums for communication and meetings between people from the public and private sectors, and from the worlds of media and culture. In 2005 alone, we hosted 290 events here.

The “Literary Salon” reading series featuring Random House authors has become a fixture on Berlin’s cultural calendar. Other stand-alone events included Knaus author Walter Kempowski’s presentation of the fourth volume in his collective memoir “Echolot” to Germany’s Federal President Horst Köhler. Blessing’s bestselling author Michael Crichton discussed global warming with guests here, and Elke Heidenreich introduced the audiobook project “Starke Stimmen” (“Strong Voices”). The bestselling author Paulo Coelho accepted Direct Group’s International Author Award at Unter den Linden 1, and N-TV’s talk show “Maischberger” celebrated its 1,000th episode here.

Bertelsmann Unter den Linden 1 has become a place for sharing ideas. It provides stimulation, and a platform for political discourse in Germany’s capital – drawing presidents, heads of government, foreign secretaries, diplomats, high-ranking international politicians and delegates to its events.

Bertelsmann’s liaison office in Brussels is a valued meeting place at the pan-European level. Each year, beyond its political dialog functions, it presents a series of cultural highlights. In 2005, it hosted events



Katrin Gaertner (2nd from left), Head of Bertelsmann Unter den Linden 1, and her team.

featuring celebrated speakers and authors like East German politician Lothar de Maizière, and the authors Peter Scholl-Latour, Robert Harris, and Michael Jürgs.

Politicians, authors and scientists not only accept our invitations to Berlin and Brussels; they also make their way to the Corporate Center. Since 1975, the “Bertelsmann Forum” has brought protagonists of contemporary history to Gütersloh for lectures and panel discussions. Guest speakers in 2005 included EU Commissioner Viviane Reding, Bavaria’s Interior Minister Günther Beckstein, former EU Antitrust Commissioner Mario Monti, and former Russian Prime Minister Yevgeny Primakov. Employees and Gütersloh residents are introduced to Verlagsgruppe Random House authors through the “BeLesen” reading series, which has featured German literary stars Dieter Hildebrandt, Wladimir Kaminer and Florian Illies.

Sustainable Teamwork

Protecting the environment is essential to corporate responsibility. We see environmentally conscious management as a proactive process, a continual striving for sustainable change. And we believe that environmental management is a team effort.

Our companies work with natural resources like wood and water, and we use energy to manufacture and distribute our products and services. For us, this translates to an entrepreneurial imperative to treat with care these scarce resources that are so integral to our products and services. As a company with a long history, we have learned to think environmentally beyond the present moment to tomorrow. We regularly share experiences gained in the fields of active environmental protection and sustainable business amongst our decentralized divisions and companies.

The Bertelsmann international and interdepartmental Environment Task Force is charged with coordinating environmental teamwork and know-how at our companies worldwide.

Since May 2003, environmental experts at Bertelsmann AG and from all of Bertelsmann's divisions – e.g. environmental officers, production heads, and paper buyers – have been meeting regularly to discuss topics relating to our environmental activities. They present best practices from the divisions and companies, discuss new developments at the international, European and German level, and coordinate joint procedures and shared positions.

External guests, e.g. representatives from other companies, from NGOs or from politics, regularly contribute constructive ideas and suggestions. The Environment Task Force has grown into one of the most active groups of its kind in the company, and in essence acts as the driving force behind environmental policy at Bertelsmann.

As a result of the work done by the task force, Bertelsmann adopted its first-ever group-wide Environmental Policy in fall 2004 and defined a Bertelsmann Paper Policy in 2005. For our companies, the policies established by the task force are a key reference resource when putting their environmental projects into practice.

We aim to do more than just regulate environmental impact – especially wherever our work involves the direct use of natural resources. We also hope to actively help change industries and markets, and make our efforts visible. Let us take, for example, the product of which much of our media is still comprised, even in this age of digitization: paper.



Stephen Esson (on left), Group Publishing Operations Director at Random House Group, and Andreas Henrichs, Arvato AG Environmental Officer, in conversation at a Bertelsmann Environment Task Force meeting.

Planting the Seeds of Sustainability – Bertelsmann and Sustainable Forestry

Our companies Random House, Gruner + Jahr and Direct Group are paper buyers and as such decide what kind of paper to use in their products. We can exercise immediate influence regarding the natural resources used – while also taking financial considerations into account. But even in circumstances when Arvato and Prinovis printing companies cannot directly make decisions about the origins of the paper their international clients purchase for their printing, we are committed to encouraging discussion on the subject of environmentally-friendly production and processing methods with our business partners. We do this by providing dedicated and responsible consulting to our customers.

Our efforts start where it all begins: in the forest, with the commitment of Bertelsmann companies to sustainable forestry.

Certified Environmentally Conscious – Arvato AG

Arvato AG is one of the world's largest providers of media and communications services. From imprinting paper to the production of media carriers like DVDs and CDs, to providing state-of-the-art service centers, financial clearinghouses, IT solutions and mobile services, Arvato AG and its subsidiaries offer a wealth of products, making it our most production-intensive division. This year, Arvato completed its first-ever worldwide Environmental Report, a comprehensive documentation of the relevant activities pursued in all its units. Arvato recently adopted

binding environmental guidelines, appointed an Environmental Officer, and contractually obligated its managing directors to practice environmentally conscious management.

The group has long grappled with the question of how paper as a resource can be produced and used in an ecologically responsible way. One of the institutions with which Arvato works closely is the Forest Stewardship Council (FSC). Strict compliance with the council's Chain-of-Custody (CoC) criteria is an essential prerequisite to gaining certification for paper production and processing.

All products that bear an FSC seal pass through a long chain of various trade levels and processing plants in their journey from forest to end consumer. The FSC has strict regulations for the traceable processing of wood to ensure that the resource is not mixed with material that may have been obtained from controversial sources. All FSC-certified processing operations in the product chain agree to submit to an annual review of goods received and issued, as well as their production processes. The control mechanisms are comprehensive – and extend to all suppliers and partners.

For its commitment to promoting sustainable forestry, Arvato AG received the Global 100 Eco-Tech Award at the 2005 Expo in Aichi, Japan – an honor only companies and organizations that have rendered outstanding services in the field of environmental technologies were eligible to receive. Only 100 Eco-Techs were awarded globally last year.



MARGARETA RENSTRÖM
European Co-ordinator, WWF Global Forest & Trade Network

“WWF believes that companies have the responsibility to ensure a healthy environment. To achieve this, the implementation of environmental policies is required, covering all relevant aspects of the company. Arvato and Random House have made strong efforts in procuring and promoting FSC paper. WWF congratulates Bertelsmann on these ambitions and encourages them to continue this good work in all affiliated companies. Since Bertelsmann companies have a great potential to positively influence both suppliers and peer companies, we urge Bertelsmann to use this influence by promoting environmental topics such as FSC paper.”

Arvato's Printer Portuguesa in Portugal has set the target of adding yet another qualification to the certifications it has already earned (ISO 14001 and 9001): It is in the process of becoming certified under OHSAS 18001, which specifies criteria for exemplary occupational health and safety management systems.

Environmentally, Arvato's printers are industry leaders among European printing operations. For instance, Mohn Media, a subsidiary of Arvato AG, is one of the few printers worldwide to have been FSC-certified for years. Having formulated environmental guidelines in the early 1990s, it is considered a pioneer in the industry. Mohn Media laid the foundation for ecological conduct that goes far beyond mere compliance with applicable laws. Employee involvement and motivation on the part of the company's customers and suppliers are considered key success factors.

Since 1993, Mohn Media has had its own combined heat and power (CHP) plant which runs on natural gas. It produces all the electricity, heat, and cold energy that the company requires. As a result, toxic emissions have been reduced by more than 50 percent.

In January 2005, Mohn Media's sister company, GGP Media in Pößneck, Thuringia, also received the coveted FSC seal and thus the right to affix the FSC label to its products.

Treviglio, North Italy, is the site of Arvato AG's largest investment to date: the state-of-the-art gravure printer Eurogravure. Here, too, extensive environmental aspects were considered in the early planning stages. Apart from having a CHP plant that operates at over 90 percent efficiency, emissions at Eurogravure are minimized to near zero thanks to the installation of a state-of-the-art solvent recovery unit.

Prinovis, the gravure venture jointly established by Arvato, Gruner + Jahr and Axel Springer AG, uses the latest environmentally sound processes – modeled on the clean example set by Prinovis Itzehoe (formerly Gruner Druck). In 2000, Gruner Druck became Germany's first printing operation to introduce an integrated quality and environmental management program, one that is being implemented at the company's Dresden plant as well. Quality and environmental reviews for compliance with the international norms ISO 9001 and ISO 14001 are continually implemented at Prinovis. The process-oriented management system developed by Prinovis Itzehoe resulted in a further optimization of waste water pre-treatment and additional energy savings, building on earlier efforts in 2004. All Prinovis locations have longstanding, proven and repeatedly revalidated environmental management systems. Prinovis' new plant in Liverpool, which goes into operation in 2006, is working towards ISO 14001 certification for its environmental management. Prinovis also recently passed a company-wide Environment and Quality Policy.

Gruner + Jahr Covers the Waterfront

The Gruner + Jahr printing and publishing company is Europe's leading magazine publisher.

Environmentally conscious management practice has always been a top priority for Gruner + Jahr – and for some 15 years has been a binding element in its corporate policy.

As far back as 1991, its Executive Board developed and implemented a binding environmental concept that has been continually updated and improved. Environmental Guidelines provide a framework for environmentally sound management. As the most important resource used at Gruner + Jahr, paper is at the center of the company's environmental policy. G+J favors ecological forestry papers and promotes innovative production methods. For instance, a high-quality paper consisting of one-third recycled paper was specially developed for GEO magazine. In 1991, G+J became the first major publisher to print a magazine on 100 percent chlorine-free paper. A year later, the company committed to publishing all its German magazines on this kind of paper. Gruner + Jahr's initiative inspired change throughout the industry – today, even glossy magazines are made from materials that are far less polluting than they were in the early 1990s. In fact, a lot has changed since those days. Back then, no one would ever have considered going for a swim in one of Germany's big rivers.

In 1997, Gruner + Jahr launched the “Lebendige Elbe” (“Living Elbe”) project in partnership with the Deutsche Umwelthilfe e.V. (DUH; German Environmental Aid). As a publisher with operations along the banks of the river Elbe, Gruner + Jahr was continuing its environmental efforts almost literally in its own backyard. By connecting more than 400 active conservation groups, a comprehensive protection program was developed for the Elbe, the river that used to divide East and West Germany. The long-term goal of the project is to place these unique natural and cultural landscapes under the international protection of UNESCO. Beyond providing financial

support, G+J facilitates the process with its communications know-how. The vision was clear from the project's outset in 1997: to restore the river Elbe – from its source in the Czech Republic to its North Sea estuary – to a state of cleanliness that would allow people to swim in it again without risk. The initiative transcends borders and to this day serves as an inspiring model for companies that do business along the Elbe. Citizens and communities alike responded positively to the idea of a “Living Elbe” and did their part to ensure that the ambitious goal was reached.

On July 14, 2002, an enthusiastic crowd of over 80,000 people in 55 cities of the Czech Republic and Germany celebrated the first international “Elbe Swim Meet,” initiated by G+J and the DUH. Some 5,000 people went for a swim in the newly clean waters of the river.

The Elbic enthusiasm proved so widespread that just three years later, on July 17, 2005, the first European river swim, the “Big Jump,” was celebrated to coincide with the second big Elbe Swim. More than thirty rivers including the Loire, the Ebro and the Danube, came alive as swimmers reveled in their clean waters.



Swim enthusiasts at the second Elbe Swim Meet on July 17, 2005 in Hamburg – wearing flag hats to show their solidarity with the more than 200,000 people who celebrated the first European River Swim.

Random House – Certified Environmentally Literate

With more than 9,000 new titles issued annually, Random House is the world's largest trade book publisher. The name Random House stands for preeminence in editorial quality and diversity and the publisher's books are increasingly being printed on FSC paper.

"Random House Germany has drawn up committed environmental guidelines that emphasize the company's sense of responsibility for protecting the world's forests," said Johannes Zahnen, WWF Germany's Corporate Cooperation and Forestry Policy representative, praising Verlagsgruppe Random House's outstanding dedication to the national environment.



"We are delighted to be working with Random House Group who are taking a lead within their industry in the responsible purchase and use of paper. Paper comes from trees and so this is important to a woodland conservation charity. In 2005, Random House contributed to the Trafalgar Woods project, enabling 400 children to join our 'woodland discovery' sessions and 1,000 trees to be planted. Such support is vital to us in our aim of engaging young people with our woodland. We look forward to further collaboration."

Since the end of 2005, all hardcover titles published by the group's imprints are printed on FSC paper. Random House's paperback publisher btb and the Luchterhand Collection became the first imprints in Germany to switch entirely to FSC paper, joined thereafter by their sister paperback houses Goldmann and Heyne. As the next step forward on their environmentally responsible path, in the first half of 2006, all paper used for black-and-white book production at Verlagsgruppe Random House is being replaced with FSC papers.

In the UK, Random House's London-based British division The Random House Group's commitment to sustainable forestry and FSC paper is a leading priority for the company, its staff and for its authors. The Group has joined the WWF UK Forest and Trade Network and in early 2006 became the world's first trade book publisher to be certified CoC by the FSC. Nick Cliffe, Director, FSC Working Group said:

"We are delighted with the news that the Random House Group has gained FSC certification, clearly demonstrating their commitment to using paper from well-managed forests. By taking this step they remain at the vanguard of sustainable paper procurement in the UK publishing sector and can offer independent assurance to all their readers that they support responsible management of the worlds' forests."

Random House UK's "Plant a Tree" program is another example of its commitment to and responsibility for the environment. Each year Random UK will set aside money for a flexible program to plant trees. In 2005, 1,000 trees were planted in tandem with The Woodland Trust and Anjala paper mill.



Verlagsgruppe Random House uses FSC paper.

Direct Group – An Environmentally Conscious Club

Direct Group has more than 35 million customer relationships in 22 countries all over the world. The company is by far Europe's biggest book vendor, making its environmental actions in everyday business especially relevant – even though Direct Group is not a producer of books. The environmental guidelines adopted by Direct Group in 2005 apply to all its companies and provide a binding framework: “We take responsibility for the environment,” “We try to use resources ecologically and efficiently,” “We promote environmental communication with members, customers, suppliers, employees, politicians and environmental organizations.”

Direct Group companies, particularly its book clubs, live up to this mandate in their procurement practices. Economic, quality and ecological considerations are always given equal weight when buying production material, mainly paper. The group's procurement policy takes its cue from sustainability aspects, whereby innovative processes play a vital role. A close dialog with suppliers is especially important. Direct Group underscores the importance of environmental protection throughout the procurement process, both inside and outside the company. Economic considerations and production-quality factors permitting, Direct Group strives to work with environmentally certified suppliers.

The company has developed a thorough sense of where it can be even more environmentally responsible in its handling of paper as a resource. Direct Group keeps paper use to a minimum. High-quality processes in the production of books play a key role here, enabling Direct Group to be very successful in minimizing the incidence of misprints. Another important field for Direct Group is just-in-time book production, which represents a responsible treatment of the ecologically valuable resource, paper.

Overview of Environmental Certifications

Arvato

- **GGP Media, Pößneck**
FSC CoC Certificate
- **Mohn Media, Gütersloh**
ISO 14001, EMAS, FSC CoC Certificate
- **Printer Portuguesa, Rio de Mouro**
ISO 14001
- **Sonopress, Hong Kong**
ISO 14001

Prinovis

- **Prinovis Ahrensburg**
EMAS
- **Prinovis Darmstadt**
EMAS
- **Prinovis Dresden**
ISO 14001
- **Prinovis Itzehoe**
ISO 14001
- **Prinovis Nürnberg**
EMAS

Random House

- **The Random House Group, London**
FSC CoC Certificate

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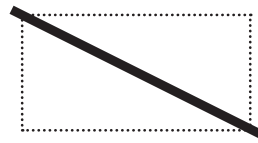
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