

Combined Non-Financial Statement 2018

Extract from the Annual Report

Dependent Company Report (Statement in accordance with Section 312 of the German Stock Corporation Act (AktG))

The Executive Board of Bertelsmann Management SE, as general partner of Bertelsmann SE & Co. KGaA, has submitted a voluntary report to the Supervisory Board of Bertelsmann SE & Co. KGaA in accordance with sections 278 (3) and 312 (1) of the German Stock Corporation Act, in which it outlines its relationships with affiliated companies for the financial year 2018. The Executive Board hereby declares that Bertelsmann SE & Co. KGaA received adequate consideration in return for each and every legal transaction under the circumstances known at the time the transactions were undertaken.

Combined Non-Financial Statement

The following information relates to Bertelsmann SE & Co. KGaA and the Bertelsmann Group ("Bertelsmann") with its incorporated, fully consolidated subsidiaries ("subsidiaries") in accordance with sections 315b and 315c of the HGB in conjunction with sections 289b to 289e of the HGB.

Bertelsmann operates in the core business fields of media, services and education in around 50 countries (cf. section "Company Profile"). Responsible conduct – in business, toward employees, in society and in dealing with the environment – is firmly anchored in Bertelsmann's corporate culture. In its corporate responsibility management, Bertelsmann pursues the goal of reconciling commercial interests with social and environmental concerns within the Group and beyond.

For the purpose of identifying relevant topics and describing concepts, the GRI Standards 2016 specified by the Global Reporting Initiative (in particular standards 102 and 103) were used to produce the Group Non-Financial Statement. In addition, voluntary CR-reporting based on the GRI Standards (2016; Option "core") will be published by the middle of the financial year.

Company Principles and Guidelines

The prerequisites for a corporate culture in which employees, management and shareholders work together successfully, respectfully and in a spirit of trust are common goals and shared values. These are enshrined in the corporate constitution and in the Bertelsmann Essentials. Furthermore, the Bertelsmann Code of Conduct – as a binding guideline – defines standards

for law-abiding and ethically responsible conduct within the company and toward business partners and the public. The sense of purpose embodied in the triad "To Empower. To Create. To Inspire." also provides orientation for the company's staff and partners.

Bertelsmann's actions are also determined by external guidelines. The company largely follows the recommendations of the German Corporate Governance Code for good and responsible corporate governance, and the OECD Guidelines for Multinational Enterprises. Bertelsmann is committed to the principles of the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the International Labor Organization core labor standards. Bertelsmann has been a signatory of the United Nations Global Compact since 2008.

Corporate Responsibility Management

Organization

The advisory body for the strategic development of corporate responsibility at Bertelsmann is the CR Council. The CR Council, which is made up of the Chief Human Resources Officer (CHRO) and representatives from the corporate divisions, focuses on the Group-wide CR objectives in line with the corporate strategy and the cross-divisional coordination of CR activities within the Group.

At the Group level, the Corporate Responsibility & Diversity Management department coordinates and supports the work of the CR Council in close cooperation with the other Group functions. Within the decentralized Bertelsmann corporate structure, the local management teams are responsible for implementing corporate responsibility through specific CR measures and projects. The corporate divisions and companies have their own structures and processes in place for this, in accordance with local requirements.

Topics

To identify key CR topics, Bertelsmann carries out regular CR relevance analyses. The current analysis was finalized in early 2018. For this analysis, the company conducted a survey of internal and external stakeholders. The external stakeholders estimated the impact of Bertelsmann's business activity on the topics, while the internal stakeholders assessed their business relevance. This made it possible to identify topics of relevance to Bertelsmann relating to environmental, social and employee matters, and respect

for human rights, anti-corruption and bribery matters. These topics are analyzed within the company boundaries, unless otherwise stated.

CR topics, including non-financial performance indicators, are not directly relevant to business, and are accordingly not part of Bertelsmann's value-oriented management system. Due to currently only limited measurability, no directly quantifiable statements can be made regarding relevant interdependencies and value increases for the Group. For this reason, the non-financial performance indicators are not used for the management of the Group (cf. section "Value-Oriented Management System").

Risks

A number of risks associated with CR topics is relevant for Bertelsmann. These risks can arise from the company's own business activities or from its business relationships, and can affect the company or its environment and stakeholders.

For the non-financial matters defined in the German Commercial Code – social and employee matters, anti-corruption and bribery matters, respect for human rights and environmental matters – no significant risks were identifiable as part of the 2018 reporting.

For more information on the relevant risks, please see the section "Risks and Opportunities."

Employee Matters

Motivated employees ensure long-term quality, innovation and growth. HR work at Bertelsmann is therefore based on the company's cooperative identity as codified in the corporate constitution and the Bertelsmann Essentials. Supplementary regulations are specified in the Bertelsmann Code of Conduct and the Executive Board guidelines on HR work. The CHRO is primarily responsible for dealing with employee matters within the company. He works closely with the HR managers from the corporate divisions who report directly to him via a dotted-line concept. The focus of his work includes setting the strategic HR agenda, continual development of company partnerships, aligning management development with the Group's strategic priorities, managing recruitment and compensation processes for key Group positions, and standardizing and providing IT support for important HR processes. In 2018, measures were taken to address the following topics.

Participation

Bertelsmann sees continual dialogue between employees and company management as a fundamental prerequisite to the company's success. Although Bertelsmann, as a media company, is free to determine its political direction as defined in the German Works Constitutions Act (Tendenzschutz) and therefore is not subject to statutory co-determination in the Supervisory Board, company employees nevertheless nominate five members to serve on the Supervisory Board of Bertelsmann SE & Co. KGaA on a voluntary basis: four of these are works council members and one is a member of the Bertelsmann Management Representative Committee. In addition, managers, general workforce, employees with disabilities and trainees all have platforms for exchanging ideas, advancing topics and voicing their concerns. The Bertelsmann Group Dialogue Conference is an event where the CEO, CHRO and members of the Corporate Works Council can exchange ideas. Employees are also involved in the development and improvement of working conditions through standardized HR interview tools (Performance and Development Dialogue, Agreements on Objectives, Team Talk), as well as Group-wide employee surveys. In 2018 the company pressed ahead on digitization and focus of employee surveys and made preparations for the next survey in 2019.

Learning

Highly trained employees are needed to overcome major challenges such as the Group's increasingly international focus, the digital transformation of media and services, and demographic change. By providing opportunities for lifelong learning, Bertelsmann helps to secure the long-term employability of its employees. With four different campuses – Strategy, Leadership, Function and Individual – Bertelsmann University is the central learning organization within the company. The most important measures implemented in 2018 included the further development of international programs in the areas of leadership, strategy and transformation, and formats on the topics of creativity and entrepreneurship. In addition to developing new HR programs, an international scholarship program in data science was introduced in 2018. Content of the training and courses offered by Bertelsmann in Germany was expanded to include new challenges in the workplace.

Diversity

For Bertelsmann, diversity of its workforce is a prerequisite for creativity, innovation and long-term business success. The Bertelsmann Diversity Statement adopted in 2018

also emphasized this stance. The diversity strategy is implemented by the Corporate Responsibility & Diversity Management department with support from a Group-wide working group. The focus is on “Gender,” “Generations” and “Nationality.” The Group Management Committee, which currently consists of 18 members (previous year: 17), includes 6 women (previous year: 6) and 7 nationalities (previous year: 6). To further increase diversity at the management levels, Bertelsmann has sought since 2017 to increase the percentage of women in the talent pools to one-third (Top Management Pool, Senior Management Pool, Career Development Pool). Additional topics are inclusion and sexual orientation and identity. As part of this initiative, work began in 2018 to create a Bertelsmann Inclusion Action Plan and to roll out diversity training courses.

Health

With a view to designing a health-promoting work environment and preventing work-related risks of disease, Bertelsmann is expanding a systematic health management system at German locations. Bertelsmann Health Management has been put in charge of supervising and coordinating the Germany-wide health strategy and associated activities, in conjunction with a cross-functional strategy group. The cross-divisional “Health Community,” which is comprised of health experts, works council chairs, Supervisory Board members, HR managers and representatives for employees with disabilities, plays a key role here. Through targeted networking, it also helps to reinforce uniform standards for all German locations. In 2018, another working group was created to accelerate the implementation of health management in the companies.

Fair Working Conditions

At Bertelsmann, remuneration issues are an essential part of the topic of fair working conditions. The policy is to establish consistent and transparent remuneration structures in the Group. The design of the compensation system is intended to ensure that remuneration is driven by market, function and performance, taking into account business-specific characteristics. Employee profit sharing in Germany is based on the same criteria as those used to calculate variable remuneration components for Executive Board members and executives. This includes Bertelsmann and subsidiaries based in Germany, with the exception of RTL Group and Gruner + Jahr. These and many foreign subsidiaries have similar success and profit-sharing models adapted to local requirements. In 2018, a total of €105 million of the 2017 profit was distributed as part of such schemes.

Social Matters

Corporate citizenship is one of the Bertelsmann Essentials and is thus firmly anchored in Bertelsmann’s corporate culture. As a good corporate citizen, Bertelsmann is committed to contributing to society and implemented measures in the following areas in 2018.

Creative Independence

Bertelsmann stands for editorial and journalistic independence as well as for freedom of the press and artistic license. Bertelsmann publishes a wide variety of opinions and positions. These basic principles for business activities are set forth in the Bertelsmann Code of Conduct. Bertelsmann interprets this independence in two directions: Inside the company, it means that our management does not attempt to influence the decisions of artists, editors and program managers, or to restrict their artistic or editorial freedom. In accordance with the Bertelsmann “Editor-in-chief Principle,” editorial decisions are the sole responsibility of the content managers. To the outside, this means that the company does not capitulate to political or economic influence in its coverage, and complies with existing laws regarding the separation of editorial content and commercial advertising. The result is that the company expects careful research and qualitative reporting, unaffected by fake news and online disinformation. In addition to the Bertelsmann Code of Conduct, many subsidiaries and their editors and creative departments in 2018 continued to implement their own statutes and rules to safeguard editorial and artistic independence in their day-to-day business and to develop these further where necessary. These statutes focus primarily on duties of care, respect for privacy, and dealing with the representation of violence and the protection of minors.

Content Responsibility

Bertelsmann reflects on the repercussions of the content it produces and distributes to protect the rights and interests of media users, customers and third parties as far as possible. Overriding principles and guidelines of media ethics are set by national and international laws governing the press, broadcasting and multimedia; by voluntary commitments to external guidelines such as the ethics codes of national press councils; and within the company by the Bertelsmann Code of Conduct and editorial statutes. In accordance with these principles and guidelines, Bertelsmann’s editorial staff are committed to, among other things, “respecting privacy and the responsible treatment of information, opinion and images.” In accordance with the “Editor-in-chief Principle,”

the responsibility for media content lies solely with the content managers in the local editorial teams and creative departments.

In the area of youth media protection, content is monitored at Bertelsmann in accordance with different restrictions for each medium and region to see if it could adversely affect the development of children or young people. In this case, various restrictions come into force, such as broadcasting time restrictions or content and/or product labels. Through voluntary labeling systems Bertelsmann sometimes goes beyond the existing European and national regulations, particularly in the broadcasting industry. Other specifications relating to content responsibility are agreed through supplementary statutes at divisional, company and editorial level.

Customer Data Protection

Bertelsmann attaches great importance to protecting customer data. This includes safeguarding the personal data of individual customers, as well as information about customers that is provided to Bertelsmann by its business partners. The objective of customer data protection is to protect an individual's right to determine who acquires what knowledge about them, and when. This also means that personal information, or information that could identify a person, must be handled in accordance with legal requirements and adequately protected against unauthorized access. In addition to the Bertelsmann Code of Conduct, customer data protection within the company is regulated by Executive Board guidelines on the topics of information security and IT risk management.

The Executive Board Guideline on Data Protection addresses the data protection framework conditions at Bertelsmann Group based on the European Union's General Data Protection Regulation (GDPR), which went into effect on May 25, 2018, and is designed to ensure consistent data protection management across the Bertelsmann Group. A data protection management system has been in place since 2017. It addresses in particular implementation of the documentation and accountability obligations under GDPR, as well as regulations concerning governance obligations.

Responsibility for customer data protection is decentralized and rests with the management of the individual subsidiaries. To ensure compliance with local laws governing customer data protection, the subsidiaries in Germany have a data protection organization consisting of central data protection officers and local data protection coordinators. The latter report to the local management, as well as annually or on an

event-driven basis to the central data protection officers, who in turn report to the Bertelsmann Executive Board. A similar organization exists in subsidiaries outside Germany. An information security management system (ISMS) based on industry-standard ISO 27001 creates the technical framework for confidential data processing. The ISMS features a regular and structured survey to ensure compliance with statutory information security requirements, a systematic recording of risks and the derivation of related mitigation measures.

Protecting Intellectual Property

Bertelsmann's businesses develop, produce, transfer, license, and sell products and services that are protected as intellectual property. For Bertelsmann, the protection of intellectual property rights is the foundation of its business success. For this reason, the company is committed to a high level of global copyright protection worldwide and in the digital world. The Group-wide Taskforce Copyright, with representatives from the relevant corporate divisions, supports current developments in copyright and summarizes its positions in the form of joint papers.

Respect for Human Rights

Through its corporate principles and its voluntary commitment to external guidelines, Bertelsmann is committed to respecting and protecting human rights within the company and in its business relationships. For this reason, the Bertelsmann Executive Board established an Integrity & Compliance program and appointed a Corporate Compliance Committee (CCC). The CCC submits an annual Compliance Report to the Bertelsmann Executive Board and the Audit and Finance Committee. The Integrity & Compliance (I&C) department was created to manage the ongoing day-to-day work and is subordinated to the CCC in the organization. I&C supports the CCC in fulfilling its tasks and makes suggestions for necessary improvements to the I&C program. I&C ensures that employees worldwide are made aware of the key legal provisions and internal company guidelines, including those concerning the respect for human rights, and it implemented the training and communication measures necessary for this in 2018.

Respect for human rights, also within the supply chain, is expressly stipulated by the Bertelsmann Code of Conduct and the Supplier Code of Conduct. This includes the ban on child and coercive labor and the ban on discrimination and intimidation, and it reaffirms the right to freedom of association and the right to engage in collective bargaining. In

addition, individual subsidiaries and Bertelsmann itself issued statements in 2018 in accordance with the “UK Modern Slavery Act” that condemn all forms of modern slavery, coercive and child labor, and exploitation and discrimination, and present measures to prevent these human rights violations. These statements are revised each year (if required). At Bertelsmann, violations of this principle may be reported by employees and by third parties via the reporting channels within the existing compliance management system.

In terms of anti-discrimination, contact persons for Germany’s “General Equal Treatment Act” (AGG) have been appointed at all German locations. Employees can contact them in the event of suspected breaches of said act. The employees are informed of their rights under the AGG and given corresponding training through a wide range of communication channels. The topic of anti-discrimination was addressed in a Group-wide e-learning program designed to build employee awareness of the issue and advise them of their rights. These activities were continually refined and expanded in 2018.

Anti-Corruption and Bribery Matters

Both the Bertelsmann Code of Conduct and the Bertelsmann Executive Board Guideline on Anti-corruption and Integrity expressly prohibit all forms of corruption and bribery. This prohibition also applies to all third parties that work for, with or on behalf of Bertelsmann, as stipulated in the Supplier Code of Conduct. Along with instructions for dealing with officials, and guidelines for the granting or accepting of gifts in the context of business relations, the Anti-corruption and Integrity Guideline prescribes appropriate due diligence processes in dealing with third parties. An appropriate due diligence review is carried out for each individual risk profile through a corresponding risk classification. This Executive Board guideline also describes the channels for reporting suspected violations and seeking advice, as well as other prevention and control measures. The Executive Board guideline for dealing with alleged compliance violations anchors an obligation to report suspected violations of the prohibition of corruption to the Bertelsmann Corporate Center. The topic of corruption prevention is globally managed and further developed by the I&C department. One of the most important measures in 2018 was advising and training executives and employees on anti-corruption and the continued Group-wide rollout of the new e-learning program on this topic conceived in 2017.

Fair Competition and Antitrust Law

Bertelsmann is committed to the principle of fair competition and condemns antitrust violations and anticompetitive behavior. The company acts against any contravention and consults internal or external experts on antitrust and competition issues. The Bertelsmann Executive Board has approved a “Group Guideline for Compliance with Antitrust Regulations.” There is an obligation to report any antitrust violations. The Corporate Legal Department offers antitrust training programs to corporate divisions and the management and employees of these divisions. A comprehensive compulsory training program for employees working in antitrust-related areas, which was also implemented in 2018, is intended to identify antitrust risks at an early stage and to prevent antitrust violations.

Environmental Matters

The Bertelsmann Environmental Policy and the Bertelsmann Paper Policy provide guidelines for Group-wide responsible use of natural resources and environmentally friendly energy and material procurement. The environmental commitment extends beyond the individual locations to the supply chain, in particular by selecting and influencing paper suppliers and energy firms. Operational responsibility for energy and environmental management, as well as for implementing measures, is decentralized and rests with the management of the individual companies. The international “be green” Working Group with representatives from the Bertelsmann corporate divisions again provided a platform for cross-divisional exchange on environmental topics in 2018. The cooperation will focus on increasing the use of paper from certified or recycled sources and reducing greenhouse gas emissions from the consumption of energy, heat and fuels. Experts from the “be green” Working Group also coordinate the annual collection of key environmental figures, which creates transparency about impacts on the environment and climate and Bertelsmann’s environmental performance, and enable the management to derive measures for improvement. In 2018, in parts of the Group, the annual environmental data collection was conducted for the first time with an IT-supported environmental platform, and preparations were made for a rollout in other divisions. The Group-wide environmental key figures are published on the Bertelsmann website.