

# Combined Non-Financial Statement 2019

Extract from the Annual Report

of €467 million in loans to affiliates and a decrease of €159 million in securities, on the other hand. Investments in affiliated companies increased due to the contributions to Bertelsmann Capital Holding GmbH, Gütersloh, in the amount of €500 million. Loans to affiliated companies decreased as a result of timely repayment of loans. The increase in receivables and other assets is largely related to the repayment of loans.

The equity increased by €398 million as a result of the net income of the reporting year, and decreased by €180 million as a result of distributions to shareholders. The increase in liabilities to €11,944 million (previous year: €11,767 million) includes liabilities to affiliated companies in the amount of €616 million. The decrease of €310 million in bonds and promissory notes is attributable to timely repayment of two promissory notes and a floating-rate note.

### Risks and Opportunities for Bertelsmann SE & Co. KGaA

As Bertelsmann SE & Co. KGaA is largely linked to the Bertelsmann Group companies, among other things through the financing and guarantee commitments, as well as through direct and indirect investments in the subsidiaries, the situation of Bertelsmann SE & Co. KGaA in terms of risks and opportunities is primarily dependent on the risks and opportunities of the Bertelsmann Group. In this respect, the statements made by corporate management concerning the overall assessment of the risks and opportunities also constitute a summary of the risks and opportunities of Bertelsmann SE & Co. KGaA (see the section "Risks and Opportunities").

### Outlook for Bertelsmann SE & Co. KGaA

As the parent company of the Bertelsmann Group, Bertelsmann SE & Co. KGaA receives from its subsidiaries dividend distributions and income or expenses from profit and loss transfer agreements, as well as income from services provided to its subsidiaries. Consequently, the performance of Bertelsmann SE & Co. KGaA is primarily determined by the business performance of the Bertelsmann Group (see the section "Outlook").

### 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 2019. 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 section 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 (see the section "Company Profile"). Responsible conduct – toward employees, in society, in business 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.

Identifying relevant topics and the concept descriptions in this non-financial statement are oriented toward the standards (2016) of the Global Reporting Initiative (102 and 103). In addition, voluntary reporting based on the GRI Standards (2016; in accordance: "core" option) 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 set forth in the corporate constitution as well as in the newly created Bertelsmann Essentials "Creativity and Entrepreneurship," which were introduced in 2019. 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.

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. A member of the United Nations Global Compact, Bertelsmann supports the Agenda 2030 of the UN.

## Corporate Responsibility Management

### Organization

The advisory body for the strategic development of corporate responsibility at Bertelsmann is the Corporate Responsibility (CR) Council. The CR Council, which is made up of the Chief Human Resources Officer (CHRO) and representatives from the corporate divisions, focuses on Group-wide CR topics 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 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. For each analysis, the company conducts a survey of internal and external stakeholders; the external stakeholders estimate the impact of Bertelsmann's business activity on the topics, while the internal stakeholders assess their business relevance. This makes 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 as well as environmental matters. These topics are analyzed within the company boundaries, unless otherwise stated. The CR relevance analysis of 2018 was confirmed in 2019.

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 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 (see the section "Value-Oriented Management System").

### Risks

A number of risks associated with CR topics are 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 2019 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, aligning management development with the Group's strategic priorities, Group-wide learning, standardizing and providing IT support for important HR processes, developing the corporate culture, and implementing corporate responsibility in the Group. In 2019, 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, the company nevertheless makes four

positions on the Supervisory Board of Bertelsmann SE & Co. KGaA available to employees on a voluntary basis; three 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. For example, the Bertelsmann Group Dialogue Conference is an event where the CEO, CHRO and members of the Corporate Works Council can exchange ideas. In 2019, cross-divisional work groups developed new dialogue formats for employee representatives and management groups, in order to further enhance social partnership. 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 2019, for the first time the international employee survey was conducted exclusively online.

## Learning

Highly qualified 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 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 2019 included the further development of international programs in the areas of leadership, strategy and transformation, and – in the context of focusing on our corporate values of creativity and entrepreneurship – formats on the topics of creativity, innovation and entrepreneurship. The three-year Udacity scholarship program, with around 50,000 scholarships, further strengthened the technology focus on the areas of data, cloud and artificial intelligence. In addition, the training and courses offered by Bertelsmann in Germany were continually expanded. New content was included, modern learning environments were created, and teachers were given suitable further qualification.

## Diversity

For Bertelsmann, the diversity and differences in its workforce are prerequisites for creativity, innovation and long-term business success. This is conveyed in the Bertelsmann Essentials. The diversity strategy is implemented by the Corporate Responsibility & Diversity Management department, with support from a Group-wide working group. The focus

is on the following dimensions: gender, disabilities, sexual orientation and identity, nationality and ethnic origin, as well as generational differences. The Group Management Committee, which at the end of 2019 consisted of 16 members (previous year: 18), included at that time six women (previous year: 6) and six nationalities (previous year: 7). To enhance diversity at the management levels, Bertelsmann aims to achieve the goal of having women occupy one-third of positions in top and senior management across all divisions by the end of 2021. To fulfil this target in top and senior management, the targeted proportion of women in the respective Group-wide talent pools was set at one-third, and was increased to 50 percent in the career development pool. These targets were reached in 2019 for all three talent pools. Furthermore, in 2019 the Bertelsmann Inclusion Action Plan (2019–2024) was rolled out in the German companies.

## 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, HR managers and representatives for employees with disabilities, plays a key role here. Through targeted networking, it also helps reinforce uniform standards for all German locations. In 2019, advising on health topics was expanded by testing workshop formats and analysis tools in selected Bertelsmann 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 at Bertelsmann and many of its subsidiaries in Germany is based on the same criteria as those used to calculate variable remuneration components for Executive Board members and executives. A number of additional subsidiaries in Germany and abroad have similar success and profit-sharing models adapted to local requirements. In 2019, a total of €116 million of the 2018 profit was distributed as part of such schemes.

## Social Matters

### 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 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, qualitative reporting and transparency in case of errors. Sound journalism creates a counterweight to fake news and online disinformation. In addition to the Bertelsmann Code of Conduct, many subsidiaries and their editors and creative departments in 2019 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." Cross-division verification teams provide their expertise in discerning between authentic and manipulated photos and videos, or those taken out of context. 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 area of audiovisual media. Other specifications relating to content responsibility are agreed to through supplementary statutes at the divisional, company and editorial level.

### Customer Data Protection

Bertelsmann attaches great importance to protecting customer data. This includes safeguarding the personal data of company customers, as well as personal data provided to Bertelsmann by its business partners regarding their customers. The objective of customer data protection is to protect an individual's right to determine who has what knowledge about the individual, 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 reflects the basic data-protection legal framework at Bertelsmann Group based on the European Union's General Data Protection Regulation (GDPR), and is designed to ensure consistent data protection management across the Bertelsmann Group. A Group-wide data protection management system addresses in particular the implementation of the documentation and accountability obligations under GDPR.

Responsibility for customer data protection rests with the management of the individual subsidiaries. To ensure compliance with data protection laws, 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 and organizational framework for confidential data processing. The ISMS features a regular and structured survey of relevant processes and procedures, to ensure compliance with statutory information security requirements, a systematic recording of risks and derivation, and control 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 fair competition in the digital market. The Group-wide Taskforces Copyright, with representatives from the relevant corporate divisions, monitor current developments in copyright and develop joint positions – for example, on EU copyright law.

## 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 2019.

Respect for human rights within the supply chain is also expressly stipulated by the Bertelsmann Code of Conduct and the Supplier Code of Conduct. This includes a ban on child and coercive labor and a 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 2019 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). Infringements of these principles can be reported by Bertelsmann employees and third parties by using the existing compliance management systems.

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 and other international activities were continually refined and expanded in 2019.

## 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 2019 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 that becomes known, 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 2019, is intended to identify antitrust risks at an early stage and prevent antitrust violations.

## Environmental Matters

Bertelsmann aims to become climate-neutral by 2030. This goal was adopted in December 2019 by the Executive Board, and is aligned with a Group-wide guideline adopted in the same year, the Bertelsmann Energy and Climate Policy. The Group-wide environmental efforts include not only the company’s own sites, but also relevant parts of the supply chain – for example, paper suppliers, external printers and energy suppliers. Operational responsibility for energy and environmental management, as well as for implementing measures, 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 2019. The cooperation will focus on increasing the use of paper from certified or recycled sources, and reducing greenhouse gas emissions related to the sites, mobility and products. Experts in the “be green” work group also coordinate an annual environmental survey, conducted Group-wide for the first time on the basis of an IT-based environmental platform.