

Corporate Governance at Bertelsmann

The pursuit of responsible corporate governance is part of the Bertelsmann identity, and an important element of its corporate culture.

Bertelsmann SE & Co. KGaA is a capital-market-oriented but unlisted company, and as such is not required to issue a declaration pursuant to section 161 of the German Stock Corporation Act stating that it complies with the recommendations of the German Corporate Governance Code. Nevertheless, the recommendations and suggestions contained in the German Corporate Governance Code, as amended on December 16, 2019, that entered into force on March 20, 2020, serve as guidelines for Bertelsmann SE & Co. KGaA. Deviations from the provisions of the German Corporate Governance Code relate primarily to Bertelsmann's shareholder structure, in particular to those recommendations and suggestions in the Code that apply mainly to publicly held enterprises with a larger number of shareholders.

Statutory Bodies of the Company

Bertelsmann's legal form is that of a Kommanditgesellschaft auf Aktien (KGaA) (partnership limited by shares). The statutory bodies of the KGaA are the General Meeting, the Supervisory Board and the general partner. The general partner serves as the management and representative body of the KGaA. In the case of Bertelsmann, this is Bertelsmann Management SE, a European stock corporation (Societas Europaea), represented by its Executive Board. Bertelsmann SE & Co. KGaA and Bertelsmann Management SE each have their own Supervisory Boards. The members of the Executive Board of Bertelsmann Management SE are appointed and monitored by the Supervisory Board of Bertelsmann Management SE (dual leadership structure). The Supervisory Board of Bertelsmann Management SE & Co. KGaA supervises the management of the business by Bertelsmann Management SE. The duties and responsibilities of the individual bodies are clearly defined in each case and are strictly separated from each other. Simultaneous membership in the Executive Board of Bertelsmann Management SE and the Supervisory Board of Bertelsmann Management SE & Co. KGaA is not permitted. The Bertelsmann boards are obliged to secure the continuity and independence of the company and to enhance the enterprise value in the long term through responsible and sustainable corporate management.

Closed Group of Shareholders

Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and BVG-Stiftung) indirectly hold 80.9 percent of

Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the General Meetings of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE. BVG is responsible for upholding the interests of the foundations invested in Bertelsmann and of the Mohn family as indirect shareholders in Bertelsmann SE & Co. KGaA, as well as ensuring the continuity of the company's management and Bertelsmann's corporate culture. BVG is controlled by a steering committee composed of three representatives of the Mohn family and three additional non-family members.

Corporate Management

Transparent structures and clear decision-making processes are characteristic for Bertelsmann's corporate management. The general partner, Bertelsmann Management SE, represented by its Executive Board, is responsible for independently managing the company. Its duties consist of determining the corporate objectives, the strategic direction of the Group, Group management, management training, and corporate planning and financing. The Executive Board provides the respective Supervisory Boards with regular, prompt and comprehensive reports on all matters that are relevant to business development and strategy implementation, planning, financial position and results of operations, and the risk situation and risk management. It ensures compliance with the provisions of law and corporate guidelines within the Group. The members of the Executive Board bear joint responsibility for the overall management. Matters of fundamental or material significance and matters concerning the spheres of responsibility of multiple Executive Board members are addressed by the overall Executive Board. Notwithstanding this overall responsibility, the individual members of the Executive Board manage their departments as part of the duties stipulated by the overall Executive Board. The Executive Board Chairman coordinates the cooperation within the Executive Board and between the Executive Board and the Supervisory Boards, and has regular consultation meetings with the chairs of the two Supervisory Boards. In addition, the Executive Board has established the Group Management Committee (GMC), which advises on important corporate strategy and development matters, and other issues that affect the Group as a whole. This committee currently has 17 members and includes members of the Executive Board as well as executives representing key businesses, countries, regions and select Group-wide functions.

The Supervisory Board of Bertelsmann SE & Co. KGaA supervises the management of the business by the general partner and uses its extensive information and control rights for this purpose. In addition, the Supervisory Boards advise the Executive Board on strategic matters and significant transactions. The Executive and Supervisory Boards work in close, trusting cooperation and are able to reconcile the demands of effective corporate governance with the need for rapid decision-making processes. Fundamental matters of corporate strategy and their implementation are discussed openly and coordinated in joint sessions. Any significant measures to be taken by the Executive Board are subject to the approval of the Supervisory Board. The Supervisory Board reviews the Annual and Consolidated Financial Statements, the Combined Management Report of Bertelsmann SE & Co. KGaA and the Group, and the proposal for the appropriation of net retained profits. It approves the Annual Financial Statements of Bertelsmann SE & Co. KGaA and the Consolidated Financial Statements, taking into account the results of the preliminary review conducted by the Audit and Finance Committee and the audit reports prepared by the auditor. The Bertelsmann SE & Co. KGaA and Bertelsmann Management SE shareholders exercise their rights and vote at the respective General Meetings. The General Meetings vote on matters such as amendments to the articles of association and the appropriation of net income, and elect the members of the respective Supervisory Boards. The members of the Executive and Supervisory Boards are obliged to serve the company's best interests in their work. For some time, the delegation of tasks to committees of experts has been an integral component of the Supervisory Boards' work at Bertelsmann. This increases the monitoring efficiency and advisory expertise of the Supervisory Boards. The Supervisory Board of Bertelsmann Management SE has formed a Personnel Committee and a Program Committee, and the Supervisory Board of Bertelsmann SE & Co. KGaA has formed an Audit and Finance Committee and the Working Group of Employee and Management Representatives. The tasks of a Nomination Committee were also assigned to the Personnel Committee, in which capacity it recommends to the plenary session of the Supervisory Board suitable candidates for the Supervisory Board, to be nominated at the General Meeting. The Program Committee, instead of the Supervisory Board, decides on the approval of the Supervisory Board to enter into program supply deals – for example, for feature films, series or sports rights. The Audit and Finance Committee of the Supervisory Board of Bertelsmann SE & Co. KGaA is also involved in financial reporting, the financial reporting process, and monitors the effectiveness of the risk monitoring and risk management system, the internal control system and the internal auditing system. One focus of the Audit and Finance Committee is a review of the Annual and Consolidated Financial Statements, a detailed discussion of the auditor's reports, and the

preparation of draft resolutions for submission to the plenary session of the Supervisory Board. Furthermore, the committee addresses issues relating to compliance, in particular the effectiveness and proper functioning of the compliance organization, as well as with the related topics of integrity within the Group and audits of the Non-Financial Statement. Other important topics of the Audit and Finance Committee are data protection and cybersecurity in the Group. These committees prepare the topics to be addressed during the plenary meetings of the Supervisory Boards. The committee chairs – or, where applicable, their representatives – then report to the plenary meetings on the work performed. The Supervisory Boards' decision-making powers have been transferred to the committees to the extent permitted by law. The breadth and range of responsibilities and tasks delegated to these committees are continuously reviewed through various evaluation processes. The appropriate size of the Supervisory Boards and the experience and professional expertise of their members, who are drawn from a broad range of industries and areas of activity, are key factors in the effectiveness and independence of the work carried out by the Supervisory Board and reflect the specific ownership structure at Bertelsmann. With the exception of Supervisory Board members who are also members of the Mohn family (Dr. Brigitte Mohn, Christoph Mohn, Liz Mohn) and the employee representatives on the Supervisory Board (Kai Brettmann, Günter Göbel, Christiane Sussieck) or the representative of the Bertelsmann Management Representative Committee (Ian Hudson, until April 30, 2020), the Supervisory Board considers all other members of the Supervisory Board (Prof. Dr. Werner Bauer, Dr. Thomas Buberl (until December 31, 2020), Bernd Leukert, Gigi Levy-Weiss, Hans Dieter Pötsch, Henrik Poulsen (from June 25, 2020) and Bodo Uebber) to be independent for the purposes of the German Corporate Governance Code. Accordingly, the Supervisory Board has an appropriate number of independent members among the shareholders. For details of the work of the Supervisory Board, please refer to the Report of the Supervisory Board (p. 152 ff.).

Diversity in Practice

At a global company like Bertelsmann, diversity within the workforce is a prerequisite for creativity and entrepreneurship, and therefore for the Group's long-term economic success.

Bertelsmann pursues the goal of further increasing staff diversity at all levels and in various facets. A Group-wide international working group has been tasked with promoting diversity within the Group (see "Combined Non-Financial Statement" within the Combined Management Report, p. 44 ff.). The focus of its efforts in 2020 – in addition to measures addressing disabilities as well as sexual orientation and identity – was on increasing gender diversity. As of

December 31, 2020, in the Group Management Committee, which represented six nationalities, six of the 17 members were women. To enhance diversity at the management levels, Bertelsmann aims to achieve the goal of one-third of positions in top and senior management across all divisions being occupied by women by the end of 2021. Through development measures within the talent pools and standardized talent management processes, Bertelsmann promotes the sustainable structure of a diverse talent pipeline. Targets were accordingly set for the talent pools – one-third for the top and senior management pool, and 50 percent in the career development pool. These targets were already successfully reached in 2019/2020. The Supervisory Board supports the goal of having equal representation of women and men in management positions.

Bertelsmann SE & Co. KGaA is an unlisted company and is not subject to parity codetermination. The “Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act” does not apply to the two Supervisory Board bodies. Nevertheless, Bertelsmann supports the goal of this legislation. Three of the 12 Supervisory Board members are women. Even though the Supervisory Board will not be setting a target quota for women on the Supervisory Board for the time being, the share of women in new appointments should not go down. When candidates are nominated for election as new members of the Supervisory Board, consideration is always given to the aim of increasing the proportion of female members or members from other countries.

Integrity & Compliance

Corporate responsibility, lawful behavior and acting with integrity toward employees, customers, business partners and government agencies are an integral part of our value system at Bertelsmann. Bertelsmann has always been committed to the principle of adhering to laws and has internal policies on the prevention of risks and their consequences.

To ensure compliance, the Executive Board has established a compliance organization and the Integrity & Compliance program. It oversees this program and ensures that it is continuously improved. The Supervisory Board Audit and Finance Committee monitors the effectiveness and proper functioning of the compliance organization. The Executive

Board established the Corporate Compliance Committee (CCC). Each year, the CCC submits an extensive report about compliance within the Group to the Executive and Supervisory Boards. It also provides ad hoc reports to the Executive and Supervisory Boards in the event of any significant compliance violations. The CCC is responsible for the effectiveness of measures designed to ensure compliance, and for promoting a culture of integrity and compliant conduct within the Bertelsmann Group. In particular, the CCC monitors investigations into compliance violations and the measures taken to prevent violations. The Integrity & Compliance department is responsible for the day-to-day work to ensure compliance, implementing Board-mandated compliance initiatives and managing the whistleblowing systems.

The Bertelsmann Integrity & Compliance program is based on the relevant standards for compliance management systems and helps mitigate risks in various ways. Its basic elements include, in particular, the Bertelsmann Code of Conduct, risk analysis, advice on compliance topics, and communication and training measures, whistleblowing systems that give not only employees but also third parties the opportunity to report misconduct in the company without fear of reprisal, and case management. It also includes additional measures in specific subject areas, such as anticorruption, antitrust law, foreign trade law and antidiscrimination.

The Executive Board has continuously developed and expanded Bertelsmann’s compliance structure and organization over time, including during the financial year 2020. In 2020, Code of Conduct training for employees continued. Additional training was offered on topics such as anti-corruption, antitrust law, foreign trade law, business partner compliance and antidiscrimination. Over the last few years, the interlinks between the compliance organization and the risk management system have been strengthened and the Supplier Code of Conduct has been approved. Guidelines on the compliance organization and the role of local Compliance Officers are continually implemented.

All reports of compliance violations received were investigated, and appropriate actions were taken.

Executive Board

Supervisory Board