

Report of the Supervisory Board



Christoph Mohn

Chairman of the Supervisory Board of Bertelsmann SE & Co. KGaA

Dear shareholders,

The global economic developments in the 2020 reporting period were shaped by the economic ramifications of the coronavirus pandemic. Due to the considerable economic repercussions of the crisis, growth was uneven in markets relevant to Bertelsmann. The European TV advertising markets recorded a significant decline, while the relevant streaming markets continued their strong growth. The relevant markets for printed books achieved positive growth overall, and the publisher sales of e-books and digital audiobooks climbed strongly in the United States and the United Kingdom. The magazine markets in Germany and France were characterized by declines in both print advertising and the circulation business, while the trends in the digital market showed a decline in Germany but stable development in France. A moderate decline was posted in the relevant music markets for publishing rights, but the recording market segment continued to grow. The service markets also showed sustained growth in sectors relevant to Bertelsmann, except for a decline in the market for IT services. The European printing markets showed further decline, with the offset printing markets again seeing more robust development than the gravure printing markets. The educational markets that are relevant to Bertelsmann, in contrast, continued to show sustained growth. In this diverse market environment, the Bertelsmann Group was able to completely offset the overall slight organic decrease in revenue through lower costs and to increase its operating result – including strategic building transactions – to over €3 billion. The growth businesses' contribution to Group revenues remained stable.

In the reporting period, the Supervisory Board of Bertelsmann SE & Co. KGaA again diligently fulfilled the duties incumbent upon it by law and under the articles of association and bylaws. Its members regularly advised and monitored the general partner, Bertelsmann Management SE, represented by its Executive Board, in the task of managing and directing the company's operations. This report covers the activities of the Supervisory Board of Bertelsmann SE & Co. KGaA. The activities of the Supervisory Board of Bertelsmann Management SE, which in turn serves as the Supervisory Board of the general partner of Bertelsmann SE & Co. KGaA, are not the subject of this report.

Advising and Monitoring the Executive Board of Bertelsmann Management SE

As part of its advisory and monitoring activities, the Supervisory Board of Bertelsmann SE & Co. KGaA was directly involved in important company decisions and transactions at an early stage, and discussed and reviewed these at length on the basis of reports from the Executive Board.

The general partner, represented by the Executive Board of Bertelsmann Management SE, provided the Supervisory Board with regular, prompt and comprehensive written and verbal reports on all significant issues of strategy, planning, business performance, intended business policies and other fundamental management issues. A wide range of topics and projects were presented for discussion at the meetings of the Supervisory Board. Reporting of the Executive Board concerned, but was not limited to, the position and development of the company, especially the current business and financial position, and material business transactions, particularly major planned investments and divestments. Instances where business performance deviated from official projections and targets were discussed in detail with the Supervisory Board, which reviewed these matters on the basis of the documentation submitted. The Supervisory Board regularly obtained information concerning financial debt levels. The Supervisory Board also focused on the risk situation and risk management. The internal control system, risk management system and internal auditing system were the subjects of regular reports and discussions. The Supervisory Board also received regular reports on corporate governance and compliance developments at Bertelsmann. The Executive Board and the Supervisory Board report jointly on corporate governance and compliance at Bertelsmann on pages 149–151. Another focus of the Supervisory Board's activities involved addressing management development and routine succession planning for the Executive Board.

Supervisory Board Plenary Meeting

In the plenary meetings, the Supervisory Board of Bertelsmann SE & Co. KGaA regularly heard reports from the Executive Board on the current business and financial position of the Group and of the individual divisions. They also heard reports on Group planning and material business transactions, particularly major planned investments and divestments. The Supervisory Board Chairman, who at the same time is the Chairman of the Supervisory Board of Bertelsmann Management SE, reported regularly and comprehensively to the plenary session of the Supervisory Board concerning the topics and the progress of the discussions of the Supervisory Board of Bertelsmann Management SE. The Supervisory Board was kept regularly informed of the status of the implementation of the Group's strategy by the Executive Board. The Bertelsmann SE & Co. KGaA Supervisory Board and the Bertelsmann Management SE Executive Board discussed fundamental issues of strategic Group development and modifications to the Group strategy. To the extent stipulated by law and the articles of association and bylaws, the necessary decisions were made during the plenary meeting. Starting in mid-March 2020, due to the special circumstances connected with the coronavirus pandemic, the meetings of the Supervisory Board and its committees were held via video or teleconference or as in-person meetings with the option to attend via video. In the financial year 2020, the Supervisory Board held four regular meetings and also met with the Executive Board for a strategy retreat. Two extraordinary meetings were also conducted.

The first meeting of the Supervisory Board, on January 30, 2020, focused on discussing the Group budget prepared by the Executive Board for 2020 and on the report of the current business and financial position. Subsequently, the Supervisory Board was updated on the implementation of the Group strategy, including the ongoing investment and divestment measures. Another topic of the meeting involved the Executive Board's deliberations concerning capital allocation and the funding of investments and acquisitions.

The next meeting of the Supervisory Board was called on short notice and – due to the coronavirus pandemic – was held via teleconference on March 16, 2020. The main agenda item was the approval of the Annual and Consolidated Financial Statements for 2019 and the Combined Management Report. At the recommendation of the Audit and Finance Committee and after discussion with the auditors PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), the Supervisory Board approved

the Annual and Consolidated Financial Statements for the financial year 2019 and the Combined Management Report of Bertelsmann SE & Co. KGaA. The proposal of the general partner for the appropriation of net income was also approved. Furthermore, the Supervisory Board resolved on its report for the Annual General Meeting and approved the Corporate Governance Report that it prepared together with the Executive Board for the financial year 2019. After conducting a public tendering process in the financial year 2019, the Supervisory Board, in its meeting of November 7, 2019, nominated KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, to the Annual General Meeting as new auditor for the financial year 2020. This nomination was based on the extensively substantiated recommendation and preference expressed by the Audit and Finance Committee.

The next meeting of the Supervisory Board was held, as scheduled, on March 26, 2020, but was conducted via teleconference due to the restrictions related to the coronavirus pandemic. The meeting focused on the current situation in the Group overall and the impact of the coronavirus pandemic on the individual Group businesses. The discussion addressed significant risks for the Group businesses and the Executive Board's priorities for action. The top priorities for action included protecting the employees, ensuring continued operations, securing liquidity, and exercising tight controlling and ongoing monitoring. The necessity of considerable cost reduction and countermeasures was also expressed during the plenary meeting.

As a result of the coronavirus pandemic, the next meeting of the Supervisory Board was extraordinary and conducted via video conference on May 29, 2020. The main topic again was a report of the Executive Board on the effects of the pandemic and the current situation in the Group in view of a considerable decline in advertising revenues in the months of April and May 2020. The Executive Board reported that the majority of the declining revenues were successfully being offset by means of cost-cutting measures. The Supervisory Board was able to form an impression of the altogether very successful crisis management being conducted.

In its meeting on July 9, 2020, the Supervisory Board was briefed again on the further development of the situation under the pandemic conditions at that time. Aside from that, the meeting focused on the presentation and discussion of strategic projects of RTL Group in Germany. A possible acquisition of the US trade book publisher Simon & Schuster by Penguin Random House was also discussed.

In the last Supervisory Board meeting of the financial year, on November 5, 2020, the Supervisory Board once again addressed the business and financial position of the Group and was updated on the status of planned investments and divestments. In addition, the Executive Board gave the Supervisory Board a report on the outlook for the overall financial year 2020.

The annual Strategic Planning Dialogue of the Executive Board and the Supervisory Board took place as part of the meeting of the Supervisory Board on November 5, 2020. The Supervisory Board was first updated on the status of strategy implementation and the progress made in the transformation of the Group portfolio since the last Strategic Planning Dialogue. Bertelsmann is still pursuing the strategic goal of being a faster-growing, more digital, more international and more diversified company, while also being less dependent on advertising. The Supervisory Board was satisfied that Bertelsmann has already made considerable progress toward this goal, both in the transformation of its Group businesses and in the corresponding improvement of its portfolio quality. As a result, the Group is well positioned – also in view of the fierce competition with global technology platforms. Nevertheless, the Executive Board still has an intense work schedule ahead of it. While focusing on data strategy, the deliberations showed that the application of new technologies and the utilization of data are crucial to Bertelsmann's future success. In this respect, the technology and data strategy is becoming an increasingly important part of Bertelsmann's Group strategy and serves the purpose of cultivating the Group into a leading user of new technologies in the media, services and education industries. In addition, the HR strategy has further evolved and constitutes a significant element in the successful implementation of the Group strategy. Based on the insights gained during the strategy retreat, the Supervisory Board believes that the Group is continuing to make very good progress.

The Supervisory Board Chairman maintained ongoing contact with the Executive Board outside the framework of Supervisory Board meetings, in particular with the Executive Board Chairman, in order to stay abreast of the current business situation and significant transactions. All Supervisory Board members attended at least half of the Supervisory Board meetings convened. No potential conflicts of interest arose on the Supervisory Board. The Supervisory Board discussed the standards set out in the German Corporate Governance Code and Bertelsmann's compliance with the code. A joint report by the Supervisory and Executive Boards of Bertelsmann Management SE on corporate governance within the company is provided on page 149 ff. of this Annual Report. As an unlisted company, Bertelsmann does not issue a formal declaration of compliance as per section 161 of the German Stock Corporation Act.

Supervisory Board Audit and Finance Committee

Within its sphere of responsibility, the Supervisory Board of Bertelsmann SE & Co. KGaA established the Audit and Finance Committee to perform its tasks efficiently. The Audit and Finance Committee has four members; the Chair of the Supervisory Board does not lead this committee. The Chair of the Audit and Finance Committee is Bodo Uebber. The German Corporate Governance Code stipulates that the Chair of the Audit and Finance Committee is independent as defined by the Code and has special knowledge and experience in the application of accounting standards and internal control procedures. All members of the Audit and Finance Committee are familiar with the sectors in which Bertelsmann SE & Co. KGaA operates.

In particular, and in accordance with its mandate for the reporting year, the Audit and Finance Committee discussed issues of corporate financing, the financial position of the Group, financial planning, fiscal policy and individual negative deviations of the performance of Group businesses from budgeted performance. The Committee also extensively addressed the accounting process and monitored the effectiveness and functional capability of the risk monitoring and risk management system, the internal control system and the internal audit system. It also requested regular reports from the Head of Corporate Audit and Consulting. An important topic in this regard concerned monitoring the effectiveness of the internal audit system in view of the limited possibilities for on-site auditing at the Group businesses during the coronavirus pandemic. The Head of Corporate Audit and Consulting provided regular reports on this matter to the Committee. Furthermore, the Committee addressed issues relating to compliance, in particular the effectiveness and proper functioning of the compliance management system. In this connection, the Committee heard reports on significant compliance-related events in the Group. In the financial year 2020, the Audit and Finance Committee also deliberated over the Group's fiscal policy and tax structure in relation to the two main functions of tax strategy and tax compliance.

In addition, the Audit and Finance Committee reviewed at length the implementation of the EU's General Data Protection Regulation (GDPR) at Bertelsmann, a process that has progressed well. During this part of the meeting, the Audit and Finance Committee was briefed on the further development of the data protection strategy, the status of its implementation and the structure of the data protection organization within the Group. An issue regularly addressed in the meetings of the Audit and Finance Committee was the situation and ongoing development of the Group's cybersecurity and IT security structure. The expansion of

cybersecurity is one of the top priorities in the Group. Thus, the “Basic Infrastructure Measures” (BIM) Initiative is at the core of the activities for improving the security level in the existing IT infrastructures.

The Committee focused on the auditing of the Annual Financial Statements and the Consolidated Financial Statements (see also the section “Audit of the Annual and Consolidated Financial Statements” below). The Audit and Finance Committee had already discussed the focal points of the 2019 audit with the auditor during the financial year 2019 and then finalized them in a Committee meeting at the end of August 2019. The key audit matters from the auditor’s report were also discussed with the auditor in advance during the Committee meeting held at the end of January 2020. The Chair of the Audit and Finance Committee regularly discussed with the auditor the provisional findings from the audit of the Annual and Consolidated Financial Statements for the financial year 2019; all members of the Audit and Finance Committee then also discussed these findings with the auditor in a teleconference that took place on March 10, 2020. The financial review meeting of the Audit and Finance Committee was held on March 16, 2020. The meeting was attended by the auditor, who was available to address the Committee members’ questions while the Annual Financial Statements documents and audit reports were discussed in detail. The findings of the auditor were reviewed in an internal audit of the Annual and Consolidated Financial Statements. The non-financial reporting of the Executive Board was also reviewed within the framework of the Combined Non-Financial Statement as a separate part of the Combined Management Report and by means of the Executive Board’s statement at the end of its voluntary report to Bertelsmann SE & Co. KGaA concerning the relationships to affiliated companies. In the financial review meeting of the Supervisory Board, the Audit and Finance Committee reported comprehensively to the plenary session concerning the audit of the Annual and Consolidated Financial Statements and the audit reports and related reviews; the Committee also proposed the corresponding resolutions.

Another important item in the work of the Audit and Finance Committee during the financial year 2020 was to support the transition of the audit engagement from PwC to the new auditor, KPMG. According to the Audit and Finance Committee, this transition process was well organized and ran smoothly and harmoniously. The global independence of KPMG was warranted upon its acceptance of the engagement.

In this role, the Committee also addressed the independence of the auditor and additional services performed by the auditor. There was no indication of grounds for bias or a risk to independence. A further topic in this context related to

monitoring the quality of the auditing process, concerning which the Audit and Finance Committee expressed its satisfaction with the quality.

The Audit and Finance Committee of Bertelsmann SE & Co. KGaA held three regular meetings during the 2020 reporting period, of which one was conducted in person, one via video conference and one via teleconference. Additionally, the Committee held two extraordinary teleconferences in the year under review. The Chairman of the Audit and Finance Committee or his representative continuously updated the plenary session of the Supervisory Board on the work of the Committee through regular reports. The corresponding department heads were represented during the discussion of individual agenda items. In addition, the Chair of the Audit Committee held individual meetings with the responsible auditor.

Audit of the Annual and Consolidated Financial Statements for the Financial Year 2020

KPMG AG Wirtschaftsprüfungsgesellschaft, based in Berlin, is the newly elected auditor for Bertelsmann SE & Co. KGaA and the Group, starting with the financial year 2020. The German Public Auditors responsible for signing the audit are, for the first time, Dr. Knut Tonne and Frank Thiele.

KPMG audited the Annual and Consolidated Financial Statements, prepared by the Bertelsmann Management SE Executive Board, and the Bertelsmann SE & Co. KGaA Group Combined Management Report, which is combined with the company’s management report, including the Combined Non-Financial Statement as a separate part of the Combined Management Report for the financial year from January 1 to December 31, 2020. Each report received an unqualified auditor’s opinion. The Annual Financial Statements were prepared in accordance with the German Commercial Code (HGB) and, as stipulated by section 315e HGB, the Consolidated Financial Statements of Bertelsmann SE & Co. KGaA were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The auditor was mandated by the Supervisory Board’s Audit and Finance Committee to audit the Annual Financial Statements and Consolidated Financial Statements in accordance with the Annual General Meeting resolution. The auditor performed the audit in observance of German accepted auditing principles established by the German Institute of Independent Auditors (IDW). The auditor was additionally instructed to audit the risk early-warning system at Bertelsmann SE & Co. KGaA, which it found to be satisfactory in terms of section 91 (2) AktG (German Stock Corporation Act) to early identify developments that may threaten the Company’s continued existence. The provisional results of key audit matters were discussed with the auditor in a video conference on March 10, 2021. The Annual Financial

Statements documents as well as the audit reports of the auditor were submitted to all members of the Supervisory Board by the specified deadline in advance of the financial review meeting. On March 26, 2021, the auditor attended the financial review meetings of both the Audit and Finance Committee and the plenary session of the Supervisory Board, where he gave an extensive report and answered questions. He was able to confirm that, in the course of the audit, no significant weaknesses had been identified in the accounting-related internal control system. The Audit and Finance Committee discussed the Annual Financial Statements documents and audit reports in detail. The findings of the auditor of the Annual Financial Statements were carefully reviewed in an internal audit of the Annual and Consolidated Financial Statements. The Audit and Finance Committee reported comprehensively to the plenary session of the Supervisory Board concerning the audit of the Annual and Consolidated Financial Statements and the audit reports.

On March 26, 2021, the plenary session of the Supervisory Board reviewed and discussed the Annual Financial Statements, Consolidated Financial Statements and Combined Management Report in detail, taking into account the recommendations of the Audit and Finance Committee and those contained in the audit reports and following further discussion with the auditor. The Supervisory Board concurred with the audit findings. After its own final scrutiny of the Annual and Consolidated Financial Statements and the Combined Management Report, the Supervisory Board – acting in accordance with the Audit and Finance Committee’s recommendation – raised no objections. The financial statements prepared by the Bertelsmann Management SE Executive Board were thus approved. Moreover, the Supervisory Board approved the Report of the Supervisory Board for the Annual General Meeting and the Corporate Governance Report, as well as its resolution proposals concerning the agenda items for the ordinary Annual General Meeting on May 6, 2021. The Supervisory Board has furthermore reviewed the Bertelsmann Management SE Executive Board proposal as to the amount of net retained profits for appropriation to shareholders, and concurs with said proposal. The amount of the dividend proposed by the Executive Board of Bertelsmann Management SE is appropriate, in the view of the Supervisory Board, in consideration of the level of net retained profits, the economic environment, the company’s economic situation and the interests of the shareholders.

Changes in the Executive Board of Bertelsmann Management SE and in the Supervisory Board, Objectives for the Composition of the Supervisory Board

The following personnel change took place in the composition of the Executive Board of Bertelsmann Management SE: Bernd Hirsch resigned his post as Executive Board member and Chief Financial Officer of Bertelsmann Management SE

effective December 31, 2020, in agreement with the Supervisory Board. The Supervisory Board sincerely thanks Mr. Hirsch for his service and regrets his departure. During his tenure, Bernd Hirsch made vital headway in the Group’s strategic development and the businesses of Arvato Financial Solutions and Arvato Systems. Dr. Rolf Hellermann was appointed as the new Chief Financial Officer on November 5, 2020, and took up his position on the Executive Board on January 1, 2021.

The financial year also saw the following changes to the Supervisory Board: On June 25, 2020, the Annual General Meeting of Bertelsmann SE & Co. KGaA elected Henrik Poulsen, then-CEO of the Danish energy company Ørsted, as a new member of the Supervisory Board, with immediate effect. Dr. Thomas Buberl resigned from the Supervisory Board of Bertelsmann effective December 31, 2020. The Supervisory Board would like to thank Dr. Buberl for the excellent and trusting cooperation. At present, all nine members of the Supervisory Board of Bertelsmann Management SE are also members of the currently 12-strong Supervisory Board of Bertelsmann SE & Co. KGaA.

The “Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act” does not apply to the Supervisory Board of Bertelsmann SE & Co. KGaA as it is an unlisted company. However, the Supervisory Board does support the aim of the act. From a strategic point of view, the Supervisory Board also aims to properly fulfill its monitoring and consulting function by ensuring diversity among its members. The Supervisory Board will not at this time, however, set any target quota for women on the Supervisory Board. It firmly believes that suitable measures have been taken within the company in the areas of succession planning, management development and the selection processes to ensure the equal participation of men and women on an ongoing basis. In the Supervisory Board, the aim is to ensure that the existing proportion of women will not be reduced when new members are appointed. Ideally, the backgrounds of new members will show links to Bertelsmann’s growth regions and markets. (See also the “Diversity in Practice” section in the Corporate Governance Report on page 150 f.) Apart from the three representatives of the Mohn family and the three employee representatives, the Supervisory Board of Bertelsmann SE & Co. KGaA consists exclusively of independent Supervisory Board members. The Supervisory Board recognizes the intention of the Government Commission on the German Corporate Governance Code in its call for a specification of targets for an age limit and a standard limit for length of service on the Supervisory Board. In view of Bertelsmann’s particular shareholder structure and the age limit regulations already contained in the company’s articles of association, the Supervisory Board does not feel

it is necessary or appropriate to introduce further or more extensive specifications on age limit and length of service at Bertelsmann.

Despite the unusual and very difficult challenges due to the coronavirus pandemic, the financial year 2020 ultimately was remarkably successful for the Bertelsmann Group. This was only possible through the tremendous joint effort of the Executive Board, executives and employees. The basis for this success was the exceptional, entrepreneurial management performance of the Executive Board and executives. The Supervisory Board wishes to express its special thanks and appreciation for this to all employees, all executives and the members of the Executive Board.

Gütersloh, March 26, 2021

A handwritten signature in black ink, appearing to read 'C. Mohn', written in a cursive style.

Christoph Mohn
Chairman of the Supervisory Board