

Corporate Governance at Bertelsmann

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

Bertelsmann SE & Co. KGaA is a capital market-oriented, unlisted company. The corporate governance of Bertelsmann SE & Co. KGaA largely follows the recommendations and suggestions contained in the German Corporate Governance Code (“Code”), the current version of which entered into force on April 28, 2022. Due to Bertelsmann’s closed group of shareholders, the company predominantly deviates from those recommendations and suggestions of the Code that are primarily aimed at publicly traded companies with a larger group of shareholders. Bertelsmann 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 Code.

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 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 and of Bertelsmann SE & Co. KGaA, respectively, 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

Four foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Familienstiftung, 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. Bertelsmann is committed to fulfilling its corporate responsibility and pursues high standards in this regard. To this end, Bertelsmann defines Group-wide ESG (environmental, social, governance) goals and incorporates them into management and decision-making processes.

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 includes 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. The organization and duties of the Supervisory Board of Bertelsmann SE & Co. KGaA are described in greater detail in the Report of the Supervisory Board. The work of the Supervisory Board in the 2023 financial year is also covered in the report. The members of the Executive and Supervisory Boards are obliged to serve the company's best interests in their work.

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 distribution of profit, and elect the members of the respective Supervisory Boards.

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. In the Bertelsmann Diversity, Equity & Inclusion Policy, the Bertelsmann Executive Board emphasizes its aim of further increasing diversity of staff at all levels and in every respect, and of creating general conditions that foster the appreciation and inclusion of employees and ensure equal opportunities.

An interdivisional and international working group consistently promotes diversity, equity and inclusion at all levels of the company (see "Combined Non-Financial Statement" within the Combined Management Report). The focus in 2023 – in addition to measures addressing disabilities as well as sexual orientation and gender identity – continued to be on increasing gender diversity. As of December 31, 2023, in the GMC, in which eight nationalities are represented, six of the 19 members were women. The proportion of female executives remained stable compared to the previous year, with 35 percent in top management and 36 percent in senior management. In 2023, the focus was on revising the target group definition for top management and senior management. This serves as the basis for reporting from 2024 onward. Through development measures within the talent pools and standardized talent management processes, Bertelsmann promotes the sustainable structure of a diverse talent pipeline. The targets set for the talent pools of 40 percent women in the top management pool and 50 percent women in the senior management and career development pool will be achieved for the 2023/2024 classes. The Supervisory Board and the Executive Board are notified annually of further development. 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 “Act to Amend the Rules Regarding Equal Participation of Women in Leadership Positions in the Private and Public Sector” does not apply to the two Supervisory Board bodies. Nevertheless, Bertelsmann supports the goal of this legislation. Five of the 15 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 the 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 confidentially 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, compliance by business partners and foreign trade law.

The Executive Board has continuously developed and expanded Bertelsmann’s compliance structure and organization over time, including during the 2023 financial year. Revised Code of Conduct training for all employees was rolled out in 2023. In addition, new training courses were offered in the areas of anticorruption and antitrust law. Activities in the area of compliance by business partners were further intensified in 2023, particularly in light of the requirements of the German Supply Chain Act. In 2023, the interlinks between the compliance organization and the risk management system were strengthened further. The Executive Board also adopted an updated version of the Supplier Code of Conduct. 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