

Report of the Supervisory Board



Christoph Mohn

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

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 personally liable 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 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 personally liable 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 obtained regular information concerning financial debt levels. The risk situation and risk management were also the focus of the Supervisory Board. The internal control system, risk management system and internal auditing system were the subjects of regular reports and discussions. The Supervisory Board also monitored and carefully followed corporate governance and compliance developments at Bertelsmann on an ongoing basis. The Executive Board and the Supervisory Board report jointly on corporate governance and compliance at Bertelsmann on pages 124–126.

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 as well as reports on Group planning and material business transactions, particularly major planned investments and divestments. The Supervisory Board was kept regularly informed of the status of the implementation of the Group's strategy. During a full-day meeting with the Bertelsmann Management SE Executive Board, the Bertelsmann SE & Co. KGaA Supervisory Board discussed fundamental issues of strategic Group development. To the extent stipulated by law and the articles of association or bylaws, the plenary meeting made the necessary decisions. Thus, the Annual and Consolidated Financial Statements of Bertelsmann SE & Co. KGaA, as well as the proposal of the personally liable partner for appropriation of net income, were thoroughly reviewed and approved in the Supervisory Board's financial review meeting in March 2016. In the financial year 2015, the Supervisory Board met for four meetings and one strategy retreat together with the Executive Board.

The first meeting of the Supervisory Board in January 2015 focused on discussing and passing resolutions concerning the Group budget for 2015. In addition, the Supervisory Board thoroughly addressed the strategy and business development of BMG.

At the next meeting in March, the Executive Board reported, among other things, on the progress that had been made in implementing the Group strategy. Other agenda items included

the Annual Financial Statements for 2014 and the associated discussions and resolutions. In addition, the Supervisory Board thoroughly addressed two investment proposals relating to the education segment and RTL Group. Mediengruppe RTL Deutschland was then the focus of the Supervisory Board's discussions as part of the routine reporting on key issues. In particular, the Supervisory Board addressed the general development of the video market and the TV advertising market as well as the digital strategy of Mediengruppe RTL.

As usual, the summer meeting of the Supervisory Board in July 2015 centered on the annual Strategic Planning Dialogue between the Executive Board and the Supervisory Board. The Executive Board presented the Supervisory Board with a strict strategy for the transformation of the Group, setting out clear strategic priorities. This enabled the Supervisory Board to form an opinion on the status of the transformation of the Group portfolio into a more rapidly growing and more digital and international portfolio and, in this connection, to establish that the company has made significant progress in implementing Group strategy. At the July meeting of the Bertelsmann Supervisory Board, the acquisition of the remaining shares and thus the full acquisition of Prinovis was approved, meaning that a full restructuring of the Bertelsmann print businesses, which are now bundled in the Bertelsmann Printing Group, could go ahead.

The topics discussed at the last Supervisory Board meeting in the financial year, held at the end of October 2015, included the following: the progress made with strategy implementation; the restructuring of the Bertelsmann print business, as mentioned above, which was welcomed by the Supervisory Board with the establishment of the Bertelsmann Printing Group; and the discussion of RTL Group's sports rights strategy. Another report concerned the service business of Arvato CRM (Customer Relationship Management). The new growth strategy of the business was presented and discussed.

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 addressed the German Corporate Governance Code and Bertelsmann's compliance therewith. A joint report by the Supervisory and Executive Boards of Bertelsmann Management SE on corporate governance within the company is provided on page 124f. of this Annual Report. As a non-listed 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 six members, while the Chair of the Supervisory Board does not lead this Committee. The German Corporate Governance Code stipulates that the Chair of the Audit and Finance Committee, Dr. Karl-Ludwig Kley, is independent for the purposes of the Code requirements and has special knowledge and experience in the application of accounting standards and internal control procedures. In particular, and in accordance with its mandate, the Audit and Finance Committee discussed issues of corporate financing, financial planning and development, fiscal policy, improvement of the internal control system, and compliance within the Group, in particular the compliance structure, as well as any negative deviations of business performance from budgeted performance. Moreover, the Audit and Finance Committee discussed how to manage risks to the Group's reputation and the issue of integrity within the company.

In addition, the Committee focused on the further development of IT governance within the Group. A further focus was the auditing of the Annual Financial Statements and the Consolidated Financial Statements of the reporting period at the start of 2016. In this role, the Committee also addressed the independence of the auditor and the additional services performed by the latter. The Audit and Finance Committee discussed the provisional findings from the audit of the Annual and Consolidated Financial Statements in depth in a conference call with the auditor before the actual financial review meeting. Also in a conference call, the 2015 Interim Report was extensively discussed with the Committee prior to publishing in August 2015. In the reporting period, the Committee also thoroughly examined the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system; it also requested regular reports from the Head of Corporate Audit and Consulting. The Audit and Finance Committee of Bertelsmann SE & Co. KGaA met four times and held two conference calls during the reporting period 2015.

Working Group of Employee Representatives on the Supervisory Board

In addition to the Audit and Finance Committee, the Supervisory Board also established the Working Group of Employee Representatives on the Supervisory Board. This Committee facilitates

the Executive Board's dialogue with employee representatives on the Supervisory Board about issues of corporate culture and current topics of general significance for employees as well as the preparation and discussion of matters that are relevant to the Supervisory Board. The creation of this Working Group is indicative of the special corporate culture at Bertelsmann, which promotes active partnership, and this idea has proven highly productive in practice. The meetings of this Working Group were chaired by Ms. Liz Mohn. The Working Group of Employee Representatives on the Supervisory Board met four times in the financial year 2015.

Audit of the Annual and Consolidated Financial Statements

PricewaterhouseCoopers AG, Frankfurt, audited the Annual and Consolidated Financial Statements produced by the Bertelsmann Management SE Executive Board as well as the Bertelsmann SE & Co. KGaA Group management report, which is combined with the company's management report, for the financial year January 1 through December 31, 2015, each of which received an unqualified auditor's opinion. The Annual Financial Statements were produced in accordance with the HGB (German Commercial Code) and the Consolidated Financial Statements of Bertelsmann SE & Co. KGaA were produced in accordance with the International Financial Reporting Standards (IFRS) as applicable in the European Union in line with section 315a HGB. The Supervisory Board's Audit and Finance Committee mandated the auditor of 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). The auditor of the Annual Financial Statements promptly submitted the audit reports and the other financial statement documents to all members of the Supervisory Board by the specified deadline in advance of the financial review meeting. On March 18, 2016, the auditor attended the financial review meetings of both the Audit and Finance Committees 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 Statement 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.

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 – has raised no objections. The financial statements produced by the Bertelsmann Management SE Executive Board are thus approved. Moreover, the Supervisory Board approved the report of the Supervisory Board at the Annual General Meeting as well as the Corporate Governance Report and its resolution proposals concerning the agenda items for the ordinary Annual General Meeting in May 2016. 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 Group profit and the economic environment, the company's economic situation and the interests of the shareholders.

Membership Changes in the Bertelsmann Management SE Executive Board and Supervisory Board

The business of Bertelsmann SE & Co. KGaA has been managed by its personally liable partner, Bertelsmann Management SE, represented by its Executive Board. The past financial year saw the following changes to the Executive Board of Bertelsmann Management SE: On November 28, 2014, Dr. Immanuel Hermreck was appointed as a member of the Executive Board of Bertelsmann Management SE and took up his position on January 1, 2015. Mr. Achim Berg left the Executive Board by mutual agreement on July 12, 2015. His successor on the Executive Board was Mr. Fernando Carro de Prada, the new Arvato CEO. On July 9, 2015, Mr. Carro de Prada was appointed as a member of the Executive Board with effect from July 13, 2015. On January 26, 2016, Mr. Bernd Hirsch was appointed as a member of the Executive Board to take over the position of Chief Financial Officer effective April 1, 2016.

The reporting period saw the following changes to the Supervisory Board: With the end of the ordinary Annual General Meeting of Bertelsmann SE & Co. KGaA, the terms of office of Messrs. Professor Werner Bauer, Dr. Wulf Bernotat, Christoph Mohn, Hartmut Ostrowski, Lars Rebien Sørensen and Ms. Elisabeth Mohn came to an end. The Annual General Meeting in May 2015 saw the re-election of Professor Bauer, Dr. Bernotat, Mr. Mohn and Ms. Mohn as members of the Supervisory Board. Mr. Gigi Levy-Weiss was also elected to the Supervisory Board. The Supervisory Board would like to thank Mr. Ostrowski and Mr. Sørensen for many years of excellent and trusting cooperation. At present, all eleven members of the Supervisory Board of Bertelsmann Management SE are also members of the currently 16-strong Supervisory Board of Bertelsmann SE & Co. KGaA.

The global economy posted moderate growth in 2015. The TV markets in the core European countries also grew. While the development of English-, German- and Spanish-language markets for printed books was stable or increasing, e-book publishing revenues in the United States declined. The magazine markets in Germany and France were characterized by declining advertising and circulation business. The music

markets for publishing rights grew slightly. The service markets showed an ongoing positive trend. The decline in the European print markets continued in the gravure printing segment in particular. Overall, the relevant education markets in the e-learning, online services and university education segments posted strong growth. The Bertelsmann Group achieved a good operating result and an adequate return on sales with moderate revenue growth. Furthermore, the share represented by growth businesses was increased in the financial year 2015.

The Supervisory Board expresses its deep gratitude and appreciation for the good work of the Executive Board in the financial year 2015 and would like to thank all executives and employees for their commitment and achievements.

Gütersloh, March 18, 2016



Christoph Mohn
Chairman of the Supervisory Board