The Bertelsmann Health Business Case

Gero Hesse, Senior Vice President Human Resources Bertelsmann Enterprise for Health Management Conference 2008
Agenda

1. Bertelsmann in a nutshell
2. Strategic Health Management for Bertelsmann
3. The „classic“ way: number crunching
4. The Bertelsmann way
First-class media content and services
Worldwide leading positions in the core businesses TV, books, magazines, media clubs and media services

Creativity and entrepreneurship
A magnet for creative and entrepreneurial talent

Internationality
A globally active media company with more than 100,000 employees in more than 50 countries

Corporate culture
Partnership as the foundation of entrepreneurial success
## Organization

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hartmut Ostrowski</td>
<td>Chairman &amp; CEO</td>
<td>Direct Group</td>
</tr>
<tr>
<td>Rolf Buch</td>
<td></td>
<td>Arvato</td>
</tr>
<tr>
<td>Bernd Kundrun</td>
<td></td>
<td>Gruner + Jahr</td>
</tr>
<tr>
<td>Markus Dohle</td>
<td></td>
<td>Random House</td>
</tr>
<tr>
<td>Thomas Rabe</td>
<td>CFO</td>
<td></td>
</tr>
<tr>
<td>Gerhard Zeiler</td>
<td></td>
<td>RTL Group</td>
</tr>
</tbody>
</table>
The Bertelsmann Essentials convey the goals and basic values of our company’s employees, executives and shareholders and are based on the Corporate Constitution. It is the responsibility of our executives to spread and exemplify these values and to serve as role models. The Bertelsmann Essentials reflect the current status of consensus and are subject to constant review, revision and improvement.
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1. Bertelsmann in a nutshell
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Philosophy of Bertelsmann’s strategic Health Management

Bertelsmann Essentials

- Partnership
- Entrepreneurship
- Creativity
- Citizenship

Vision:

Create awareness within the group of the decision makers regarding Corporate Health Management. Make sure, executives understand and take responsibility.

Mission:

Healthy Employees = Healthy Company

Products and Services, e.g.:

- Check Ups For All
- Sport Programs
- Workplace Security
- Executive Check Ups
- Non Smoking Programs
- Fitness days
- Flu Protection
- Age Structure Analyses
- Healthy Nutrition
- Flu Protection
- Screenings at the BKK
- Mental Health Consulting
- Ergonomics
Central development of strategic Health Management

Corporate Health Management Coordination

<table>
<thead>
<tr>
<th>Medicine</th>
<th>Sport</th>
<th>Prevention</th>
<th>Mental Health</th>
<th>Training</th>
</tr>
</thead>
</table>
| • Check Ups
• Reintegration Management
• Ergonomics
• First Aid
• Inoculation
• ... | • Organization of Sports programs
• Support for decentral locations
• Sports services
• Offers for certain target groups
• ... | • Smoking
• Nutrition
• Screenings
• Influenza
• Avian Flu
• ... | • Consultation for Individuals
• Consultation for organizational entities
• Mediation
• Leadership
• ... | • Life Long Learning
• Integration of Health Topics in Teamlead-Trainings
• Health and Fitness for apprentices
• ... |

- Coordination of Bertelsmann “Health Circle”
- Yearly Bertelsmann “Health Report”
- Coordination of decentral “Health Ambassadors”

Strategic Health Management
Decentral implementation of strategic Health Management

<table>
<thead>
<tr>
<th>Central tasks, e.g.:</th>
<th>But: decentral organization structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roll Out Sports Program</td>
<td>Decentral Decision Making</td>
</tr>
<tr>
<td>Roll Out Check Ups</td>
<td>Decentral Budgets</td>
</tr>
<tr>
<td>Roll Out Trainings “Life Long Learning”</td>
<td></td>
</tr>
</tbody>
</table>

Health Ambassadors for each Company

- Multiplier for decentral companies
- Participants in company-wide “Health Circle”
- Implementation of Health Topics within the companies with central support

Each Bertelsmann location has a Health Ambassador
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Due to the demographic change, the age structure of Bertelsmann* will change significantly over the next years.

Expectet development 2006 to 2015:
- Increase of > 50 year olds from 20 % to 43 %
- Increase of average age from 41 to 48 Jahre

Assumptions:
- Constant number of employees
- Employees retire with 67
- For each retirement a new, 20 year old employee will be hired

Source:
- SAP-HR

* Bertelsmann Germany without G+J, RTL and Prinovis
The increased average age will lead to a dramatically higher costs for disability days.

Disability days for Bertelsmann BKK insured persons in 2004

<table>
<thead>
<tr>
<th>Age</th>
<th>&lt;20</th>
<th>20-24</th>
<th>25-29</th>
<th>30-34</th>
<th>35-39</th>
<th>40-44</th>
<th>45-49</th>
<th>50-54</th>
<th>55-59</th>
<th>60-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>BertelsmannBKK</td>
<td>6</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>9</td>
<td>11</td>
<td>13</td>
<td>17</td>
<td>20</td>
<td>20*</td>
</tr>
</tbody>
</table>

Increased costs for disability days

<table>
<thead>
<tr>
<th>Company</th>
<th>2006 %</th>
<th>2015 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bertelsmann**</td>
<td>100 %</td>
<td>124 %</td>
</tr>
<tr>
<td>Mohn Media</td>
<td>100 %</td>
<td>122 %</td>
</tr>
<tr>
<td>Der Club</td>
<td>100 %</td>
<td>113 %</td>
</tr>
<tr>
<td>Corporate Center</td>
<td>100 %</td>
<td>122 %</td>
</tr>
<tr>
<td>arvato services</td>
<td>100 %</td>
<td>126 %</td>
</tr>
</tbody>
</table>

* Estimated since most of the employees in this age are currently in retirement
** Bertelsmann Germany without G+J, RTL, Prinovis
The cost for disability days in 2007 justifies all investments in Health Topics – and more!

**Cost**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disability days in 2007, Bertelsmann Germany:</td>
<td>298,954 days</td>
</tr>
<tr>
<td>Assumption: cost for an average disability day*:</td>
<td>200 Euro</td>
</tr>
<tr>
<td><strong>Amount for disability cost Bertelsmann Germany 2007:</strong></td>
<td>59 Million Euro</td>
</tr>
</tbody>
</table>

**Investment**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Health Topics, Bertelsmann Germany 2007:</td>
<td>1,7 Million Euro</td>
</tr>
<tr>
<td>Assumption: due to strategic Health Management, 5% of disability days can be saved in 2008</td>
<td>5,979 days</td>
</tr>
<tr>
<td><strong>Estimated cost savings Bertelsmann Germany 2008:</strong></td>
<td>2,9 Million Euro</td>
</tr>
<tr>
<td><strong>Estimated net savings due to Corporate Health Management:</strong></td>
<td>1,2 Million Euro</td>
</tr>
</tbody>
</table>

**But: Do you believe in the 5 %?**

* Based upon findings of German BKK insurance organization; full cost assumption 300 Euro
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At Bertelsmann, the employee survey is the key driver for the Health Business Case

Advanced statistical methods, in particular structural equation models

• allow one to see the **big picture**, looking at the relationships between all questions/factors and the relative importance of each of them. This is superior to correlation studies.

• indicate a **causal direction**.

• are **multilayered**; they visualize causal chains.

• as a **psychogram of employees** they reveal more of health-related influence than employees themselves are aware of.
Main drivers for perceived Health Protection*

1. Work Autonomy
2. Job Security
3. Work Schedule

- Clarity and Transparency, Job Security $R^2 = .24$
  - Effective orientation to job
  - Company having a clear mission & business strategy
  - Job security

- Autonomous Decision Making, Responsibility $R^2 = .48$
  - Use of one's skills & abilities in job
  - Freedom in making decisions to get job done

- Work Schedule $R^2 = .14$
  - Delegation
  - Consideration of employee's opinion in decisions
  - Recognising good performance
  - Discussing performance objectives

- Health Protection $R^2 = .62$
  - Protection from work-related health issues
  - Physical working conditions
  - Work-life balance

*Source: Bertelsmann Employee Survey 2002 with > 50,000 participants
Leadership Style strongly correlates with perceived Health Protection

The graphs indicate the percentage of employees responding positively to the item: "Protection from work-related health issues".

- * Employees indicating they are consistently overworked.
- ** Employees indicating they are satisfied with their workload.

*Source: Bertelsmann Employee Survey 2002 with > 64.000 participants
Main drivers for Identification with Job and Company*:

*Source: Bertelsmann Employee Surveys 2002 and 2006: Structural Equation Model on Identification
Greater employee identification correlates with sickness and leaving rates

<table>
<thead>
<tr>
<th>Sickness rate (%)</th>
<th>Bottom 25%</th>
<th>Average</th>
<th>Top 25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee identification due to participatory leadership</td>
<td>146% (+46%)</td>
<td>100% (-29%)</td>
<td>71%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Termination of contract by employee (%)</th>
<th>Bottom 25%</th>
<th>Average</th>
<th>Top 25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee identification due to participatory leadership</td>
<td>144% (+44%)</td>
<td>100% (-29%)</td>
<td>71%</td>
</tr>
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*Source: Bertelsmann Employee Survey 2006 with > 85,000 participants*
Employee Survey 2002: Partnership culture and identification boost financial result

*Source: Bertelsmann Employee Survey 2002: Analysis of 163 major Bertelsmann companies worldwide*
Employee Survey 2006 underlines the effect of Partnership and Identification on Financial Results

*Source: Bertelsmann Employee Survey 2006: Analysis of 91 major Bertelsmann companies worldwide*
Corporate Health Management at Bertelsmann has its fundament in the Partnership Culture

Bertelsmann Essentials

Partnership

Entrepreneurship

Creativity

Citizenship

Vision:

Healthy Employees = Healthy Company

Create awareness within the group of the decision makers regarding Corporate Health Management. Make sure, executives understand and take responsibility

Mission:

Check Ups For All

Sport Programs

Workplace Security

Non Smoking Programs

Fitness days

Executive Check Ups

Healthy Nutrition

Flu Protection

Age Structure Analyses

Ergonomics

Screenings at the BKK

Mental Health Consulting

Products and Services, e.g.:
Thank you very much!

Questions are welcome...