

+Babbel

Sustainability Report



Fiscal Year 2021

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Dear Babbel Community,

We are so excited to share our first Environmental, Social, and Governance (ESG) Report with you. Since our company began, Babbel has perceived itself as a learning company and a company that focuses on empowering our employees and learners alike. We believe strongly in our commitment to equity, diversity, and inclusivity and adapt it not just in our product, but also in the way we engage with our learners and the communities around us. We have always done this, independent of B-Corp trends or ESG reports, because it is in the DNA of the company. From our founders to our current management team, we believe the centering of ESG principles is the right way to run a company.

Our main ESG contribution remains our core business. The millions of Babbel learners successfully learning and applying a foreign language is a critical social good and the biggest contribution that Babbel makes to the world. The “Social,” or “S,” is our business — it informs what we do every single day. Beyond our core business, however, we take seriously the implementation of policies, practices, and programs that reduce our environmental footprint, positively impact the communities in which we operate, and build an equitable and accountable workplace.

While the 2020 COVID-19 pandemic was an unprecedented challenge across societies and sectors, 2021 offered continued global challenges, from the ongoing pandemic to political turmoil to employment and financial crises to the increasingly dramatic impacts of climate change. As the pandemic evolved, so, too, did our policies around work flexibility and mental health benefits, and our approach to fostering a culture of belonging and collaboration. While challenging, 2021 was also a landmark year for us commercially and in the breadth of our impact, as we moved from a single function app to a multiproduct ecosystem. With our platform expansion, we grew in our ability to meet our learners’ individual learning needs and to impact their learning goals, empowering more learning and more connections, across more geographies.

The year 2021 also saw an expansion of our Environmental, Social, and Governance initiatives. We implemented new green initiatives in both of our offices and continued our longstanding initiatives, such as the Berlin office’s reliance on 100% renewable energy. We developed and implemented concrete DE&I guidelines across workflows and saw our first product informed by these guidelines in a robust Voice Talent Database survey. We upgraded our legal entity structure from GmbH to AG and implemented stronger governance with a supervisory board. Not to mention, we are fully gender balanced across that supervisory board, as well as on our management board and throughout the broader company.

Our shareholders committed 1% of the share capital to social good/impact initiatives and we created a Babbel impact team to empower the actualization of grassroots initiatives within the company.

We’ve always held ourselves to higher standards. As a learning company, a company that believes in empowerment and understanding, this ESG focus is not new to us. While this is our first public report, it is content we have long prioritized internally. In making our information public, we are committing to regular, transparent reporting and being honest with our stakeholders about where we are excelling and where we can improve.

We are honored to start this journey of learning and growing with you. I thank you for your continued interest, support, and inspiration.

Regards,

A handwritten signature in dark blue ink, consisting of a stylized 'A' followed by a cursive 'S' and a trailing flourish.

Arne Schepker,
CEO

About Us

Babbel develops and operates an ecosystem of online language-learning experiences. Access to this ecosystem is offered as a subscription via the Babbel app and website to private customers and to business customers for employee training and development or as an employee benefit. Babbel's subscriptions allow learners to choose from a variety of learning experiences ranging from lessons and reviews, to podcasts, to live teacher-led classes.

The Babbel ecosystem encompasses: 1. different learning experiences, from self-paced lessons, to audio resources, to live teaching in virtual small-group sessions, 2. different proficiency levels, from beginners to more advanced learners, and 3. different motivations, goals and contexts, from travelers to learners keen to further their careers, to those with a desire for continuous self-improvement.

While we offer free lessons for each language so users can try before they buy, we do charge for our subscriptions rather than relying on other business models, such as in-app advertising. Aligning incentives was a conscious decision from our founding, so that we focus on making the best possible product for our users. We offer a range of pricing options based on subscription length, geography, and platform.

Since its founding in 2008, Babbel has strived to be a good corporate citizen, implementing policies, practices, and programs that reduce our environmental footprint, positively impact the communities in which we operate, and build an equitable and accountable workplace.

Babbel is headquartered in Berlin, Germany with an office in New York, NY, U.S.



“ From the beginning, I wanted Babbel to be a company that everybody could use to learn a new language. We wanted to build a product that makes people's lives better, and I think we've done just that. ”

— Thomas Holl,
Cofounder and CTO

Our Purpose

Babbel's company purpose is "Creating mutual understanding through language." Successful language learning leads to mastery of vocabulary and grammar. Mutual understanding goes beyond the transfer of information from A-to-B and consists of conversations that create a human-to-human connection and a level of understanding that spans personalities and cultures. Our purpose is ingrained in everything we do — from our products to our workplace operations to our social impact projects. It's in our DNA, and our leadership team is fully on board.

“

Social good is at the core of what Babbel does every day. That works for us internally as well as for our learners, providing easily accessible language learning opportunities for everyone.

”



— **Hermione McKee,**
CFO

“

I joined Babbel because it felt more meaningful than selling you the 10th pair of jeans, a pack of baby diapers, or detergent. All of which are value-adding, no doubt. But none of it compares to the transformational power of language learning.

”



— **Arne Schepker,**
CEO

Our Values

At Babbel, our company values are more than just words — they're our guiding principles and they have helped shape the culture we've built.



A learning company — inside and out

We build products that help people learn new languages, and we're equally committed to learning ourselves — both as a company and as individuals.



We are bold and humble

We're determined to change the way the world learns, and we understand that we have much to learn ourselves.



Diversity makes us stronger

Diversity isn't just part of the Babbel mindset — it's also a strategic advantage.



What matters to learners, matters to us

Learners are at the heart of our work — we are with them every step of their journey.



We make the complicated simple

Business, technology, and learning are all complicated enough. That's why we prefer smart, simple solutions with a bias for action.



We love what we do

We're changing the way people learn languages. And we're having fun doing it.

Our Goals

As Babbel continues to grow our subscriber base and our product offerings, our primary objective is to become the premier language-learning ecosystem learners trust to help them reach their language proficiency goals. We also want to make sure our purpose is the central focus of everything we do. That means taking action to ensure our employees, learners, and communities are listened to, supported, and treated with respect.

This is our first ESG report, which we have created to share where we stand so far, and the goals and key performance indicators (KPIs) we will work toward going forward. Standardizing the way we measure our positive and negative impacts on material issues will enable us to monitor and improve them over time. We will also document our current and future sustainable practices and ESG-related policies for transparency and accountability. And we will do our part to fight climate change by expanding our green initiatives and reducing and offsetting our emissions to make Babbel a carbon neutral company.

This is just the beginning of our sustainability journey. We look forward to aligning every aspect of our business with these important environmental, social, and governance-related goals.

Contributing to the UN Sustainable Development Goals

Babbel is committed to help meet the United Nations (UN) Sustainable Development Goals (SDGs) in ways that align with our company's purpose. SDG 4 Quality Education has the clearest link to our purpose and is our highest priority. However, SDG 10 Reduced Inequalities is also distinctly connected to what we do. More details on how these SDGs align with our purpose are described below:



SDG 4 — Quality Education: As a language-learning company, Babbel provides a clear connection between our products, our purpose, and this SDG. Additionally, many of our social impact initiatives focus on education access and equity.



SDG 10 — Reduced Inequalities: Babbel's lessons are inclusive, equitable, and open to everyone regardless of gender, race, age, or social status. While our core product does cost money, part of our social impact strategy is the donation of free and discounted Babbel subscriptions to nonprofit organizations and individuals in need.

About This Report

We have conducted a materiality assessment to identify and prioritize material ESG topics for Babbel. To do this, we analyzed various stakeholder interests, peer reports, industry and investor requirements, and commonly used ESG reporting frameworks and standards. Based on a short list, in this process, we have distilled the priority topics illustrated below to be addressed in our first report and which we will manage with a greater focus going forward. Materiality has been assessed against Babbel's impact on people and the planet (inside-out), and the financial impact of ESG matters on Babbel (outside-in). The materiality assessment is oriented towards the legal reporting obligations under §§289b and 315b German Commercial Law and the results were aligned with and approved by our executive management team. In addition, we used the Global Reporting Initiative (GRI) and the Sustainability Standards Accounting Board (SASB) standards as guidance throughout this report. In the future, we aim to fulfill these standards more comprehensively.

In addition to the short list of topics highlighted in the materiality assessment, we have chosen to discuss additional topics that are important to us as an organization, but not necessarily material or required in accordance with SASB standards for our industry.

For example, we did not include environmental topics in this table because Babbel does not have a significant material impact on them due to our lack of environmental impact, physical product, or complex supply chain. However, we included a section of the report on environmental matters because we believe environmental sustainability is part of our responsibilities.

Materiality Assessment:



Employee and Social Matters

- Employee Development
- Talent Acquisition and Retention
- DE&I
- Employee Satisfaction
- Employee Engagement
- Compliance



Governance Matters

- Data Security
- IP Protection
- Data Privacy
- Data Protection



Anti-Corruption and Bribery

- Anti-Corruption and Bribery



Human Rights

- Human Rights in Operations

Social Impact and Sustainability at Babbel

In alignment with our company purpose and values, as well as our commitment to contribute to the aforementioned SDGs, making a positive impact on our stakeholders is a core part of Babbel's business strategy. Babbel's stakeholders include our investors, our employees, our learners, the environment, and the communities in which we operate. Reporting is centered around material and additional topics in three key areas in which we are taking action to minimize harm and maximize our positive and sustainable impact:

- **Social** (our learners, our employees, and our communities)
- **Governance** (our investors, our learners, and our employees)
- **Environmental** (our planet)

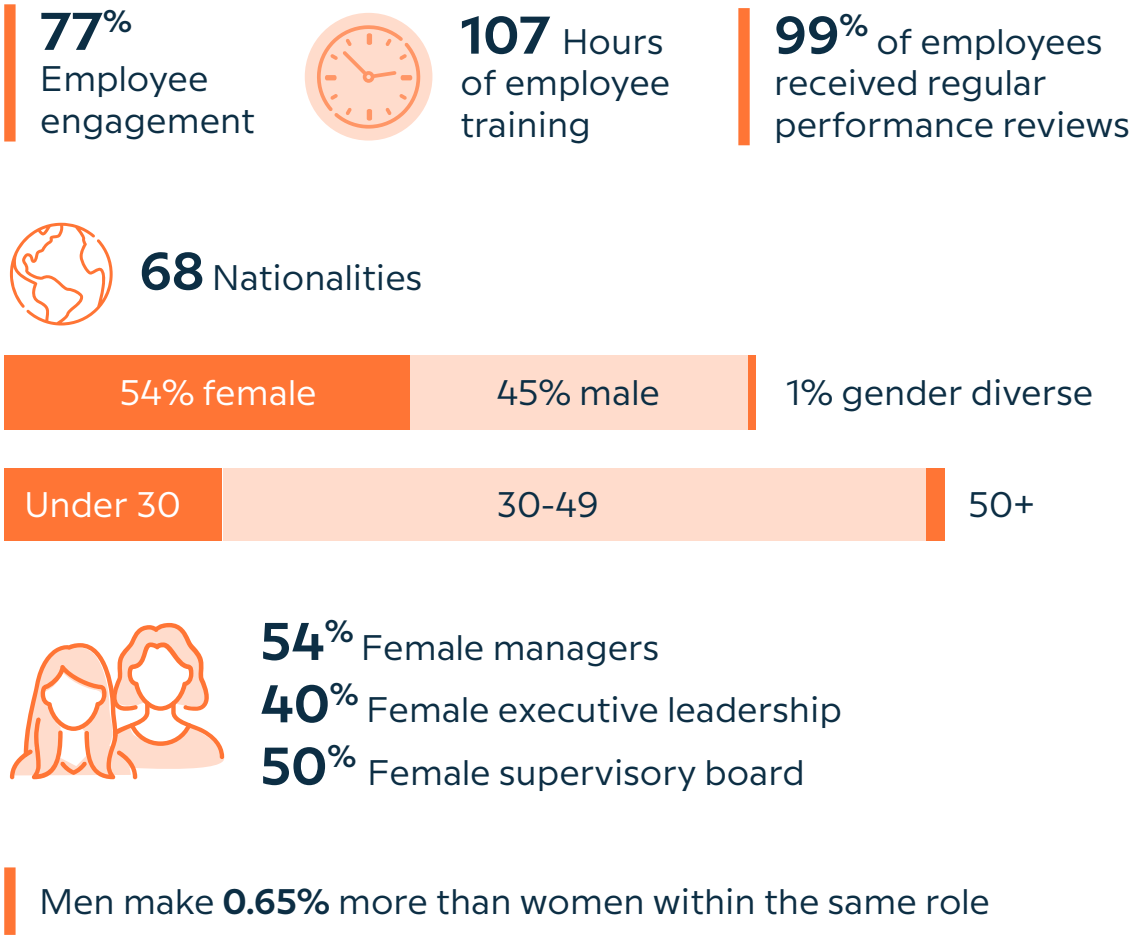


A Note on KPIs

Each section of this report includes selected key performance indicators (KPIs) tied to the GRI or SASB international standards. We are continuously improving the data basis for our ESG metrics and KPIs by leveraging existing data and collecting new data, while also aligning with upcoming European and international standards. Our current report displays where we stand in terms of metrics and KPIs. If not otherwise noted, they apply to the whole Babbel group for the business year January 1 through December 31, 2021.

Social

KPIs Where we stand



Social-Related Risks

Based on the materiality assessment, we have identified risks relating to these material ESG topics. For the social dimensions, the key risks, on a gross basis, are related to attracting and retaining talent to sustain operations and design our product, as well as the unequal treatment of employees or candidates. In the following sections, we describe the actions we take to mitigate these risks and reap opportunities in these areas.

Our Employees

Babbel's diverse, passionate, and driven employees are a key component of the company's success. At Babbel, employees are highly valued and encouraged to bring their authentic selves to work. When it comes to people management, our two main focus areas are: 1. Empowering employees and leaders; and 2. Fostering an inclusive culture. Our goal is to make Babbel the best workplace it can be, and our approach to establishing this is outlined in the sections below.

Empowered Employees and Leaders

The first pillar of our people management approach is empowering employees and leaders to thrive. This means supporting their growth and development, removing any hierarchical blockers to their progress, and enabling them to have a sense of ownership over their work. We achieve this through a clear purpose and company strategy, employee engagement, learning opportunities, internal mobility, and inclusive leadership.

Engaged Employees

Employee engagement is a crucial metric for Babbel, as we strive to make the company a great place to work. Having engaged employees means greater employee well-being, higher retention rates, more productivity, and a stronger connection to our purpose.

Our P&O team conducts ongoing employee engagement surveys via the platform Peakon to track employee satisfaction over time and against industry benchmarks. As of December 2021, Babbel had an employee satisfaction rate of 77 percent¹, which is just slightly below the industry benchmark of 79 percent. We have also begun to measure employee satisfaction in specific areas related to DE&I as part of our Peakon Include initiative. We commit to taking the necessary actions to improve these scores and address any specific feedback given.

In addition to Peakon surveys, another way we measure employee satisfaction is by monitoring our turnover rate. While conditions related to the pandemic have driven our turnover rate higher than normal, we will work toward lowering it to our goal of 15 percent in the medium-term by helping our employees feel more engaged and valued at work.

Berlin employees who are below the executive level are represented by the works council, an elected employee body that represents the interests of the workforce and expresses their issues to the company. Each works council is elected for four years and the number of representatives is determined by the number of staff in the company. We currently have 11 works council representatives and 4 substitutes.

Some of the larger agreements the council has implemented include:

- Discrimination, Bullying, and Sexual Harassment
- Remote Work
- Internal Mobility
- Salary Benchmarking

Babbel's purpose is another driver of employee engagement. Our business model implicitly aims for social good, and since we formulated this into our company purpose — "Creating mutual understanding through language" — in July 2021, we've seen a further increase in engagement scores and a greater understanding by employees of Babbel's reason for existing beyond business growth. Employees are excited and motivated by working at a purpose-driven company, and we plan to continue to communicate our purpose and how it connects to each team's work.

Always Learning and Growing

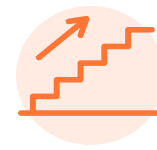


One of our core values is "We are a learning company inside and out," and we attempt to bring this value to life through various professional development programs and learning opportunities offered to employees. In addition to providing employees with unlimited access to all Babbel lessons, we give them access to the Babbel Academy, which, in 2021, offered more than 100 hours of free training on topics ranging from communication to leadership skills, and from project management to mental health. U.S. employees are also offered periodic training sessions in topics such as interviewing and bias and inclusion. In addition, job shadowing in other departments is encouraged at Babbel's headquarters to promote learning and skill-building, as well as cross-functional teamwork.

These learning opportunities are communicated to employees during onboarding, as well as periodically via our email newsletter, *Slack*, and at company-wide town hall meetings. Line managers often discuss opportunities for learning and development with their direct reports during annual performance reviews and regular one-on-one meetings throughout the year.

Babbel employees receive biannual or annual performance reviews incorporating 360-degree feedback from managers, peers, and direct reports. Giving and receiving feedback are important parts of Babbel's culture as we want to help one another continue to develop our hard and soft skills.

Internal Mobility



Babbel believes strongly in providing opportunities for internal mobility for employees. This includes internal promotions in their current field, as well as opportunities to change teams or departments. Jobs are posted on an internal jobs board and in a company *Slack* channel, often before they are posted externally. Our P&O team has also developed a set of guidelines for both employees who wish to switch roles and line managers supporting the switch. This type of internal movement is mutually beneficial for both Babbel and employees, and has been highly successful.

Our Approach to Leadership



For our employees to feel empowered, our leadership must be empowering. Training and development for managers and employee feedback are tools we've implemented to make sure our leaders promote inclusivity and empathy, while also motivating their teams. Currently, we offer specific training sessions on management, leadership, and DE&I through the Babbel Academy. We also measure anonymized employee support for management in Peakon and intentionally include upward feedback in our 360-degree performance reviews.

We plan to create a specialized role on the P&O team focused on leadership development — assessing what our leaders need to be able to foster a strong team dynamic and how we can improve our processes around managerial effectiveness.

An Inclusive Culture

Creating and maintaining an inclusive culture is the second pillar of our approach to people management, and a core part of what makes Babbel a great place to work. Fostering this culture begins with hiring and continues throughout the rest of the employee experience — from onboarding to diversity programming to employee benefits to eventual departure from the company.

Hiring and Onboarding

The first step to building an inclusive culture is to ensure we have a diverse talent pipeline and that we're attracting applicants who will fit into a culture predicated on learning, mutual respect, and purpose-driven work.

We are actively working to make our hiring process more equitable and to seek more diverse candidates, as discussed below. In addition, we are constantly monitoring a set of metrics, such as our offer acceptance rate, how long it takes to fill positions, and inbound vs. outbound recruitment rates, so we can continue to improve the hiring process.

Our thorough onboarding process is crucial to making new hires feel like they belong at Babbel, ensuring they are given all the information and tools they need to perform their jobs effectively. We adapt and improve our onboarding process regularly to meet these goals.

Diversity, Equity, and Inclusion (DE&I)

One of our core values is "Diversity makes us stronger," and we are working continuously to make Babbel a diverse and inclusive workplace for our employees. We recently created a full-time position on our P&O team focused on our DE&I efforts and their implementation across teams. However, that isn't the only way we're making a commitment to DE&I within the company.

DE&I Trainings and Working Groups

DE&I working groups have been established in the Berlin and New York offices to discuss and address hiring, promotion, inclusive meetings, pay equity, anti-discrimination, and other topics. Berlin's group implemented a series of educational sessions on the following DE&I topics:

- Unconscious Bias
- The Difference Between Equity and Equality
- Managing Difficult Conversations
- Mental Health and Psychological Safety
- How to Navigate Privilege
- Equitable Allyship

For the leadership team:

- Intro to DE&I
- Hiring and Recruitment
- Leadership and Allyship

Additionally, a global task force worked with an external diversity consultant to compile a set of DE&I creative guidelines for content used within the product, in marketing, and throughout other communications assets, including recruitment materials.

“Stranger Talks” really is something so special for Babbel. The opportunity to hear the stories of other Babbelonians — to understand the experiences that have shaped their lives and learn from one another; the show of trust it requires is enormous. It’s unlike anything I’ve ever experienced at any other company and it has had such a huge impact on our company culture, and the sense of community.”

— Eileen Barnard,
Senior Organizational Culture Manager
DE&I

Babbel’s People & Organization (P&O) team and the works council (see below) came together voluntarily to publish a Works Agreement on Discrimination, Bullying, and Sexual Harassment, which lays out guiding principles for how employees should treat one another and processes to follow when these principles are violated.

We have also implemented changes to center DE&I in our hiring process, including:

- Building inclusive job descriptions and job posts by getting support from gender decoder tool
- Briefing hiring managers, recruiters, and recruitment agencies about diversity in the position kick-off meetings
- Providing hiring managers training on a DE&I approach

Belonging @ Babbel

To facilitate the creation of a diverse, equitable, and inclusive workplace, a group of Babbel employees compiled an internal Belonging @ Babbel space, where employees can access information and resources related to these topics.

Belonging @ Babbel is the umbrella space for several employee initiatives, including the Accessibility and Disability Steering Group, DE&I Ambassadors, Femengineers (supporting the role and reach of women and non-binary people in tech at Babbel), and Stranger Talks (a speaker series for Babbelonians and guests to share their stories and perspectives about a diversity-related topic of their choosing).

In addition to Belonging @ Babbel, other internal spaces to support employees include Parents @ Babbel and Mental Health @ Babbel — both provide information and resources for employees who need support and a sense of community.

Diversity, by the Numbers

We pride ourselves on our diverse and inclusive workplace. This section provides some key diversity numbers within our organization.



54%
of managers
are female



68
countries are
represented



54%
of employees
are female



50%
of board
members are
female



1%
are gender-
diverse

Between our headquarters in Berlin and our U.S. office in New York, Babbel has 594 employees from 68 nationalities as of December 2021.

In terms of diversity of nationalities, Babbel has employees from 68 countries and from every continent except Antarctica. The breakdown of employees by gender is 54 percent female, 45 percent male, and one percent gender-diverse. When looking specifically at employees in management positions, we have 54 percent female management and 46 percent male management. Additionally, 40 percent of our executive leadership is female and our supervisory Board of Directors is 50 percent female, which meets and surpasses the [European Women On Boards](#) goal of 40 percent female representation.

The employee age breakdown is as follows: 23 percent are ages 20-29, 59 percent are ages 30-39, 15 percent are ages 40-49, and 2 percent are ages 50+. This spread is reflective of the company's stage of maturity, where the majority of new joiners bring in solid work experience and the company is professionalizing its way of building the business. All of this data reflects the composition as of December 2021.

Babbel's Berlin office uses salary bands to make pay more equitable for employees at each level. According to our analysis, men make 0.65 percent more than women when working in the same area and position. We are continuously monitoring our gender pay gap and salaries and take this gap seriously. The company is investing in DE&I processes, empowering initiatives like Femineers, and working towards a gender balance in leadership and more technical roles, where men are often overrepresented.

In addition to our full-time and part-time employees, we have a community of more than 400 freelance Babbel Live teachers from more than 50 different nationalities. Our Live teachers benefit from a flexible schedule, a healthy work-life balance, and learning opportunities on a variety of topics, including class management, technology training, and inclusivity.

Adapting to the Pandemic

Unprecedented times call for changes to the status quo. The COVID-19 pandemic affected everyone in numerous ways. It changed the way we work and the way we connect with our colleagues, and it had significant impacts on our mental health.

As the pandemic evolved, so too did our policies around work flexibility, our mental health benefits, and our approach to fostering a culture of belonging and collaboration.

Some of the changes we made in response to the pandemic:

- Flexibility to choose whether to work from home (or anywhere within Europe within a limited time frame) or work from the office, applicable for most positions in the Berlin office; a flexible hybrid model was offered to New York employees
- Budget to enable employees to purchase equipment or supplies they need for their home office
- Virtual social events to provide opportunities for team-bonding and increased sense of belonging
- Free access to apps for meditation and mental and physical health
- A stronger focus on communication formats to align everyone towards the same purpose and providing a clear space for exchange, questions, and concerns

Going forward, we plan to maintain some of these adjustments, acknowledging the greater flexibility and well-being they provide, and the preference many employees and prospective hires have for a flexible working model.



Employee Benefits

An important part of attracting and retaining talent is taking care of employees and making sure their needs are met. Babbel provides employees with a comprehensive benefits package, tailored to their office location. Berlin employees get 30 days of vacation, flexible hours, a bike-share benefit, commuter benefits, the opportunity for a sabbatical, preferential admission to childcare centers, and free fruit and drinks in the office.

New York employees get 20 days of paid time off, healthcare coverage, 401k matching, commuter benefits, a CitiBike subscription, parental leave, free snacks and drinks in the office, and the opportunity to travel to the Berlin office (pandemic permitting) and regularly learn from colleagues there.

All employees receive allowances for home office equipment, mental health benefits, unlimited access to Babbel lessons, and access to in-house training via the Babbel Academy. In addition, all Babbel employees are compensated according to industry standards.

Outlook

As a learning company, we are consistently adapting and improving our qualitative goals to gain new insights. In terms of employee engagement, our ambition is to be at the top of our industry peers in our engagement scores. We are currently positioned in the middle of the industry benchmark.

With comprehensive benefits, an influential works council, and high levels of employee satisfaction, we continue to prioritize employee engagement and well-being. Going forward, we will work toward continuing to increase our employee satisfaction rate and will drill down on specific aspects of employee engagement to identify areas for improvement. We will also monitor and adjust our benefits package and perks to ensure we're meeting the needs of our employees, particularly in this new, post-pandemic world of work.

We also plan to introduce a public-facing employer value proposition that clearly states our purpose and our culture to attract talent that will thrive in a work environment like Babbel. We will continue to empower the works council to voice their concerns on behalf of staff members and to form agreements with company leadership as needed.

In terms of DE&I, we recognize that there is always room for improvement and remain committed to listening and learning. In particular, we plan to focus on diversifying our hiring pipelines, taking DE&I into account in our internal promotions, and meaningfully addressing any issues of representation across the company through attention to recruitment and hiring practices, inclusive leadership, and mentorship for underrepresented groups.

Finally, while we offer numerous opportunities for learning and development at Babbel, the next step is for us to implement a systemized process for collecting data on participation rates and effectiveness of our training sessions. We have begun to identify the metrics that provide critical insights, such as the percentage of employees who participate in the Babbel Academy and other learning opportunities and the levels of satisfaction with these programs. We plan to create processes for collecting and analyzing this data, allowing us to identify and address any problem areas, like increasing low participation or offering training sessions that more closely align with employee needs.

“For me personally, being a Babbelonian means that I play an active part in building a culture of belonging, where we bring everyone on our journey and create an inclusive, equitable environment where no one gets left behind. In terms of my relationship with colleagues, it means listening and learning from one another, building trust, encouraging each other, not making assumptions and treating everyone with respect. Work takes up a huge part of all our lives — so it's important that our experiences here are memorable for the right reasons.”

— Eileen Barnard,
Senior Organizational Culture Manager, DE&I



Our Communities

Internally, as mentioned in the previous section, we offer many benefits and protections to our employees and have made DE&I a priority.

However, by the nature of our business, we have the expertise and ability to make a significant social impact externally. We achieve this by offering products that improve lives, enhance careers, and forge social and cultural connections. Language learning and cultural understanding make the world a better and more connected place, and Babbel's products promise to contribute to those outcomes.

Measuring Our Impact

As we continue to make a positive social impact, it's important that we have a model for measuring that impact to evaluate how, and to what extent, we are making a difference in people's lives.

With support from the consulting firm EY, we are developing a model for social impact measurement based on the IOOI methodology, which provides a framework for mapping out key stakeholder groups and the Inputs, Outputs, Outcomes, and Impacts we invest and create for them.

- **Inputs** include the "factors of production" such as budget and time invested.
- **Outputs** include the measurable results as a direct consequence of the inputs.
- **Outcomes** state the changes achieved in the target audience, including habit and behavior changes and skills gained.
- **Impacts** are the long-term changes in well-being and societal value created as a result of specific actions, which can be linked to the UN SDGs mentioned earlier in this report.

Our next step in this process is to meet with internal teams, like marketing and customer service, to identify key groups of Babbel learners to study based on how often they use our app, their motivation for learning, and other relevant factors. We will then design specific surveys for each of these groups to measure the impact Babbel has made on their lives, whether that be in their careers, travel experiences, psychological and cognitive well-being, or in other ways. Finally, we will use these responses to develop quantifiable impact metrics that we can measure and analyze to track our progress in making significant social impact.

Social Impact Projects

We also generate external social impact by taking on projects that align with our purpose in the communities in which we operate. We give away free subscriptions to our products, employee volunteer time, and other in-kind donations to disadvantaged groups in our communities.

Over the past several years, Babbel has created positive community impact through several social impact projects, primarily driven by the grassroots initiatives of our employees. In 2021, we ran more than 10 distinct social impact projects to help our communities.

Social Impact Projects

Collaboration with the Syrian Youth Assembly (SYA), a Berlin-based nonprofit focused on education and peace-building

Babbel helps displaced young people learn languages by providing them with free access to the Babbel app. Since August 2020, more than 10,000 SYA members have spent more than 50,000 hours learning with Babbel.

"Babbel supports the Syrian Youth Assembly's young refugees by helping them learn a language in a way that is easy, enjoyable, and useful in their daily lives."

— Ehab Badwi,
Founder and CEO of the Syrian Youth Assembly



Free Babbel for students

During the COVID-19 crisis, students could sign up to learn with Babbel for free. More than 200,000 students benefited from the campaign globally and more than 100,000 language learners used Babbel for the first time.

Collaboration with The 519

Babbel supported Toronto’s LGBTQ2S-focused organization, The 519, with the goal of lending support to the LGBTQ newcomer community at the local level in Canada. Babbel provided free language-learning support to 250 refugees in their refugee asylum program and settlement support services.

#HelpUkraine initiatives

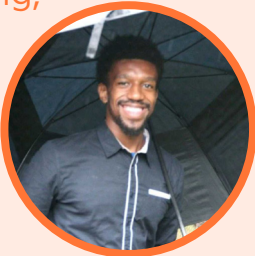
Under the leadership of the Impact Team, dozens of Babbelonians came up with projects to support those affected by the war in Ukraine, including offering free language learning and resource guides for refugees and hosts.²

Access to education for Haitian students

Babbel’s collaboration with the Le Flambeau Foundation has helped Haitians learn English and has funded scholarships for Haitian youth to study at U.S. universities.

“I have always had a place in my heart for giving back; as a first generation kid who has been through the ringer, it’s imperative to me that we never forget that even as we climb, there are others who need us as well. Getting to fulfill that passion at my day job is such an incredible opportunity. Although I’m not Haitian myself, the Haitian community and culture have played an immense part of my upbringing, so being able to partner with the Le Flambeau Foundation to bring scholarship to Haitian youth is something I’m so grateful for.”

— Christian Clarke,
Advanced Analytics Manager (U.S. office)



Outlook

We have formed an internal Impact team, dedicated to supporting social impact projects, providing guidance and resources to employees who wish to start their own social impact initiatives, and establishing partnerships with nonprofit organizations. This team is also in the process of formalizing the way employee-led projects are developed and supported with the development of a framework for engagement.

Going forward, this team will work on measurement techniques to determine and quantify Babbel’s impact.

Our Commitment to Human Rights

Babbel is strongly committed to respecting and promoting human rights throughout our value chain. As it pertains to our business model, there are no human rights-related issues within Babbel’s activities, nor have any of these been brought to our attention.

Outlook

In the coming year, we will perform a human rights risk assessment in line with commonly used standards and frameworks, such as the United Nations Guiding Principles on Business and Human Rights and the German Supply Chain Due Diligence Act, to systematically understand potential impacts and report on progress.

Governance

KPIs Where we stand



- 0 users' information is used for secondary purposes
- 0 total monetary losses as a result of legal proceedings related to user privacy
- 30 law enforcement requests for user data



0 Total monetary losses as a result of legal proceedings related to anti-competitive behavior

Governance-Related Risks

While we don't currently see a high level of risk exposure on governance-related topics, we are carefully monitoring the common risk areas, including inappropriate usage of customer data, intellectual property protection, and lawsuits or regulatory penalties related to data privacy, anti-competitive behavior, corruption, or bribery. We continue to establish and refine protections and processes to prevent these potential risks and to show our commitment to good governance.

ESG and Our Corporate Structure

Sustainability is a core part of Babbel's corporate structure and business operations. Our director of impact, Susanne Wechsler, reports directly to the CEO, as does our director of P&O, and our leadership team is fully committed to corporate responsibility and ESG. Other key decision-makers in sustainability matters, like our director of finance, our director of corporate finance, and our general counsel, report to our CFO, further solidifying the role of the C-Suite in these topics and their subsequent alignment. As of 2022, executive compensation will be linked to ESG-related targets.

Above the C-Suite sits our supervisory board, which signs off on major company decisions and acts as another layer of accountability. The supervisory board is 50 percent female. No board member holds a controlling stake in the company, and hence all board members qualify as independent under the German Corporate Governance Codex. In the future, the supervisory board plans to form a CSR committee to oversee governance of social impact and sustainability topics as well as the use of funds for ESG-related projects.

Customer Data Protection and Security

Customer data privacy is a priority for Babbel and we work hard to handle it responsibly in compliance with German and EU data protection laws. Our general policies regarding data protection are to only collect and process data with the data subject's consent or where expressly allowed by law, and that data entrusted to employees must be protected from abuse, destruction and loss. The handling of personal data is oriented toward the goal of collecting, processing, or using as little data as possible from a data subject. We are committed to integrating this principle into our data processing procedures and to anonymize or pseudonymize personal data insofar as this is possible in line with the intended use. Any unauthorized collection, processing, or use for other purposes is strictly prohibited. No user information was used for secondary purposes³ and there were no monetary losses as a result of legal proceedings related to user privacy in the reporting period.⁴

In 2021, we received 30 law enforcement requests for customer data.⁵ We take several precautionary measures to protect our customer data when complying with requests. First, we verify that the request is coming from a legitimate law enforcement authority. Then we prepare a response letter, following the data minimization principle, which means only necessary data is transmitted to the authority. In addition, we always encrypt the response letter so it cannot be downloaded or forwarded. After a week, the file will no longer be accessible to the recipient.

In compliance with German law, we have contracted an external data protection officer, who informs and advises the company on our legal obligations in regard to GDPR, monitors our compliance with these obligations, and provides advice on data protection processes.

Babbel is also committed to cybersecurity and the protection of our own information and systems. We have appointed a head of information security and compliance to manage the continuous improvement of our cybersecurity. We periodically perform pentests (simulated cyberattacks to test network security) and have a responsible disclosure program, allowing researchers to inform us of any vulnerabilities they find in our systems.

Safeguarding Our Intellectual Property

We have obtained more than 100 trademark registrations, including combined word and figurative trademarks (*kombinierte Wort- und Bildmarken*), for our brand “Babbel.” We constantly monitor our trademarks by commissioning the services of specialized third-party service providers to maintain and protect key assets, including by pursuing relevant infringements by third parties.

In an effort to avoid infringing upon the intellectual property rights of others, we create our own course content and any photos, music, and other outside media we use in our products or marketing materials come from rights-free sources or are properly licensed.



Standing Against Bribery and Corruption

We do not tolerate any form of bribery or corruption. Offering or accepting a bribe in any form, directly or indirectly, is strictly prohibited. We are aware of the potential legal implications of bribery or corruption under labor and criminal laws for Babbel, as well as for employees. We are committed to preventing any such behavior at Babbel. Our Anti-Corruption Corporate Policy sets forth high standards for doing business at Babbel worldwide.

In 2021, we introduced a Compliance Code of Conduct for all employees to follow. It lays out our commitment to honesty and integrity in all our business dealings and specifically addresses the following topics:

- Business Relationships
- Conflicts of Interest
- Financial Transparency and Integrity
- Anti-Money Laundering and Sanctions List
- Communication of Nonpublic Information
- Data Protection
- Intellectual Property and Other Assets
- Anti-Corruption/Anti-Bribery

The document also names a group compliance officer, who employees can contact to report any issues or complaints. Some of these policies and protections are already in place, while others are awaiting final approval from the works council.

No actions or complaints for breach of legislation relating to corporate governance or anti-corruption and bribery were brought against the company in the reporting period.⁶ We are committed to maintaining our integrity as a company and creating a culture that does not tolerate corruption. One way we will do this is through the introduction of secure methods for communicating internal whistleblower complaints, which we are working on and plan to implement in 2022.

Ethical Marketing

A large portion of our commercial activities are focused on marketing, so it's important that we are approaching our advertising and marketing communications in a way that is responsible, ethical, and in compliance with global standards. We have already formed an internal committee to determine how best to respond to backlash against any of our advertising, and we plan to create a written set of ethical guidelines marketers will adhere to proactively.

Outlook

Good governance and integrity are paramount to Babbel, and we conduct business in a way that matches our values. However, there is work to be done when it comes to formalizing our processes and making sure all levels align with our policies. We have conducted a full risk and compliance assessment and have plans to implement several policies and processes in the short- and medium-term future, including:

- Tool-based whistleblowing system
- Treasury policy
- Social media guidelines
- Data protection and privacy policy
- Information security policy

As mentioned above, we also plan to create guidelines for ethical marketing, as well as continue to strengthen our data protection apparatus and intellectual property safeguards.

Finally, we will work with the board to ensure they have a solid understanding of ESG topics and related requirements and will implement executive compensation tied to ESG goals.



Environmental

KPIs Where we stand

0 tonnes
Scope I
emissions

214 tonnes
Scope II
emissions

1,839 tonnes
Scope III
emissions



**2,053
tonnes**

Total carbon footprint



**1.1 million
liters**

Total water consumed



Environment-Related Risks

As currently assessed, our primary risk within environmental topics is linked to climate change and its physical consequences, which can impact the data servers that host our content. This could result in an inability for us to continue operations. Fortunately, Amazon Web Services (AWS), which houses our data, conducts in-depth risk assessments and contingency planning to avoid worst-case scenarios. AWS uses site selection, redundancy, availability, and capacity planning to ensure business continuity for its customers, even in the event of climate-related disasters.

Direct risks aside, we will continue to do our part to reduce carbon emissions and make sustainable choices within our operations, as detailed in the following sections.

Our Planet

While environmental externalities aren't a primary material topic for Babbel due to our lack of physical products or complex supply chain, we are taking steps where we can to mitigate negative impacts on the environment in our regular operations, with the ultimate goal of becoming carbon neutral.

Our Carbon Footprint

Combating climate change is important to us, which is why we aim to become a carbon neutral company. The following sections describe our commitment to the planet as an important stakeholder.

In the interest of transparency, we have decided to share our carbon footprint for 2021 to allow stakeholders to see where our emissions come from and to establish a baseline for future emissions reductions.

Carbon Footprint, by the Numbers

Source	Usage	Emissions (tonnes of CO2e) ⁷
Scope I	0	
Scope II ⁸		
Purchased electricity - Berlin ⁹	332,231 kWh	0
Purchased electricity - NYC ¹⁰	106,446 kWh	29
Purchased heat - Berlin ¹¹	715,807 kWh	169
Purchased heat - NYC ¹²	70,964 kWh	16
Scope III		
Purchased goods and services ¹³	€51,911,204	1,571
Data servers (AWS) ¹⁴		3
Waste management ¹⁵	€6,417	5
Business travel ¹⁶	€18,585	14
Employee commuting ¹⁷	49,896 km	1
Remote work - electricity ¹⁸	182,285 kWh	66
Remote work - heat ¹⁹	777,600 kwh	142
Fuel- and energy-related activities ²⁰	893,216 kWh	37
Total		2,053

Our total carbon emissions for 2021 were approximately 2,053 tonnes of CO2e. This may seem relatively low for a company of our size, but there are a few factors — some temporary and others permanent — that have brought down our 2021 emissions. The first set of factors are changes related to the pandemic. Due to the ongoing COVID-19 pandemic, the vast majority of Babbel employees worked remotely in 2021. When employees do go into the office, they are incentivized to use eco-friendly means of transportation. Babbel offers its employees a public transit benefit or a free subscription to a bike-share program. In addition, business travel was significantly reduced in 2021. We expect the emissions for some of these activities to increase in the future.

Another set of factors are related to the transition to renewable energy. Our Berlin office uses 100% renewable energy, significantly reducing our carbon emissions from purchased electricity. Additionally, our data storage provider Amazon Web Services (AWS), has begun to switch to renewable energy in some of its data centers, and plans to use 100% renewable energy by 2025. Because of this, we expect emissions from AWS data storage to continue to decline going forward.

Please refer to the endnotes for details on the methodology, assumptions, and calculations that went into determining each component of our carbon footprint. Note: As an education technology company with no physical product, factories, or self-produced energy, we have no Scope I emissions.

While we continue to work on reducing Babbel's carbon emissions, we are also offsetting the remainder. Choosing offset projects provides an opportunity to engage employees and get their feedback. We plan to convene a focus group of interested employees to discuss options for offsetting and to decide on which project(s) to support, based on connection to our purpose, scale of impact, and other relevant factors.

Eco-Friendly Offices

The vast majority of our environmental touchpoints occur within our two company offices: our headquarters in Berlin and our smaller office in New York. Our office management teams work diligently to ensure our operations are as responsible and eco-friendly as possible. Additionally, our Berlin office was built with DGNB standards in mind and has a number of environmentally conscious attributes.

Our Berlin headquarters uses 100% renewable energy and includes features to make the building highly energy efficient, including thermal and acoustic insulation, reduction of air circulation at off-peak times, and energy-saving lamps in the building's restrooms. Our U.S. office also has eco-friendly features, including overhead lights triggered by movement sensors. Both of our offices have water dispensers that reduce the need for plastic bottles. Additionally, the sinks in both offices are equipped with sensor water taps to avoid water waste. We estimate our annual water consumption in Germany and the U.S. at approximately 1.1 million liters.²¹

We will continue to find ways to cut down water usage in our offices as part of our larger efforts to be as environmentally friendly as possible.

Babbel has a number of measures in place for responsible waste management. As previously mentioned, we have eliminated or greatly reduced our use of plastic bottles in both offices. We recycle all eligible materials, including paper, plastic, glass, aluminum, and electronic equipment. We reuse items as much as possible, but when we no longer have a use for certain objects, such as furniture, we donate them rather than dispose of them.

Our eco-friendly office features, benefits, and measures are communicated to new employees during onboarding, as well as mentioned during periodic ESG updates from the impact team at all-staff company meetings.



Sustainable Sourcing

Our office management team takes the environment into account in purchasing decisions. We're continuously monitoring our suppliers and improving our sourcing practices to focus on buying from local or regional companies, avoiding corporations with sustainability practices inconsistent with our own. Buying locally supports local producers and reduces carbon emissions from long-distance shipping.

In terms of office snacks, we stock our office with organic fruit — primarily apples from the local region and oranges directly from the producer via CrowdFarming.com. We purchase coffee beans directly from South America twice a year. Finally, the cleaning supplies we use in the office are certified by EU Ecolabel.

Outlook

As previously mentioned, carbon neutrality is important to us, and we will continue to work on reducing our carbon emissions while offsetting our emissions through verified projects.

Going forward, we plan to do more to communicate our actions around environmental sustainability to the company. We will dedicate a section of the weekly company newsletter to ESG topics, so we can update all Babbel employees on our progress. We are also considering holding special education sessions to teach interested employees about these topics in more depth.

Another goal is to explore ways to enable employees to make more environmentally conscious choices, both inside and outside the office, empowering them to become sustainability champions. We are undergoing an external audit of the office, in accordance with Germany's EDL-G energy efficiency standards, to identify ways to make it even more sustainable.

While we informally consider sustainability in our sourcing and supplier relationships, we do not have a formal written policy regarding responsible sourcing. That is one of the policies we plan to document in the coming year, so employees and other stakeholders will have a clear set of criteria for procurement decisions.

What aspects of the new Berlin office are you most proud of?

“

We have found a great building and have created a wonderful new working environment. I am proud of my team, which breathes life into the office and every day strives to create a pleasant and homey atmosphere for everyone. My team does a great job, and that makes me proud. It also makes Babbel a great place to work, because not every company realizes how important such a team in the background is — a team which constantly tries to support everyone else.

”

— Barbara Möller,
Head of Office Management

Looking Ahead

As a purpose-driven company focused on helping people connect and understand one another, the content discussed in this report is central to our work.

While we're proud of this great start to reporting our sustainability journey, we understand that it is not the last step. It is the first of many. In making our information public, we are committing to regular and transparent reporting, rooted in standardized measurements and streamlined analysis of outcomes and performance.

Moreover, we will continue to prioritize the ESG agenda across our operations and across workstreams, committing time, resources and funding to do so. We will continue to align our business goals with these important environmental, social, and governance-related objectives and apply our purpose-driven perspective to the way we define and prioritize our ESG initiatives.

We pledge to continue to find innovative ways for Babbel to reduce negative externalities and make a positive impact on our employees, our customers, our investors, our communities, and the planet. We look forward to providing you with future updates on these crucial ESG topics and we value our shared commitment to making the world a better place.



Contact Us

For questions about social impact and sustainability at Babbel, please contact our impact team by email: impact@babbel.com

For investor questions, please contact our investor relations team by email: ir@babbel.com

Special thanks to all the Babbel teams who helped compile this report, as well as to EY for their support.



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Director of Corporate Finance

Endnotes

- 1 SASB TC-IM-330a.2 used as guidance
- 2 We chose to include this important set of initiatives, but note that it is outside the reporting period of 2021.
- 3 SASB TC-IM-220a.2 used as guidance
- 4 SASB TC-IM-220a.3 used as guidance
- 5 SASB TC-IM-220a.4 used as guidance
- 6 SASB TC-IM-520a.1 used as guidance
- 7 Carbon dioxide equivalent or “CO2e” is a term for describing different greenhouse gases in a common unit. For any quantity and type of greenhouse gas, CO2e signifies the amount of CO2 which would have the equivalent global warming impact.
- 8 In accordance with the GHG Protocol standards, office energy consumption is accounted for under Scope II and energy consumed from employees working remotely is accounted for under Scope III.
- 9 Electricity usage in the Berlin office is based on invoices from our energy providers. Emissions are calculated using the market-based approach, and are zero because we procure 100% renewable electricity. By procuring renewable electricity, we saved 127 tonnes of CO2e in 2021.
- 10 We estimated purchased electricity for the NYC office using the floor area (1,047 square meters) and average electricity intensity for office buildings (135 kWh per square meter per yr), and assumed a 25% reduction in electricity demand as a result of working from home. This reflects property managers turning off base building HVAC systems, turning down A/C in common spaces, and modifying heating plant cycles, as well as reduced lighting usage in buildings as a result of sensors.
- 11 To calculate heat consumption in the Berlin office, we used the estimated heat demand for the building provided in the energy performance certificate, which is 71 kWh per square meter per year. We multiplied this by the gross floor area of the Berlin office, which is 12,537 square meters, and applied the 20% reduction in demand observed for electricity consumption as a result of moving offices in April 2021.
- 12 An average heating energy consumption of 90 kWh per square meter per year was assumed for the NYC office based on a 2020 NYC Benchmarking Report. We then multiplied this by the floor area (1,047 square meters) and applied a 25% reduction in energy demand as a result of working from home.
- 13 Emissions from purchased goods and services were calculated using a spend-based approach. Emission factors were sourced from EXIOBASE, a multi-regional environmentally extended input-output database, and adjusted for inflation. We spent €51,911,204 on a variety of services (including marketing, IT, legal, and consulting) and to a lesser extent electronic equipment and office hardware.
- 14 AWS now provides a Customer Carbon Footprint Tool, which estimates a company’s share of emissions from using their data centers. Our estimated emissions were 3.3 tonnes of CO2e, 73% of which came from the EMEA region (Europe, Middle East and Africa), while the rest came from the Americas and Asia Pacific. We saved 94.5 tonnes of CO2e due to AWS’ transition to renewable energy at some of their data centers. We saw a significant decrease from the 8.5 tonnes we emitted through AWS in 2020.
- 15 We also used the spend-based approach and EXIOBASE factors to determine our emissions from waste management. Based on our spend of €6,417, it was estimated that our waste disposal and treatment contributed 4.5 tonnes of CO2e.
- 16 The spend-based approach and EXIOBASE factors were used to determine emissions from business travel. We assumed that 50% of the spend related to air travel and the remaining 50% to rail.
- 17 To calculate employee commuting, we took the average commute distance in Berlin, which is 8.1 km each way, x 2 (to include the return trip) x the # of working days each month x the approximate # of employees who went into the office each day (typically according to our sign-up sheets around 14 people, as going in was optional due to the pandemic and attendance numbers were often capped due to restrictions). The modal share was assumed to be 70% public transport, and 30% on foot/bicycle. Almost every U.S. employee worked from home in 2021, so U.S. employee commuting was excluded on the basis of materiality.
- 18 To calculate working from home electricity consumption, we made a number of assumptions based on external sources and extrapolations from internal data. Using office attendance sign-up sheets, we found that an average of 3% of Berlin employees were in the office on any given day and that virtually 0% of U.S. employees were in the office (meaning 97% of Berlin and 100% of U.S. employees were working from home). We assumed that our employees had a 140 W workstation at home and a 10 W lighting system, which are taken from ecoact’s Homeworking Emissions Whitepaper. We conservatively assumed that 10% (it was 1-2% in 2011) of Berlin employees and 88% of U.S. employees use air conditioning in their homes, and used ecoact’s assumption of a 1.4 kW air conditioning unit, estimating A/C use at approximately 45 working days per year. Using these assumptions, as well as 8 working hours per day, 220 Berlin working days, 230 U.S. working days, and the employee numbers, we came to a total of 153,504 kWh of electricity used while homeworking in Berlin (58.7 tonnes of CO2e) and 28,781 kWh of electricity used while homeworking in the U.S. (7.8 tonnes of CO2e).
- 19 To calculate heat consumption when working from home, we used the same assumptions as those indicated in the previous footnote. We used ecoact’s heating estimate of 4 kW and estimated heating use at approximately 45 working days per year. This totalled 720,000 kWh of heating used while homeworking in Berlin (131.9 tonnes of CO2e) and 57,600 kWh of heating used while homeworking in the U.S. (10.6 tonnes of CO2e).
- 20 Fuel- and energy-related activities are upstream emissions from purchased fuels, electricity and heat, including the extraction, production, and transportation of these. The same activity data as Scope I and Scope II was used, and emission factors from the Department for Business, Energy & Industrial Strategy were applied.
- 21 We calculated this using partial water invoices for the Berlin office and extrapolating to get 657,000 liters, and average U.S. water consumption by office workers, which is 15 gallons per person per day. We multiplied this by 40 employees and 230 working days, and then converted that number to 470,520 liters. We added this to the 657,000 liters used in Berlin to get a sum of approximately 1.1 million liters.