ESG Report

+Babbel

Report

Fiscal Year 2022

Contents

Social   10

Governance   28

Environmental   32

Babbel

Letter from Arne

Dear Babbel Community,

We are happy to present our second voluntary ESG Report. We chose to invest time, effort, and money into creating this report because we deeply believe that only sustainable & sustainably run businesses will survive in the long run and that there is more to business than financial success. Our commitment to sustainability in all forms, especially our social impact, is not just a trend or a checkbox; it is deeply ingrained in our values and shapes our decisions.

The heart of Babbel's sustainability & impact lies in our core business — the millions of Babbel learners learning foreign languages to break down barriers and borders and to build bridges instead. We remain committed to making a positive impact in the world, as our purpose is to create mutual understanding through language around the globe.

This year, we focused heavily on the Ukrainian project — offering free English, German, and Polish language courses to war-displaced Ukrainians. Our team worked tirelessly to bring it to fruition in record time, investing resources into various activities as necessary. We are very proud that more than 500k Ukrainian speakers have signed up for learning a new language with Babbel as they are trying to make a new home for themselves — as involuntary and temporary as that might be.

It was great to see the user feedback from Ukrainians displaced by the war, of which we share excerpts in the impact section and the video referenced in this report. Moreover, our efforts significantly impacted our team: We experienced immense energy, quick delivery, cross-team collaboration, and sharing sessions. Our employee engagement score, which we track continuously, reflected this.

We also continued supporting the Syrian Youth Assembly, recognizing the importance of language learning for migration, integration, and career in realizing our ability to make a strong social impact. We expanded our Impact initiatives to add G.I.V.E initiatives, where employees can pitch ideas on how to invest employee volunteering time and Babbel products. Amongst others, this resulted in a new partnership with Sea Watch that has created a lot of internal engagement. Kicked off in 2022, it will launch in 2023 and aims to ease team communication within the Sea Watch organization.

Our dedication to providing quality learning outcomes and fostering subscriber growth remains steadfast even when faced with challenges. Despite the pandemic and economic uncertainty, Babbel has been hiring and creating new jobs — with a remarkable 21% increase in FTEs in 2022. We welcomed back our colleagues to our Berlin and New York offices as the pandemic measures eased in 2022, reaffirming our sense of collaboration and community.

One of our proudest accomplishments is the gender balance throughout our organization. 55% of our company, 50% of our executive team and 40% of our Supervisory Board are women[1]. Additionally, the representation of women in our engineering team is at 29%, exceeding industry averages.

Measuring our societal impact is a challenging endeavour; however, we are committed to improving our methodology. We recognize the need to understand tangible outcomes from our learners' experiences. To achieve this, we are actively working on an impact measurement logic based on the IOOI model[2], which will help us better track our company-wide impact at a societal level. You can expect this in the next iteration of our ESG Report or a separate Impact report.

Our primary focus remains on effecting positive change beyond financial returns by advocating for the value ESG brings to society and the planet.

In closing, I want to express my gratitude to our employees, customers, shareholders, founders, and partners who share our vision for a better future. Together, we will continue to make meaningful strides in building a more responsible and sustainable world.

Regards,

Arne Schepker
CEO, Babbel

About Us

Babbel operates an ecosystem of online language learning experiences. Access to this ecosystem is offered as a subscription via the app or web, both to individuals and to corporate customers for employee training and development or as an employee benefit.

The key is a blend of humanity and technology. More than 60,000 lessons in 14 languages are hand-crafted by over 200 linguists, and user behavior is constantly analyzed to shape and improve the learner experience. The result is a constantly evolving range of interactive content including lessons in the app, live classes with expert human teachers, games, podcasts, and videos that make it easy to learn a new language, from Spanish to Indonesian.

Because Babbel wants to create mutual understanding through language, we build products that help people connect and communicate across cultures. Babbel, Babbel Live, and Babbel for Business focus on using a new language in the real world, in real situations, with real people. And it works: Studies with Yale University, City University of New York and Michigan State University prove that Babbel gets users to speak with confidence.

Babbel is committed to successful language learning outcomes. Success for us means that our learners can express themselves and comprehend others, and that they enjoy feeling competent in a second language — not just at an advanced level, but even after their first few lessons.

When creating each course, we adapt the descriptions of functional language skills (reading, writing, speaking, listening) listed in the Common European Framework of Reference for Languages (CEFR) and apply these to realistic situations that are appropriate for each proficiency level.

Babbel empowers millions of learners worldwide, and our team is as diverse as our content. From headquarters in Berlin, Germany, and New York, USA, our team members from over 75 nationalities represent the backgrounds, characteristics, and perspectives that make all people unique. Creating a real connection with users is what makes Babbel a cash flow positive language-learning app, with 16 million subscriptions sold.

Since its founding in 2007, 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 create an equitable and responsible workplace.

Babbel Highlights 2022

- The core of our business is to focus on the **"S"** (social) pillar of **ESG**

- Tackle the **SDG's 4,10**, and **16**

- **500,000 Ukrainian users** started learning German, English, or Polish with Babbel

- Employment increased significantly (by **+20.7% FTEs**)

- **Employee engagement rate of 83%[3]**, which is 5% above the relevant industry benchmark of 78%

- **29% women** across engineering teams are women, which is above average

- Focus on a culture that enables **learning**, **collaboration**, and **belonging**

Our Purpose

Babbel is driven by a purpose: creating mutual understanding through language. This means building products that help people connect and communicate across cultures. In addition to providing a platform for millions of learners who want to learn new languages and get to know other cultures, the company is committed to making a positive impact on the world and to fostering diversity, equity, and inclusion.

> *We don't merely focus on language acquisition; we empower people to authentically engage with the world around them. What truly sets Babbel apart is the holistic approach to social responsibility. We recognize that being purpose-driven extends beyond business metrics to supporting displaced Ukrainians and partnering with organizations such as the Syrian Youth Assembly and indigenous communities. In a world where communication knows no boundaries, Babbel stands for mutual respect and understanding. The question is not only 'Who do you want to be in your new language?' but also challenges us to consider 'What kind of society do you want to live in?'*

Franka Schuster,
Principal Corporate Communications Manager, joined in May 2023

> *I want to thank you for your help during the most difficult period of our lives. Making it possible to learn languages (in my opinion) with the help of an ideal resource for this is a great deed of great people.*

Ukrainian Refugee

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.

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 are bold and humble

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

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.

Diversity makes us stronger

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

We love what we do

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

Our Goals

The more Babbel evolves into a larger, increasingly professionalized, financially stable company, the more we are able to put further effort on our company purpose. We are in the lucky position that pursuing mutual understanding is aligned with our growth ambitions. That means that business goals can be simultaneously pursued as taking action to ensure our employees, learners, and communities are listened to, supported, and treated with respect. More than just aligned, the two pursuits mutually reinforce one another.

This is our second ESG Report. As with last year, we want to continue sharing where we stand, where we have progressed, and where we want to focus our efforts going forward. We're also documenting our current and future sustainability practices and ESG-related policies for transparency and accountability. Further, we will do our part to fight climate change by expanding our green initiatives and reducing our emissions. Lastly, we are actively preparing ourselves to fulfill future reporting obligations related to the Corporate Sustainability Reporting Directive (CSRD), which includes companies of our size as of 2025, as well as EU Taxonomy, which includes definitions and rules that determine which economic activities are environmentally sustainable.

We see sustainability as a journey and continue aligning our business with these important environmental, social, and governance goals.

> " As the language learning market evolves, improving Babbel for our learners is more than just a strategic necessity — it's what we deeply believe in. The Guidance updates will allow our learners to better see their progress day after day, where their learning is heading, and what they've already achieved... all while feeling truly celebrated along the way. "

Stephanie Wright,
Director of Educational Strategy, joined in December 2020

> " Soon it will be my 9th anniversary at Babbel, and it has been a journey full of achievements, learnings, and changes. There is one thing, though, that has remained consistent through the years — and that's Babbel's strong culture and purpose.
>
> As a former colleague of mine once said, 'Babbel is a very special company with its own soul,' and I couldn't agree more. It's inspiring to work with so many talented people, who are all genuinely committed to helping our users learn new languages and to developing products that work for everyone. "

Marina Segarra,
Senior Brand Manager, joined in October 2014

Contributing to the UN Sustainable Development Goals

Babbel is committed to helping meet the United Nations 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 keenly connected to what we do, too. SDG 16, Peace, Justice, and Strong Institutions, is also connected to Babbel's activities, as learning a new language, for example, brings us closer to new cultures and deepens mutual trust. More detail on how these SDGs align with our purpose is provided on the right.

SDG 4 — Quality Education:

As a language-learning company, there is a clear connection between our products, our purpose, and this SDG. Additionally, many of our social impact initiatives focus on education access and equality.

SDG 10 — Reduced Inequalities:

Babbel's lessons are inclusive and equitable, and are 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 non-profit organizations and individuals in need.

SDG 16 — Peace, Justice, and Strong Institutions:

The development of an inclusive society and the promotion of peace are closely linked to language learning. By learning a new language, individuals are able to communicate and understand other perspectives and cultures, fostering empathy and reducing prejudice. Babbel not only teaches people the language, but also allows users to develop a broader understanding of the culture behind the newly learned language.

About This Report

In 2021, we conducted a materiality assessment to identify and prioritize material ESG topics for Babbel. We analyzed various stakeholder interests, peer reports, industry and investor requirements, in addition to commonly used ESG reporting frameworks and standards. Based on a short-list, in this process, we have distilled the material topics illustrated in the table on the right to be addressed in our report and which we will manage with 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 toward the legal reporting obligations under §§289b and 315b of German Commercial Law, and the results were aligned with the EU legislation 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 for selected KPIs that are included throughout this report. 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 from January 1 until December 31, 2022, or for the status on December 31, 2022.

Materiality Assessment

Employee and Social Matters

- Employee Development
- DE&I
- Talent Acquisition & Retention
- Employee Engagement

Governance Matters

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

Anti-Corruption & Bribery

- Anti-Corruption & Bribery

Human Rights

- Human Rights in Operations

In addition to the short-list of topics highlighted in this materiality table, we have also chosen to discuss additional topics that are important to us as an organization but that are 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 include a section in the report on environmental matters because we believe environmental sustainability is part of our responsibilities. We intend to carry out a double-materiality assessment in the coming year.

Social

Our Employees

With an increase from **594** full-time equivalents (FTE) in 2021 to **717 FTEs in 2022 (+20.7%)**, our commitment to a thriving and diverse team remains steadfast. This commitment and team growth continues in 2023, despite adverse economic and industry-wide headwinds. In addition to our full-time and part-time employees, we also have a community of over 300 freelance team members and 400 freelance Babbel Live teachers from various countries. Babbel attributes its success to the valuable contributions of its diverse, passionate, and motivated workforce. We highly value our employees, and we strive to create a workplace where they can express themselves and create an environment where they feel they belong.

To achieve this, we emphasize several key elements:

- Clear purpose and company strategy
- Employee engagement and active participation
- Provide learning opportunities
- Cross-functional alignment

- Support internal mobility
- Inclusive leadership
- Increase the belonging at Babbel by strengthening our internal communities

This company culture and leadership approach leads to a highly international team (now 75 nationalities collaborating) and a slightly female-overrepresented gender diversity in our team. We don't treat this as ideology or as performative, but rather as a central part of our value creation because we have seen first-hand how powerful diverse perspectives are when it comes to creativity, innovation, and learning.

Babbel

KPIs

	2022	2021
Number of full-time equivalents	717	594
Employee nationality	75 nationalities	68 nationalities
Employee gender	• **55%** women • **44%** men • **1%** gender diverse	• **54%** women • **45%** men • **1%** gender diverse
Age group	• **25%** under 30 • **72%** 30-49 • **3%** 50+	• **23%** under 30 • **74%** 30-49 • **2%** 50+

" *What is really outstanding about Babbel is how self-aware of an environment it is. I've seen it develop over several years and am impressed with how seriously any employee and customer-related topic is taken.* "

Susanne Wechsler,
*Director of Impact,
joined in April 2016*

Our goal is to make Babbel the best workplace it can be, and our approach to establishing this is outlined in the sections below.

Engaged Employees

Engaging our employees not only enhances their well-being but also contributes to higher employee retention, increased productivity, and greater alignment with our company's purpose. It is a prerequisite for our innovation and for us to create the most impactful learner experiences, and therefore be successful as a company.

Our People and Operations team (P&O) conducts ongoing employee engagement surveys via the platform Peakon to track employee engagement over time and against industry benchmarks. Peakon Include allows us to collect ongoing feedback in order to measure the impact of the actions we take and initiatives we introduce in the areas of diversity, equity, and inclusion. This helps us to understand the different experiences of employees working at Babbel, based on real-time measurements of diversity and inclusion across the organization; ensure that we take actions based on what really matters to our employees; and make the results of our actions transparent.

As of December 2022, Babbel had an employee engagement rate of 83%[4], which is 5% above the industry benchmark of 78%. A highlight in 2022 has been the employee feedback on DE&I as part of our Peakon Include initiative: Overall engagement increased by 6% in 2022 (compared to 2021) and is now 3% above the industry standard. This is prompting us to double down on our commitment by taking the necessary steps to visibly drive DE&I engagement and address any specific feedback we receive on an ongoing basis.

KPI

Employee Engagement

83%	77%
2022	**2021**
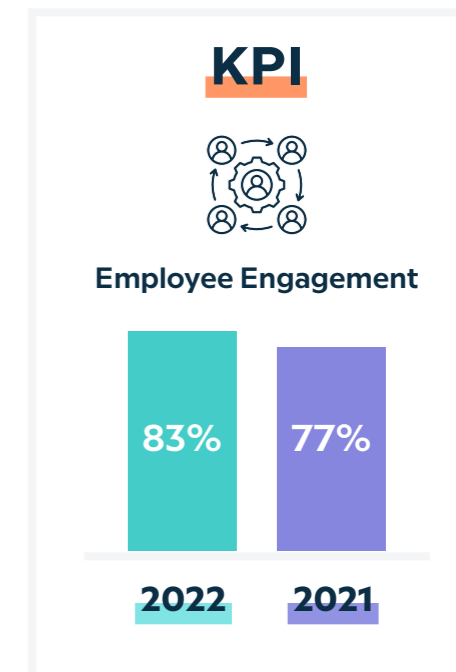
In addition to Peakon surveys, another way we measure employee engagement and satisfaction is by monitoring our turnover rate. With a rate of 14.2% in 2022, we have reached our stated goal in last year's report of lowering it to under 15% from >20% in 2021. This lower rate is a result of our improvements in the company but certainly also of changing market conditions:

External drivers:

- The war in Ukraine
- Recession fears, inflation impact, energy crisis, general uncertainty
- Widespread tech layoffs and our team members' alternatives in the market

Internal drivers:

- Purpose
- Salary grids/salary fairness
- Strong internal comms
- Clearer company strategy
- Return to the office, company parties, etc.
- DE&I investments & efforts
- Learning, training, etc.
- Company growth

Babbel's purpose is another driver of employee engagement. Our business model aims for social good implicitly, and since we formulated this into our company purpose in 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 about 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.

In addition to establishing an empowering environment heavily influenced by our people-management drivers and purpose, Berlin employees (below senior management) are supported and represented by a 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. In 2022, we had a new Works Council elected by all Berlin-based employees. At Babbel, we have

11 Works Council representatives and 3 substitutes, of which 2 FTEs are freed up from operational work. One part of the Works Council's work is to negotiate agreements with the leadership of Babbel. These agreements set out both Babbel's and the Works Council's expectations of how to deal with topics such as discrimination, remote work, etc.

For background, some of the agreements Babbel has implemented in collaboration with the Works Council in 2021 and 2022 include:

- Discrimination, Bullying, and Sexual Harassment
- Remote Work
- Internal Mobility
- Salary Benchmarking
- Jobbatical
- Video Recording at the Company's Berlin Location

> "
>
> *I've always been a passionate language learner, and I've tried every available resource. I strongly identify with Babbel's mission and its educational purpose, so the company had been on my career radar for a while, which is why I was delighted when I got a position relevant to my passions. On top of working as Localization Manager, I have plenty of space to experiment, launch initiatives, and join projects I'm interested in.*
>
> "

Angelica Palli,
Product Localization Manager, joined in February 2023

Employee Development

At Babbel, our commitment to being a "learning company inside and out" drives our support for the professional development of our employees. We do so through a range of programs and opportunities: In 2022, 213 hours of employee training were conducted, covering various offerings such as academy sessions, lunch & learns, exchange programs, and feedback culture workshops.

Furthermore, we offer:

- Unlimited access to all Babbel lessons

- An internal Babbel Academy that covers various topics, including communication, leadership, project management, and mental health

- Hiring training sessions on topics like interviewing and bias/inclusion

- Job shadowing in other departments

- A Babbel Library with over 500 job-related titles

- On-demand training with external experts

Fostering Career Progression and Growth

Babbel believes in providing opportunities for internal mobility for employees so they can advance their careers and explore new avenues within the organization. Retaining talent that knows the company and shares our values is fundamental. Therefore, we make sure individuals can grow in their current field, as well as receive opportunities to change teams or departments entirely. In 2022, 12% of all positions in the organization were filled by internal candidates, which is notable, as it increases the efficiency in our hiring processes and helps us fill positions faster. Connected to that, the Peakon score corresponding to satisfaction with personal growth opportunities increased significantly in 2022 from 7.5, which is also the industry benchmark, to 8 points[5]. To ensure a seamless internal mobility process, Babbel has established:

- An **internal job board** where all open positions within the organization are listed.

- A dedicated **Slack channel** where our Talent Acquisition team regularly posts new job advertisements, often before they are posted externally. This channel serves as an additional resource for employees to stay informed about internal job openings.

- **Guidelines** for both employees who wish to switch roles and line managers supporting the switch. This ensures transparency and clarity for all employees interested in switching roles or departments.

- A **comprehensive FAQ**. This resource assists employees in understanding the internal mobility process, eligibility criteria, and other relevant information.

Our Approach to Leadership

To empower our employees, it is crucial that our leadership feel supported and behave in an empowering manner towards the teams. At Babbel, we have implemented various tools and initiatives to ensure that our leaders promote inclusivity, empathy, and motivation within their teams. Training and development programs for managers, as well as gathering employee feedback, play a significant role in achieving this goal. For example, we offer targeted training sessions on management, leadership, and diversity, equity, and inclusion (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.

In 2022, we created a dedicated position driving leadership development at Babbel. Its aim is to ensure that leadership development has a clear concept, onboarding, and learning opportunities on offer, and that it collaborates closely with P&O business partners and line managers. In 2023, we will further enhance these efforts through initiatives such as line manager exchanges (peer-to-peer knowledge sharing) and "monitored conversations" by the P&O team.

Performance Reviews

Babbel employees receive semi-annual performance reviews incorporating 360-degree feedback from managers, peers, and direct reports alongside a development conversation at least once per year. The goal of this process is to gain insights such as what skills have been improved, where further improvement is needed, mutual expectations towards the role, etc.

We also implemented calibration in this process, which means we promote objectivity and consistency in performance reviews across different managers, departments, and job levels. Essentially, calibration involves line managers coming together to discuss the performance of their team members. Having multiple perspectives increases the fairness of the reviews and reduces bias.

Feedback Culture

Feedback culture is often associated with innovation and productive decision-making and is critical to fostering personal and professional growth within our organization. Constructive feedback is a powerful tool that allows individuals to identify their strengths and areas for improvement. It is critical to us to provide feedback in a thoughtful and constructive manner and to create an environment where feedback is not viewed as criticism but as an opportunity for growth and improved collaboration. Regular and open feedback gives employees the opportunity to evaluate their performance, make necessary adjustments, and continuously develop their skills. To establish a solid feedback culture, it is essential to provide both managers and employees with training and resources on positive and constructive feedback practices. For this reason, we have an internal team of facilitators focused on developing our feedback culture and providing specialized, in-depth sessions for teams that are ready to focus on feedback as part of their way of working.

Streamlining Hiring and Onboarding Processes

In 2022, we experienced significant growth and placed an emphasis on optimizing our hiring practices to provide a smoother transition for new colleagues. By improving our recruitment funnels and facilitating conversations with leaders, we identified challenges and areas for improvement. Regular meetings between the Recruiting team and hiring managers allowed discussions about needs, requirements, and the involvement of relevant stakeholders in the process.

To build an inclusive culture, we cultivate a diverse talent pipeline and attract applicants who align with our values of learning, mutual respect, and purpose-driven work. We also pay close attention to creating inclusive job descriptions that echo our values and purpose, like including all genders in job titles. We know that starting a new job in another country can be challenging. To assist colleagues relocating to our offices from other countries, we have expanded our Relocation Support. It eases the arrival process, not only at work but also within the new country. By providing essential resources and guidance, we ensure that our colleagues feel supported and are able to manage the logistical and cultural aspects of their new environment, so they can settle in quickly and succeed both personally and professionally.

Employee Benefits

At Babbel, we place great emphasis on the well-being of our employees by offering a comprehensive benefits package tailored to the office location. We also regularly review these benefits, especially in light of the post-pandemic period and the increasing demand for digital offerings.

Berlin employees get:

- 30 days of vacation
- Flexible working hours
- Jobbatical to work from within the EU for 3 months/year
- Bike-share benefit or commuter rail benefit
- Opportunity for sabbatical
- Access to a family service supporting caregivers as well as people with family issues and support needs
- Access to Urban Sports Club (sports and fitness platform)
- Free fruit snacks and drinks in the office.

New York employees get:

- 20 days of paid time off
- Healthcare
- 401k matching
- Commuter benefits or a CitiBike subscription
- Parental leave
- Free snacks and drinks in the office
- Opportunity to travel to the Berlin office

All employees receive allowances for home office equipment, free access to meditation and mental health apps, unlimited access to Babbel lessons, and access to in-house training via Babbel Academy. In 2022, we also launched an exchange program for connection and learning across the Babbel locations. Additionally, all Babbel employees are compensated according to industry standards.

Welcome Back to the Office

In 2022, we reopened our offices in Berlin and New York. When we returned to the office, it was important to us to create a collaborative work environment and foster a vibrant office culture. The reopening provided an opportunity to socialize, both within teams and across departments. In our day-to-day work, we encourage cross-team collaboration, recognizing the value of diverse perspectives and collaborative efforts. Both our Berlin and New York offices take an office-first approach because we see the benefits of face-to-face collaboration and also want to create various opportunities for interaction. We host in-person events, such as onboarding programs, Babbel anniversaries, cultural events, training, and company parties, etc. that allow employees to meet new colleagues or strengthen their relationships.

One change we introduced last year and carried over this year is the flexibility to choose whether to work from home (or anywhere within Europe within a limited time frame) or from the office. This is applicable to most positions in the Berlin office. New York employees work with a flexible hybrid model.

While we continue to offer hybrid ways of working, we are creating pull factors that encourage more employees to come into the office. We believe that innovation and culture are closely linked to face-to-face encounters and building closer relationships between colleagues. Looking ahead to 2023, we plan to further emphasize the value of our office as a central hub for collaboration and networking.
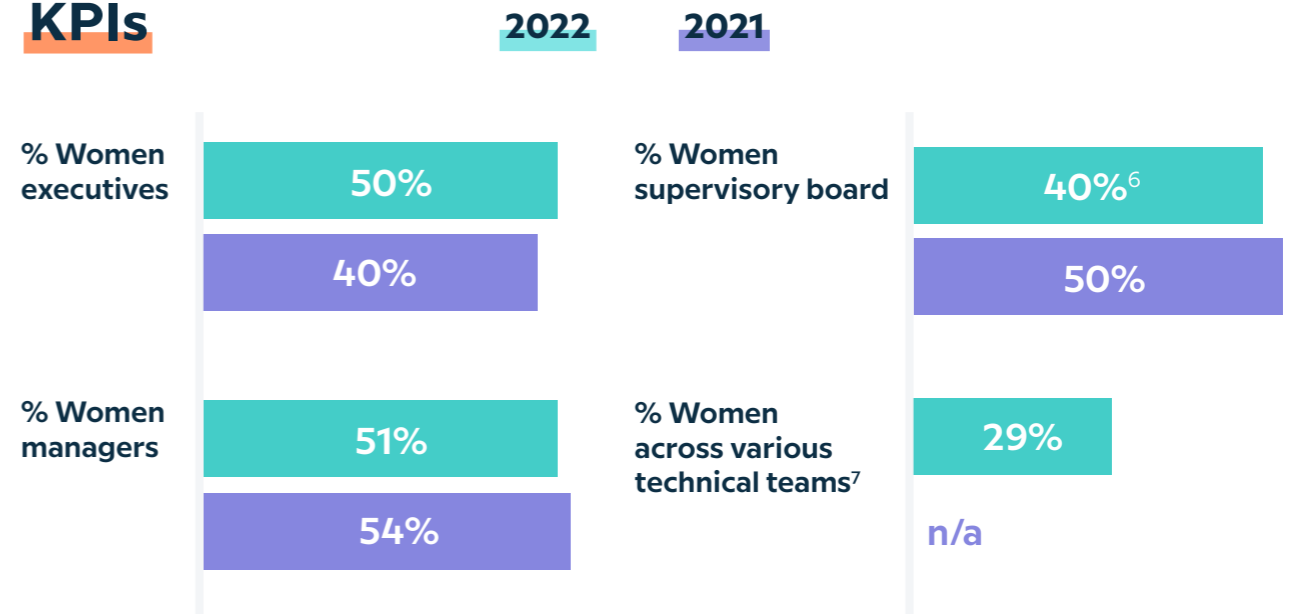
Our Berlin office offers a selection of special rooms tailored to different needs and situations:

- **Family Room:** This room is designed for working parents who need to bring their children to the office. It offers a quiet environment and is equipped with essential amenities, including games for children and a changing station.

- **Faith Room:** People of different faiths use this room to say their prayers.

- **Nap Room:** A designated area where employees can take a short, restful nap during their workday.

- **Music Room:** An interactive space where colleagues can gather and host jam sessions.

Diversity, Equity, Inclusion, and Belonging

Our goal is to represent cultural and social diversity and create a sense of belonging for all employees and learners that is evident in our daily work practices. It reflects a culture that values differences and brings people together. Babbel, therefore, welcomes people from different backgrounds, regardless of their life experience, culture, faith, ethnicity, race, gender, sexual identity or orientation, disability, age, or socio-economic class. Understanding our current status also identifies opportunities for us to improve inclusivity. By assessing the different departments and levels, we can explore strategies to promote a more diverse workforce throughout the company.

KPIs   2022   2021

	2022	2021
% Women executives	50%	40%
% Women supervisory board	40%[6]	50%
% Women managers	51%	54%
% Women across various technical teams[7]	29%	n/a

As a language-learning company, it is important to us to create meaningful connections between people. That's why we work hard both internally and externally to foster a culture that emphasizes belonging. Equally, our product offers a variety of cultural and social contexts in which our learners can feel represented and safe.

DE&I Trainings & Resources:

One of our major DE&I projects was to create an internal training course on the General Equal Treatment Act (AGG). Since we have our own specialists in-house, we wanted to make sure that our company and our employees were well-represented in all aspects of the content. The training is conducted in English and in accessible language to ensure that everyone understands the material.

We have also implemented changes to make DE&I a focus in our hiring & onboarding processes, including by:

- Building inclusive job descriptions and job posts by getting support from the gender decoder tool

- Mandatory DE&I onboarding for all new employees during their first month of employment

- Briefing hiring managers, recruiters, and recruitment agencies on diversity in the position kick-off meetings

- Providing hiring managers training on a DE&I approach

> "Every day, I interact with people from different cultures and diverse backgrounds. I am always humbled by how much I learn from my colleagues. As a manager, it is important that I build a diverse and inclusive ecosystem within my team. And working in such a rich, multicultural environment inspires and enables me to be committed to creating cultures of inclusion."

Pooja Salpekar,
*Head of Engineering US,
joined in December 2016*

We have explored several new approaches to ensure continuous learning around DE&I topics. In implementing these approaches, we keep an open mind and reflect on our actions to find out what works and what doesn't. Rather than simply giving presentations about DE&I, we strive to provide training that motivates change and promotes understanding. We want to encourage our employees to invest time in the topic because they find it rewarding, learn something new in the process, and can apply what they come away with in their day-to-day lives.

Our Internal Communities

The diverse employee initiatives we have at Babbel play a crucial role in our workplace culture. They empower individuals to shape and drive our shared values. At our company, we recognize the importance of fostering communities as key anchors for cultural development. These communities serve as safe spaces where people can freely share their ideas, experiences, and perspectives.

Belonging @ Babbel is the umbrella space for several employee initiatives, including:

- Accessibility & Disability Steering Group

- DE&I Ambassadors

- Femgineers (to support and enhance the role and reach of women and non-binary people in the technology industry at Babbel)

- Stranger Talks (a speaker series for employees and guests to share their stories and perspectives on a diversity-related topic of their choosing)

- Parents@Babbel

- Perspectives (a salon series on critical issues)

"

When we developed our Pride logo here at Babbel, it was a process because it was important to us that our internal communities make the decision. We used the opportunity to update our logo, to move from the traditional rainbow to the Progress Pride flag[8]. To remind everyone that our community must include all LGBTQIA people... For a community with a history of enforced invisibility, of having our identities erased, representation and shows of solidarity are vital. And this is what first started the conversation; it was about being visible for, and showing solidarity with those who could not, for whatever reason, be out in their daily lives.

"

Eileen Barnard,
Senior Organizational Culture Manager – DE&I,
joined in August 2018

Throughout the year, we also hold various special events highlighting different topics such as: Pride Month, Women's Day, Black History Month, and many more. In 2022, for example, we held Well-Being Weeks with a series of lectures, events, and meetings to promote the physical, emotional, and social well-being of employees during the winter months. We invited experts, practitioners, and employees from our various communities to assist us with online, hybrid, and in-person activities. These included: mindfulness sessions to support emotional well-being, movie and board game nights, cooking sessions, and other gatherings designed to bring employees together and connect them through similar interests.

Social-Related Risks

The economic crisis of 2022, triggered by various factors such as the consequences of the COVID-19 pandemic and the war between Ukraine and Russia, has led to significant social risks. One notable risk is the increase in layoffs in the market, leading to higher unemployment rates and financial instability for individuals, which also affected household members of colleagues and Babbel users. In addition, the situation has contributed to inflationary pressures that have exacerbated the economic challenges of various regions. This situation highlights the interconnectedness of social and political factors and their impact on economic outcomes, and underscores the importance of comprehensive risk management strategies. Despite the challenges of 2022, we were able to increase our workforce. This achievement demonstrates that even in times of economic uncertainty, users do not stop investing in their personal and professional language-learning development, and Babbel can grow in revenue and team members respectively.

Measuring Our Product Impact

Babbel's long-term goal is to steer the company by maximizing our societal impact. In Babbel's case, commercial and social impacts are uniquely intertwined, at multiple levels. While our team and alumni carry our values into the world, it is our millions of users who are the biggest multipliers.

Dexterity with multiple languages is a well-documented driver of openness[9], empathy[10], and cultural curiosity[11], and multiple academic[12] studies have demonstrated Babbel's effectiveness in improving learners' capacity in a new language. We know from personal experience and from user feedback how powerful language learning is in creating deeper connections between human beings. Thus, while increases in Babbel's subscribers and the time they spend learning with us represent commercial success, they also represent concurrent pro-social impact. We have, however, never quantitatively measured that impact in specific terms of the societal value Babbel creates; instead, it was more of a guiding aspiration. A concrete proof of concept and sufficient volume would enable Babbel to be able to conduct decision-making based on social impact. Thus, we set out to better understand the playing field in which we can build our Impact model — an effort that we started in 2022 and will continue in 2023.

Among the existing landscape of impact measurement tools and frameworks, we found no single pre-existing model that felt like a fit for steering our daily decisions. As a result, it was intuitive that we look at devising our own means of breaking down our impact, so as to make it tangible in our business operations. What follows is our first approach at sketching our various impacts using the "IOOI" logic.
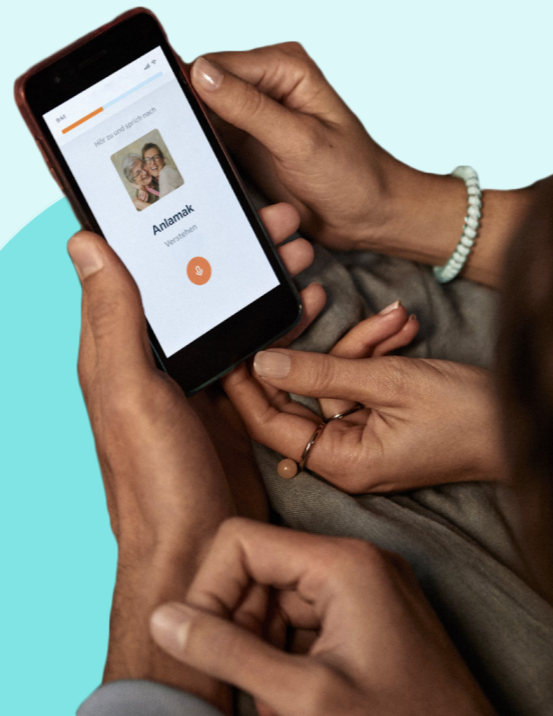
Methodology: IOOI

There are various ways of reporting impact, but one framework that we've seen applied convincingly across different cases is the **IOOI framework**: **Inputs**, **Outputs**, **Outcomes**, and **Impact**.

- **Inputs** are, in essence, factors of production or (more simply) resources allocated to achieve some impact. Generally speaking, this takes the form of budget, labor, time invested, and so on.

- **Outputs** are the measurable consequences of those inputs. In effect, immediate, finite measurables in the process or operation of something. It's important to understand these as means, not ends; they are drivers of impact, not the impact *itself*.

- **Outcomes** are the changes achieved in the target audience. These could include habit and behavioral changes, skills gained, consciousness raised, etc.

- **Impacts** are long-term changes on a societal level, in well-being and social value, generated by specific outcomes.

Impact Analysis 2022

In 2022, Babbel's Impact team finalized an internal research report focusing on evaluating the different dimensions of Outcomes that our language learning products might have. From there, we can build a **Theory of Change** and a more granular impact model.

Areas of Impact — Inside Out

Positive Impact: Beyond the impacts we create through our **Product (1)**, we have cultural impact with regard to our **Team (2)** and the communities they inhabit (and will go on to inhabit), both personally and professionally. In short, what we live, we learn. To the extent Babbel fosters critical attention to equality, empathy, and justice, team members are that much more likely to not just model that in their own lives but also expect it from future workplaces and environments. They are more likely to

act from the direct experience that embodying and expanding these principles is a tangible practice. In turn, leadership composition, workplace culture, and company priorities/commitments have impacts not strictly confined to the company itself.

Our **External Communication (3)** are another positive feature of our work. We invest in active PR and communications, both with internal staff and external agencies, in numerous countries in Europe, Latin America as well as the United States. Babbel's mission is clear and present in our public relations, brand communication, marketing, and social media channels. The impact goes far beyond Babbel users. The messages reach not only individual users, corporate clients, partners, candidates and the industry, but also the public. Babbel actively engages existing and potential new learners within a wider ecosystem. Given its mission, these activities clearly reflect the brand's values. For example, if queer and transgender people — who are less represented in the media — feel seen, normalized, and supported by Babbel's outreach (whether they're users or not), that's impactful. In 2022, we have reached more than 1,300,000,000 (one billion three hundred million) unique visitors with our media coverage on DE&I and social topics.

Our **in-app content** has consistently spoken to, normalized, and dignified marginalized groups and even taken bold steps in challenging ways languages have been engines for marginalization and oppression. This is massive, especially in an era where similar pedagogies are being actively curtailed and outright banned in the public sphere. This in-app content warrants attention on (at least) two fronts: its normalizing impact on learners from historically marginalized backgrounds, and the ways it gently challenges learners from positions of relative privilege to entertain different versions or experiences of the world. As part of our Social projects, we have shared some of our DE&I Babbel Live teacher training with NGOs, who've in turn increased the reach of our approach, imparting it to their networks.

Another important pillar of our communication is our outstanding customer service, which makes contact with millions of people, either 1:1 or 1:few. It's the CS team's stated goal to create human connections and make every user feel heard. At this scale, we can reasonably assume that we have a positive impact on the wellbeing of those who reach out to us.

Potentially negative Impact: As we compiled this exploration of our impact, it became clear that our company's impacts extend beyond those present in the product itself. Unfortunately, this cuts both ways. While Babbel's overall impact can be assessed as a net good, there are definitely areas in which our company has contributed to negative outcomes. One is our carbon footprint and CO_2 emissions, for example, which we addressed by reducing and offsetting the remainder for 2021. Also, setting aside disparities in digital access and literacy more broadly, we recognize the evolving needs of learners with disabilities and are dedicated to fostering inclusivity in our educational offerings. We are actively working to enhance accessibility features and develop inclusive learning content to ensure that all individuals, regardless of their abilities, have equal access to educational opportunities through our products and services.

Impact on Our Learners

The most scalable dimension of impact is, of course, how we improve our learners' lives and therefore society as a whole.

In our analysis, users reported beneficial outcomes from using Babbel, when they are able to apply their newly acquired language skills in real-life situations. From work situations to travel or migration, the use cases for being able to communicate and understand are varied.

Since this report was our first exploration of Babblel's product impact, we used a pragmatic approach as a first step toward generating a big-picture understanding of the dimensions of our outcomes. We analyzed inbound user statements that we received through various channels and assigned them to different topics of Outcomes. The main benefit of this method
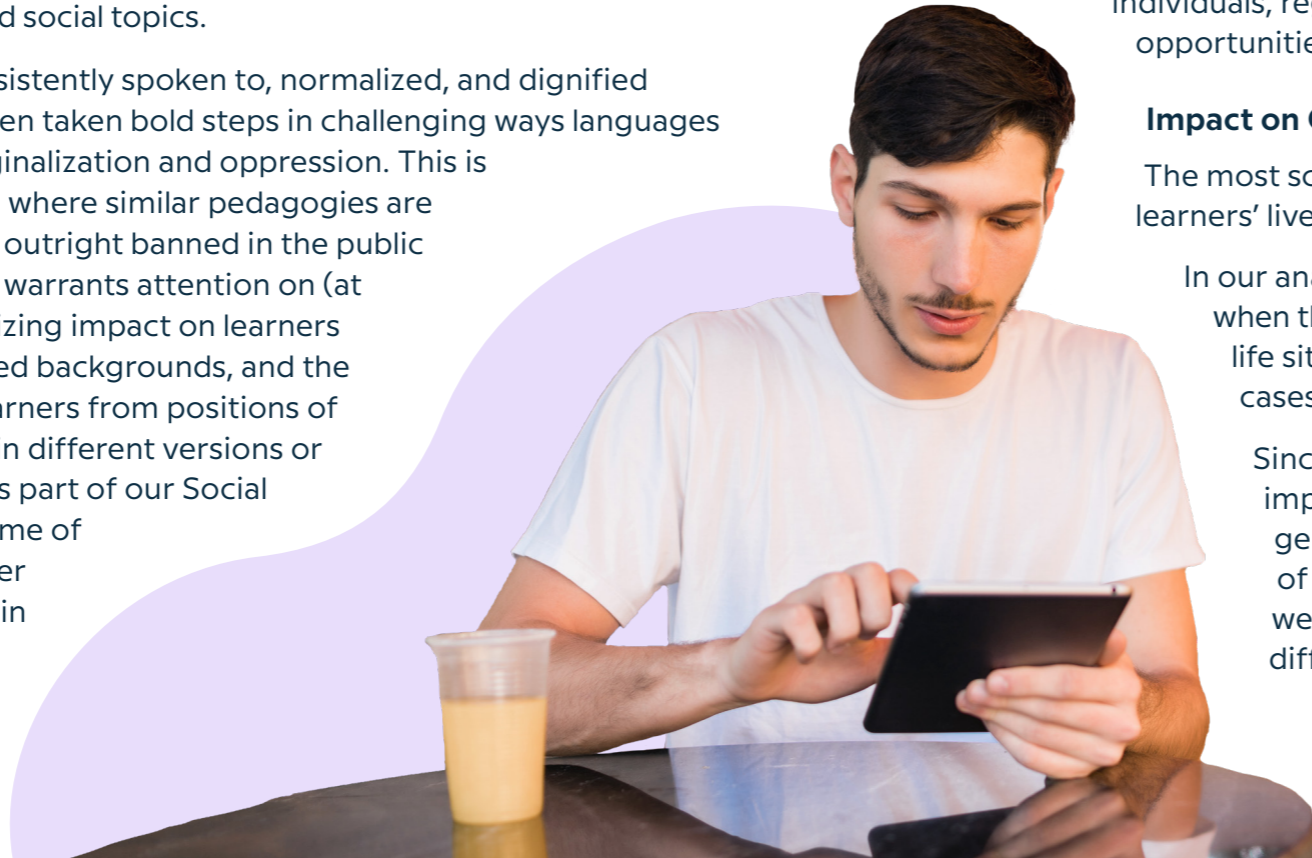
was the rapid availability of data and the lack of any need to engage other teams to procure more. We looked at data that was provided in an anonymized way by our customer service from September 2020 to December 2022.

The following table gives an overview of the IOOI model applied to Babbel:

Input	**Output**	**Outcomes**	**Impact**
Resources	Measurable activity	Concrete change in behavior or structure	Wellbeing and social benefit
Examples:	**Examples:**	**Examples:**	• Increased mutual understanding through language
• Financial resources	• # of active learners	• People change their skills and attitudes (e.g., language proficiency, interest in other cultures)	
• Human capital	• # of minutes learned		
• Technological expertise	• # of Babbel Live lessons completed		
• Educational capabilities	• # of cultural bites completed	• People change their behavior (e.g., seek more conversations, travel more)	
• Content available			
• Customer support		• Living conditions change (e.g., feeling joy in learning, feeling more connected, higher income)	

Some notable findings of the analysis:

- **The process of learning:** Babbel's language-learning experience goes beyond the goal of language proficiency. Users frequently report that using Babbel sparks joy and makes the learning process rewarding and enjoyable.

- **Speaking a new language:** Language-learning serves various social contexts beyond typical scenarios such as travel or relocation. The statements of users show that their language skills have allowed them to connect in their home countries and workplaces with people from different backgrounds.

- **Proficiency increase:** Users express pride and happiness in sharing their progress, highlighting enhanced comprehension, revived language skills, confidence in conversations, and expanded vocabulary.

- **Cultural awareness:** Babbel users report that when learning a language with Babbel, they not only learn new words or phrases but also gain insight into different cultural elements.

- **Confidence and mental health:** Babbel users have shared stories of previous frustrations with language learning and how using Babbel allowed them to make significant progress and regain a sense of accomplishment. Older users also report finding joy and cognitive stimulation in brushing up on their language skills or embarking on new language journeys.

- **Accessibility:** Babbel surpasses traditional language-learning methods in terms of accessibility, overcoming barriers such as high costs, geographic limitations, and fixed timetables.

On this journey, our next steps in 2023 are to conduct qualitative surveys of Babbel users, to closely examine the results, and to establish our "theory of change model" accordingly.
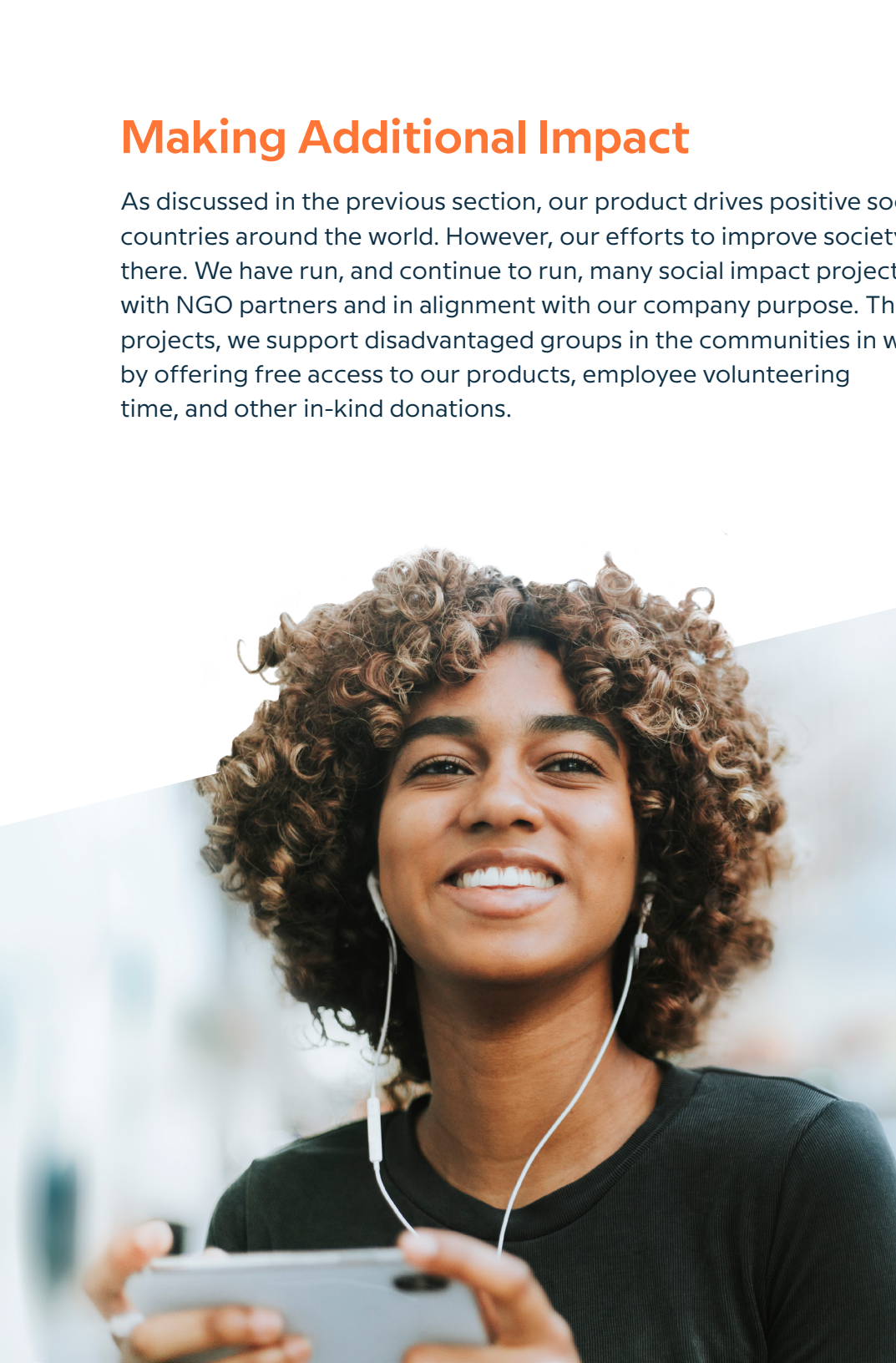
Making Additional Impact

As discussed in the previous section, our product drives positive social impact in countries around the world. However, our efforts to improve society don't stop there. We have run, and continue to run, many social impact projects in collaboration with NGO partners and in alignment with our company purpose. Through these projects, we support disadvantaged groups in the communities in which we operate, by offering free access to our products, employee volunteering time, and other in-kind donations.

#HelpUkraine

In early 2022, Russian forces invaded Ukraine and began a war, which forced millions of Ukrainians to flee their homes. Reflecting on our purpose and responding to employees' desire to help, Babbel launched a series of initiatives starting with a Slack channel, #HelpUkraine, where employees shared resources, volunteering opportunities, and ways to donate. From there, under the leadership of employee project owners, we took the following steps to provide assistance using our core skills:

- Created German, Polish, and English language courses within our app, specifically designed for Ukrainian speakers. In total, we've launched hundreds of lessons across the three languages.

- Published language and resource guides for refugees, containing useful words and phrases, as well as phone numbers and links to other available help. This is available for those in a German speaking country and Poland.

- Compiled a guide to basic Ukrainian phrases for volunteers and hosts.

- Provided free Babbel Live seats and onboarding assistance for refugees from racialized communities via a nonprofit organization in Berlin called The Tubman Network.

- Shared teaching materials with The Educational Equality Institute offering free language classes to Ukrainians.

- Invited PLAST, a nonprofit scouting group that is helping Ukrainian refugees find accommodation in Berlin, to use some of our office space free of charge.

+Babbel

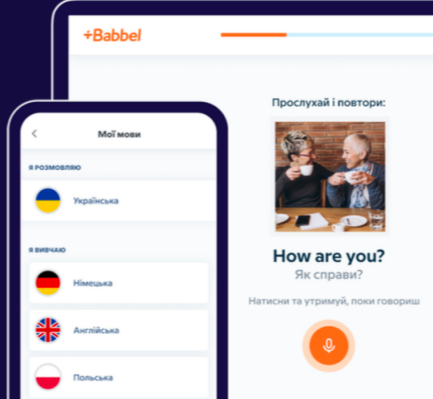**Тепер українці можуть безкоштовно вивчати німецьку, англійську та польську мови.**

Learn German, English or Polish for free as a Ukrainian speaker.

Щоб почати, відскануйте QR-код або відвідайте ua.babbel.com

The biggest of these initiatives are our newly launched language courses. As of this report's publication, over 500,000 Ukrainian speakers have signed up to learn for free with Babbel. We are grateful that our work creating free courses for Ukrainians, has been awarded with the [Silver Award for Humanitarian Action and Services (CSR) in the second Annual Anthem Awards](#). This project illustrates the power of collaboration between different teams that combined their efforts with the goal of helping Ukrainian refugees. Copywriters, translators, project managers, engineers, and many others engaged to quickly and efficiently create learning materials and lessons for a new language pair. The internal dynamic, can-do attitude, and energy are inspiring to this day, as is the ongoing feedback from users.

For a deeper look at the perspectives of those involved in the initiative, as well as the reflections of Ukrainian refugees on the crucial role of language in times of crisis, we invite you to [watch this video](#).

The importance of language in times of crisis

"

I used to live in Ukraine, but because of the war, I came to Germany... I knew that I need to learn German for my career and in general to live a good life in Germany. For me to join a normal, regular German class was difficult, so I was focused on finding something online and flexible; that's why I joined Babbel. Once I began using Babbel, I really started to like some of the Babbel Live teachers. In general, what I do is to learn at Babbel, and then I try to use these words in my daily life and practice what I learned.

"

Ukrainian Refugee

"

Unfortunately, I have absolutely no talent for learning languages, and the situation in our country and forced migration made me even more disoriented. I was looking for an opportunity to learn the language for free and responded to all the offers I saw. I accidentally came across a recommendation for Babbel courses. The first impression was a surprise at how small the lesson is and how little information is given, because I'm used to the fact that learning a language must be stressful, memorizing a huge number of words for each subsequent one-hour lesson. Therefore, I 'swallowed' the first course in one day... I started to go to the website and learn almost every day in the morning and sometimes in the evening... My mood improved, because you have a very cheerful interface, easy, convenient, just nice to look at, and from the first classes I began to be able to explain my needs in Polish, even if I didn't know some word in the store or on the street. After that, I relaxed and began to trust your method more. The results are pleasantly impressive; even at the beginner level, they tell me that I speak well.

"

Ukrainian Refugee

"

The courses we've created for Ukrainians offer basic communication skills: how to say 'hello,' how to ask for help, and walk around railway stations. That might sound easy, but, in fact, this is the first step that very often is the hardest step.

"

Piotr Wojsznis,
Senior Content Marketing and Social Media Manager, joined September 2019

Other Social Projects

Partnering with NGOs

Collaborating with non-governmental organizations (NGOs) allows us to embark on diverse projects aimed at addressing social challenges. By identifying areas where our strengths and capabilities align with those of NGOs, we can establish fruitful partnerships. In 2022, we ran more than 16 social impact projects to help our communities. Among others, we collaborated with the Syrian Youth Assembly (>50.000 hours learned), Le Flambeau Foundation, Connecting Roots and Spanish Commission for Refugees. We are continuously looking for ways to expand our support to non-governmental organizations.

The G.I.V.E Initiative

In 2022, we launched the G.I.V.E framework, which stands for Generating Impact Via Engagement. Through G.I.V.E, employees at Babbel are able to engage in social or sustainable initiatives while receiving support from the company. This opens up opportunities for cross-team collaboration and fosters employee engagement around our purpose while creating innovative ways to give back to our communities. Employees participate in causes that are important to them, and the involved team members have a variety of tools at their disposal to support impactful projects. We have received two applications for G.I.V.E projects in 2022. The first project is led by a team who work closely with Sea-Watch e.V., supporting their work in 2023 by creating customized content and providing free access to our platform. The second project submitted did not meet the G.I.V.E criteria, as the NGO A Gente e.V. needed financial support. We conducted a one-time workshop with an external fundraising expert supporting them to take the next steps in collecting funds. The recording of the training was shared with other NGOs in our network to maximize its impact.

> "
>
> *It is a pleasure and privilege to work on social impact projects through Babbel. The Impact team makes it easy to connect my work with volunteer opportunities where I can help and support my community.*
>
> "

Silvia Place-Hildesheim,
English Learning Content Creator,
Practice & Apply,
joined in July 2022

Learnings from Partnering with NGOs

Babbel has always been engaged in social activities, primarily bottom-up-led projects by team members. In 2021, we formalized this endeavor within the newly created Impact team. This team aims for a strategic approach to such projects: We only choose projects that are aligned with our purpose. We do not provide financial support, but rather in-kind donations (ideally involving our core products) and skill-based volunteering time of our team members. Also, we have established criteria according to which we proceed in the selection of projects:

- Technical fit: display and learning languages that we offer to match the needs of those in need; the age of the target audience matches our offerings (this excludes kids).

- Trust with the NGO is established.

- The NGO has resources to implement the partnership on their side.

- Purpose of the partner organization needs to have a big overlap with our offerings. This means that the partner should ideally also be in the integration/language space, and Babbel's offerings should help them reach their own goals better. If this isn't given, they have little incentive to make the project successful.

- Legal arrangements with NGOs take time and have tax implications. Barter agreements in which both sides agree to provide value are an option to structure the agreement.
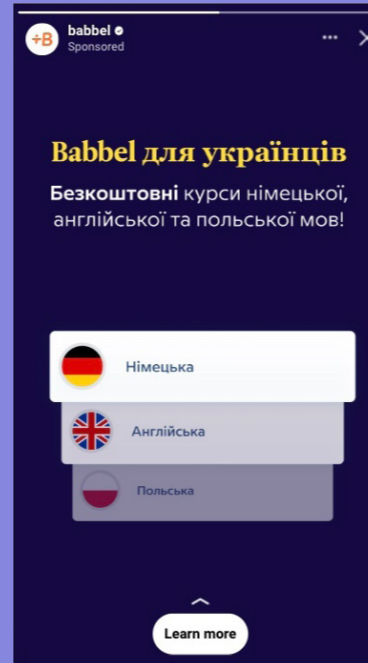
As an example, we were on the outlook for partners regarding the use of our new and free courses for Ukrainian people learning English, German, or Polish. Identifying the right partners (criteria: large reach and willingness to use or share our offerings in their communities) and building the co-operations takes time, which we didn't have. The way we reached the enormous amount of 500k+ users is by spending a large budget on paid marketing (see picture of Instagram ads). It was not our preferred approach, but it scaled social impact much more quickly and easily than we could through partnerships alone.

Going forward, we will continue to partner with NGOs and have published the criteria and an application form on our website (see here).

Partnerships with Organizations

If you're an organization with a social mission aligned with our values and looking for language learning opportunities but can't afford a Babbel subscription, you can apply for free access to Babbel if you match **our criteria**:

Display Languages

To learn with Babbel, your learners have to speak German, English, Polish, French, Italian, Portuguese, Swedish, Spanish, or Ukrainian fluently.

Learning Languages

With Babbel, you can learn German, Danish, Dutch, English, Polish, French, Italian, Indonesian, Norwegian, Portuguese, Russian, Swedish, Spanish, Turkish.

Learners' Age

Babbel's content is aimed at adult learners, so we can only offer free access to learners who are 18+ years old.

Governance

ESG and Our Corporate Structure

At Babbel, sustainability is deeply ingrained in our corporate structure and operational framework. We have a dedicated Director of Impact, Susanne Wechsler, who reports directly to the CEO, as does our VP of P&O. Our leadership team is fully committed to corporate responsibility and ESG. Key executives responsible for sustainability matters, such as the Director of Finance, Director of Corporate Finance, and General Counsel, report to our Managing Director & CFO Christian Baier[13], ensuring alignment and prioritization of ESG initiatives. Compensation of all managing directors of the Babbel AG is tied to ESG goals, and our Supervisory Board is regularly updated and educated about ESG matters.

To strengthen our accountability, we have a Supervisory Board that oversees key corporate decisions. Importantly, no member of the Supervisory Board holds a majority stake in the company, ensuring independence and compliance with the German Corporate Governance Code. Through our solid corporate structure and governance practices, we ensure that sustainability is always at the forefront of our strategic decisions and business operations.

Customer Data Protection and Security

As an online language company, we recognize the importance of safeguarding our customers' personal information and maintaining the standards of data security. 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 anonymizing or pseudonymizing 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. We explicitly chose our business model to keep learner interests and their data privacy in mind. We do not use PII/learner data for anything but optimizing the learning experience, which is why there is no advertising on our platform and no data exchange with other companies, etc. Further, no user information was used for secondary purposes[14], and there have been only negligible monetary losses as a result of legal proceedings related to user privacy in the reporting period.[15]

KPIs

	2022	2021
# of users whose information is used for secondary purposes	0	0
Total monetary losses as a result of legal proceedings related to user privacy	€2.221	0
# of law enforcement requests for user data	18[16]	30
Total monetary losses as a result of legal proceedings related to anti-competitive behavior	0	0

In 2022, we received 18 law enforcement requests for customer data.[17] To ensure the privacy of our customers' data, we have taken several precautions in responding to these 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 can not be downloaded or forwarded. In compliance with German law, we have contracted an external Data Protection Officer, who informs and advises the company on our legal obligations with 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 a growing Information Security and Compliance team that continuously works on improving our Information Security Management System (ISMS), which is the framework for planning, implementing, monitoring, reviewing, and improving our security at Babbel. We periodically perform pentests (simulated cyberattacks to test our cybersecurity measures) and have a responsible disclosure program, allowing security researchers to inform us of any vulnerabilities they find in our systems. In addition, new Babbel employees participate in information security awareness training that introduces them to physical and online security, so colleagues know how to protect data and systems at Babbel.
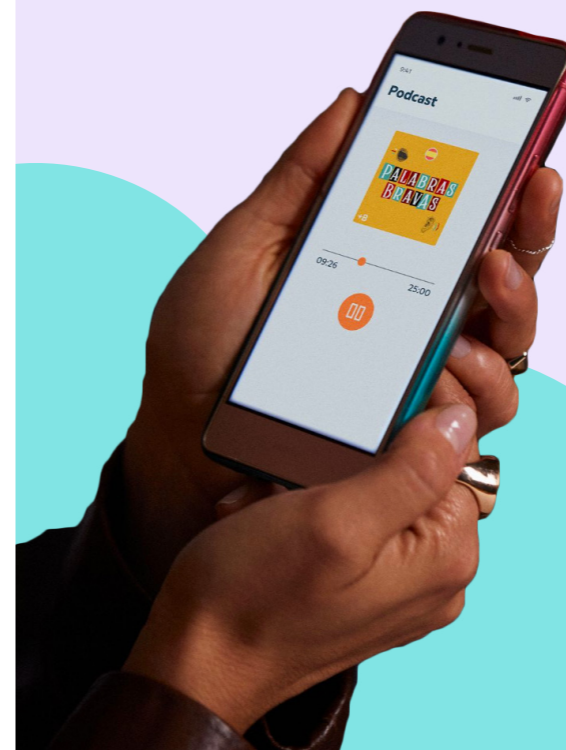
Safeguarding Our Intellectual Property

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 in order to maintain and protect these key assets, including by pursuing relevant infringements by third parties.

In an effort to avoid infringing upon the intellectual property rights of others, and because we consider it better in quality, we create our own course content. 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 law for Babbel, as well as for employees, and 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.

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

- Business Relationships
- Conflicts of Interest
- Anti-Corruption/Anti-Bribery
- Financial Transparency and Integrity
- Data Protection

- Anti-Money Laundering and Sanctions List
- Communication of Non-Public Information
- Intellectual Property and Other Assets

The document also names a Group Compliance Officer, whom 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.[18] 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. Further, we are currently reviewing our anti-corruption training and aim to improve the current program in 2023.

Governance-Related Risks

We remain vigilant in monitoring general risk areas such as inappropriate use of customer data, protection of intellectual property, and potential legal issues or regulatory penalties related to data privacy, anti-competitive behavior, corruption, or bribery. To reduce these risks and show our dedication to good governance practices, we work to implement and enhance safeguards and procedures.

Ethical Marketing

A significant part of our business revolves around marketing. As such, we believe that responsible business practices include ethical advertising, as well as a steadfast commitment to consumer privacy and strict compliance with the General Data Protection Regulation (GDPR).

When we advertise on various platforms, we primarily use the existing brand safety filters provided by those platforms to screen out topics or contexts that may not align with our core values. By default, we avoid advertising in environments associated with alcohol and abuse and always favor the safest options available. Despite comprehensive brand guidelines, there are instances where we make a conscious decision not to use certain banners, images, or messages that could potentially offend consumers. For example, we refrain from exploiting linguistic errors for humorous content and from using controversial images, even if they have higher click-through rates. We resolutely avoid false advertising and ensure that our claims are supported by authenticity.

When creating our marketing content, we prioritize user benefits and emphasize the transformative impact of language learning. We guide users to achieve long-term goals while fostering lasting relationships with them.

In our ongoing effort to improve our ethical marketing practices, we are working to create comprehensive ethical guidelines that will serve as a basic framework for our operations — just like we have high bars set by DE&I guidelines for our marketing. .

Conscious Influencer Marketing

ESG and sustainability discussions are actively shaped by global leaders and influencers. Last year, more than 126 content creators addressed the concept of conscious consumption in the context of Black Friday. Some content creators have even opted for a "Blackout Period" and promoted personal growth through language learning before or after Black Friday. We've partnered with a number of these influencers who promoted conscious consumption, focussing on formulating genuine messages that appeal to these creators' audiences.
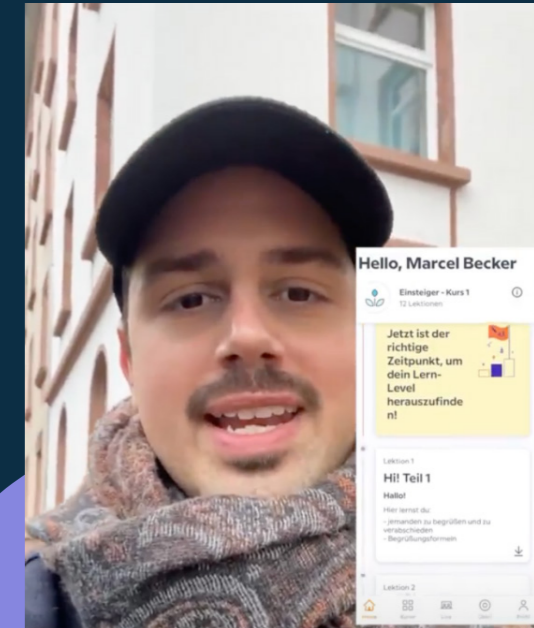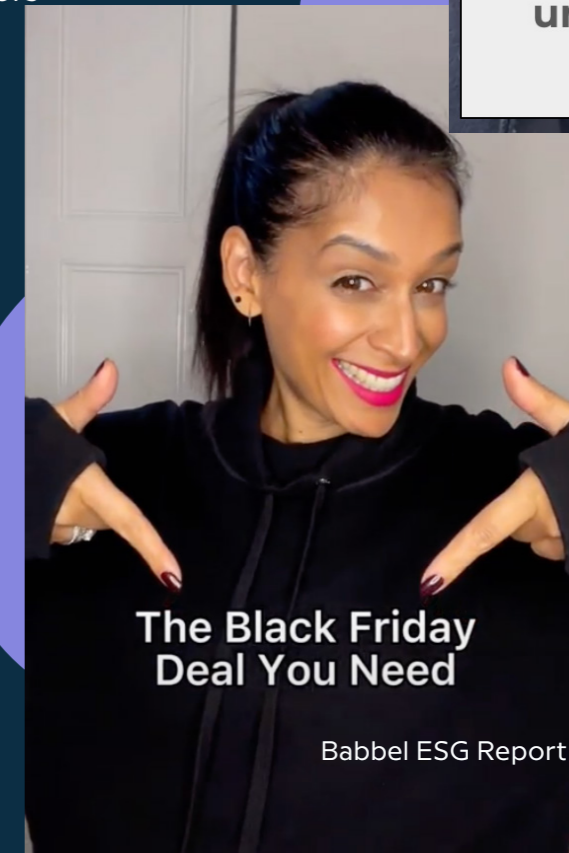
Environmental

Our CO2e Emissions (FY2022)

As we did last year, we are disclosing our carbon footprint for 2022 to give stakeholders a better understanding of our emissions. The carbon footprint model also helps us identify the areas with the highest emissions, so we can look for ways to reduce them. To increase the transparency of our carbon model, we have introduced the distinction between gross and net carbon calculation. For gross emissions, we account for all emissions irrespective of climate-neutral claims; for net emissions, we exclude the spend that we know was procured sustainably (e.g., green energy) or credibly offset on the suppliers' side.

KPIs	2022 Gross (including suppliers that offset)	2022 Net (excluding suppliers that offset)	2021 Gross (including suppliers that offset)	2021 Net (excluding suppliers that offset)	Change in % net
Scope I emissions	0	0	0	0	0%
Scope II emissions	249 tonnes	43 tonnes	214 tonnes	45 tonnes	- 4,4%
Scope III emissions	5,161 tonnes	2,661 tonnes	3,662 tonnes	1,839 tonnes	+44,7%
Total carbon footprint	5,410 tonnes	2,704 tonnes	3,876 tonnes	1,884 tonnes	+44%
Total water consumed		689,519 liters		1.1 million liters	-37.32%

Our Carbon Footprint in Detail

In the following table, we have presented the growth rate in full-time workforce 2021 and 2022, along with the corresponding percentage increase. This allows for a comparison between our workforce growth and the growth of Scope 1, 2 and 3 emissions listed on the right. It is worth noting that in many cases, a growing workforce and increasing revenue correlate with increased economic activity, which often leads to higher energy consumption and, subsequently, increased carbon emissions. Due to lifted Corona restrictions, we have additional emission categories in 2022 compared to 2021 (travel and commuting). The table on the right is an explanation of each emission category. For an even more detailed breakdown of our carbon footprint calculation, methodology, and assumptions, please take a look at the endnotes.

KPIs

	2022	2021	Change in %
Full-time employees	717	594	21%

Summary of our emissions development

In 2022, our total net carbon emissions amounted to approximately 2,704 tonnes of CO2e. The biggest drivers are a) company growth in terms of FTEs & revenue drives up the marketing spend-related footprint as well as the FTE-related office & work-from-home footprint, b) a reopening of both our Berlin and NYC offices which increases both the office usage footprint & commute footprint, c) a return to business travel, which is a heavy increase in flights between Berlin and NYC flights & respective emissions, and d) on the positive side, several incremental energy, and therefore emissions, savings.

Source	2022 Net Usage	2022 Net Emissions (tonnes of CO_2e[19])	2021 Net Usage	2021 Net Emissions (tonnes of CO_2e)	Change of emissions in %
Scope I	0	0	0	0	0%
Scope II[20]					
Purchased electricity - Berlin[21]	410,160 kWh	0	332,231 kWh	0	0%
Purchased electricity - NYC[22]	101,465 kWh	29	106,446 kWh	29	+1%
Purchased heat - Berlin[23]	870,035 kWh	0	715,807 kWh	0[24]	0%
Purchased heat - NYC[25]	62,440 kWh	14	70,964 kWh	16	-12%
Scope III					
Purchased goods & services gross	€144,761,688	4,444	€109,568,369	3,393	+31%
Purchased goods & services net[26]	€65,102,599	1,943	€51,911,204	1,570	+24%
Data servers (AWS)[27]	-	0.8	-	3.3	-76%
Waste management[28]	€6,888	4.7	€6,417	4.5	+4%
Business travel[29]	€471,717	516	€18,585	14	+3,510%
Employee commuting[30]	982,879 km	21	49,896 km	1	+1,617%
Remote work - electricity[31]	149,638 kWh	52	182,285 kWh	66	-21%
Remote work - heat[32]	599,810 kWh	110	777,600 kWh	142	-23%
Fuel- and energy-related activities[33]	163,905 kWh	13	893,216 kWh	37	-65%
Total		**2,704**		**1,884[34]**	**+44%**

A net-net comparison, keeping Corona related assumptions stable[35] and only comparing our change in other emissions, yields an 18% increase in emissions[36]. This is relatively smaller than our revenue and employee growth of 21%, respectively, and is due to savings but also new EXIOBASE factors for 2022 and inflation adjustment. Unfortunately, we can not provide a better comparison, e.g., a carbon model from 2019 (before Corona), which would already include business travel and commuting.

Explanation of each emission category

Scope I:

We have no direct GHG emissions that occur from sources owned or controlled by Babbel, for example, emissions from combustion in owned or controlled buildings and vehicles.

Scope II:

In Berlin, we have done what we can to have no energy and heat emissions for our office. In New York, we don't have access to that data and only limited means to influence such decisions of our landlords. We are continuing to work on getting first-hand data and influencing the building administration to switch to renewable energy sources.

Scope III:

Purchased Goods & Services:

Our biggest emission source is purchased goods and services. We account for them based on a spend-based approach. This means, the more we spend (e.g., for marketing), the more emissions we have. As the company grew, we had higher expenses in 2022 compared to 2021.

Our total gross expenses for purchased goods and services were €109,568,369 in 2021 and €144,761,688 in 2022. For our footprint calculation, we took into consideration the emissions produced by expenditures that are not otherwise taken into account, e.g. by our suppliers (see information on the right.) Our total net expenses were therefore €51,911,204 in 2021 and €65,102,599 in 2022.
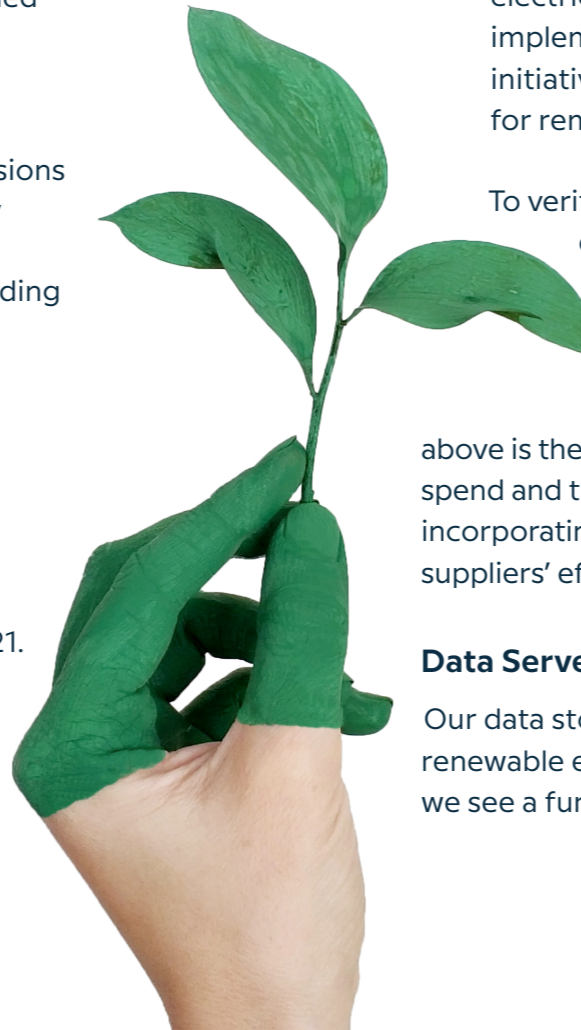
Some examples of suppliers' green energy or offsetting activities:

- Meta Platforms global operations reached net-zero emissions and are supported by 100% renewable energy.

- Google Cloud and Google Workspace Products are climate neutral, and Google also purchased 100% renewable energy in 2021.

- Apple sources 100% renewable electricity for Apple facilities, implements energy efficiency initiatives, and secures carbon offsets for remaining emissions.

- Adyen offset all greenhouse gasses (GHG) by investing in sustainable energy projects.

- Compado is climate positive, meaning they compensate double the amount of their emissions by investing in projects that help the environment.

- Microsoft has been carbon-neutral since 2012 and is investing in carbon removal offsets.

To verify this, we've contacted our biggest 100 suppliers and reviewed their environmental statements. We then converted the remainder of our spend using EXIOBASE and came up with 1,943t CO_2e. Reducing our spend-based emissions is important to us. To do so, we've consulted 9 different experts on the matter to learn how we can lower these emissions or be more granular in accounting for them. To this day, our approach as described above is the best we've been advised to adopt. As we are not satisfied with growing spend and therefore business growth resulting in growing emissions, we have begun incorporating carbon criteria into our sourcing decisions and evaluating and discussing suppliers' efforts to reduce carbon emissions, for example by procuring green energy.

Data Servers (AWS):

Our data storage provider, Amazon Web Services (AWS), is in the process of rolling out renewable energy solutions and aims to use 100% renewable energy by 2025. As a result, we see a further decrease in emissions from AWS data storage that we use.

Waste Management:

With expenses of €6,888 (+7% over 2021), it was estimated that our waste disposal and treatment generated 4.7 tons of CO2e emissions compared to 4.5 last year. The spend increased relatively less compared to our workforce growth (+20.7%). Based on the calculation of our waste generation, we try to take further measurements to reduce our waste. These include recycling various materials, making in-kind donations, and cooperation with sustainable suppliers.

Business Travel:

We are seeing a spike in our carbon emissions related to business travel as COVID-19 travel restrictions have been lifted. Given our offices are in Berlin and New York, there is a need for flights between these locations. We try to keep these to the minimum by encouraging online meetings and by making stays as effective as possible, by combining in-person meetings and other events to attend within one visit. If a flight is considered indispensable and has been approved, we encourage direct flights to reduce our travel emissions.

Employee Commuting:

The reopening of our offices in April 2022 (Berlin) and October 2022 (New York) has led to an increase in employee commuting emissions. One area we've focused on for a long time is promoting eco-friendly transportation for employees. We provide employee benefits such as public transit benefits and free subscriptions to bike-share programs to encourage sustainable commuting.

Remote Work - Electricity and Heat:

In this part, we have included electricity and heating costs for remote work, as employees in Berlin returned to the office in April 2022 and employees in New York returned in October 2022, our employees continue to also work from home due to our hybrid work model. For more information on how we calculated these numbers, see endnotes 31 & 32.

Fuel- and Energy-Related Activities:

Within this category, emissions relate to the production of fuels and energy procured and used by Babbel in 2022. These emissions do not fall within Scope 1 and Scope 2. Fuel and energy-related activities include emissions that arise from the procurement of fuels, electricity, and heat and involve the extraction, production, and onward transmission of these resources.

Use of Sold Product:

We acknowledge that the utilization of our product results in emissions. As outlined in the GHG Protocol, the inclusion of this aspect in the carbon emission model is considered optional. A very rough estimate gets us to an additional 2,750t CO2e in 2022, which is ca. +100% of our calculated footprint as provided in the earlier paragraphs. Looking ahead, we plan to calculate this important part of our product life cycle in a more detailed manner and include it in the Scope III emissions table.

Offsetting the Remainder 2021:

While we continue to work on reducing Babbel's carbon emissions, we purchased carbon offsets through BEF — Bonneville Environmental Foundation (BEF) — to compensate for the remaining emissions that we were unable to reduce in our carbon footprint in 2021. The precise project that we selected is located in northeast Tennessee, Doe Mountain Forest. It is one of the largest privately held forest blocks in the Southern Blue Ridge area. The carbon offset we acquired is equivalent to the reduction of 2,053 tons of carbon dioxide (CO2e).

This project has:

- Improved forestry management

- Reduced emissions through enhanced carbon sequestration

- Provided a sustainable and protected habitat for threatened and endangered plants and animals.

The criteria for choosing this project were the quality of the project (verified by SCS Global Services, applying American Carbon Registry Standards), availability of credits, and the location being in one of our main markets. Third-party verification is included with every BEF carbon offset. All of their offsets are registered in one of these industry-accepted registries: Climate Action Reserve, Verified Carbon Standard, American Carbon Registry, and the Gold Standard.

CO2 Outlook 2022:

Given the criticism of offsetting that is prevalent in the public discussion, we are currently strongly considering other options of putting the funds to good use instead of supporting a project we don't have direct access to. We are also looking more closely at the Science-Based Targets' Net-Zero Standards and its mitigation hierarchy to establish both short- and long-term goals. We still see value in beyond value chain mitigation as a lever to accelerate the global transition to net-zero.

In addition to our commitment to minimizing environmental impact, we are aware of the need to prioritize carbon footprint reduction in our digital marketing efforts, which is the biggest part of our purchased goods & services category. Recognizing the environmental impacts associated with digital advertising, we strive to make sustainable advertising decisions and explore greener practices.

Eco-Friendly Offices

Our Berlin headquarters uses 100% renewable energy and includes features like thermal and acoustic insulation, reduction of air circulation at off-peak times, and energy-saving lamps in the building's toilets.

Both of our offices have water dispensers that reduce the need for plastic bottles and overhead lights triggered by movement sensors. 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 US at approximately 690k[37]. Even though the number is estimated based on quite general assumptions, compared to the previous year, this represents a decrease of -37%, even though we increased the number of full-time employees.

In terms of responsible waste management, 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 rather than dispose of them.

Responsible Sourcing

Our Office Management team takes the environment into account in purchasing decisions. We continually monitor our suppliers and improve our sourcing practices to focus on buying from local or regional businesses to support them and reduce carbon emissions from long-distance transportation. To further minimize our environmental impact, we follow the "less is more" philosophy. For example, we have deliberately reduced our beverage range to one milk alternative and offer a select range of soft drinks to avoid waste. When selecting suppliers, we also give preference to those who value less packaging; for example, our office supplies are transported in reusable deposit boxes. We have also reduced material orders to once a week to minimize transportation. Another criterion in selecting our suppliers is ethical standards, such as ensuring fair wages for their employees.

In terms of office snacks, we stock our office with Buah brand freeze-dried fruit, with the intention that these snacks can be stored for up to two months, so there is no food waste. We purchase our coffee beans directly from South America twice a year. Finally, the cleaning supplies we use in the office are certified by EU Ecolabel.

> "
>
> *In our pursuit of sustainability, my team consistently questions and re-evaluates various aspects of our daily work. Guided by the principle of 'less is more,' we actively seek to minimize waste, optimize resource consumption, and explore eco-friendly alternatives. Important for a smooth operation.*
>
> "

Barbara Moeller,
Head of Office Management,
joined in May 2015

Looking Ahead

As a learning company, we are on a constant quest to improve all areas of our business. We are convinced that doing the right thing for our learners, team, communities and the environment is also beneficial for our business and investors in the long run.

As we've not been obliged to report under CSRD yet, we took the freedom to expand on sections that are especially dear to us, such as our new language courses for Ukrainians but also the internal activities that support our team members in their work, belonging, and growth.

In future reporting, we'll conduct a double materiality assessment to be CSRD compliant in our disclosures. We'll then focus more on aspects of the business model and the value chain. Also, we'll provide concrete policies, actions, and targets, for example with regard to employee engagement. Lastly, we'll share our theory of change, which explains how our activities are understood to produce intended societal impacts.

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.

Follow Us

Contact

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 with compiling this report, as well as to EY for their support.

Jessica Zewe
(she/her)
Social Impact &
Sustainability Manager

Susanne Wechsler
(she/her)
Director of Impact

Lea Kliemann
(she/her)
Social Impact &
Sustainability Manager

Endnotes

1   The executive team was at 33% women representation at the end of 2022, as it underwent a change in composition.

2   IOOI stands for Inputs, Outputs, Outcomes, and Impact.

3   SASB TC-IM-330a.2 used as guidance – Engagement is a measure of how committed to and enthusiastic employees are about their work and the organization. When people are engaged, they feel more comfortable being themselves at work.

4   SASB TC-IM-330a.2 used as guidance – Engagement is a measure of how committed to and enthusiastic employees are about their work and the organization. When people are engaged, they feel more comfortable being themselves at work.

5   Questions refer to: growing professionally, seeing a career path in the organization, being enabled to develop new skills, being supported and encouraged by a manager or mentor to develop skills.

6   The SVB grew by one man, which makes it 3 men 2 women.

7   Based on the Women In Tech report of Honeypot, in Europe 28% of tech workers are Women.

8   While retaining the common six-stripe rainbow design as a base, the "Progress" variation adds black, brown, light blue, pink, and white stripes to bring further communities to the forefront: marginalized people of color, trans people, and those living with HIV/AIDS and those who have been lost

9   Dewaele, J-M. and Botes, E., 2019, "Does multilingualism shape personality? An exploratory investigation", International Journal of Bilingualism. 24 (4)

10 Muzi Ch. and Yuqi F., 2022. "The Relationship between Bilingual and Empathy." Proceedings of the 2022 8th International Conference on Humanities and Social Science Research.

11 Takkaç Tulgar, A., 2018. "The Effects of Curiosity on Second Language Learning in terms of Linguistic, Social-cultural and Pragmatic Development." Adnan Menderes Üniversitesi Eğitim Fakültesi Eğitim Bilimleri Dergisi , 9 (2) , 59-72.

12 Van Deusen-Scholl, N.and Lubrano, M.J. (both Yale University) & Sporn, Z., 2019. "Measuring Babbel's Efficacy in Developing Oral Proficiency."

    Loewen, S., Isbell, D. R., and Sporn, Z., 2020. "The effectiveness of app-based language instruction for developing receptive linguistic knowledge and oral communicative ability." Foreign Language Annals.

    Vesselinov, R. and Greco, J., 2016. "The Babbel Efficacy Study."

13 Formerly, most of 2022 to our CFO Hermione Mc Kee.

14 SASB TC-IM-220a.2 used as guidance

15 SASB TC-IM-220a.3 used as guidance

16 This number reflects cases where fraud was reported by different law enforcement agencies - e.g. someone else's bank account details were used to fraudulently purchase a Babbel subscription.

17 SASB TC-IM-220a.4 used as guidance

18 SASB TC-IM-520a.1 used as guidance

19 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.

20 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.

21 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 157 tonnes of CO2e in 2022.

22 We estimated purchased electricity for the NYC office using the floor area (1,047 square meters) and average electricity intensity for office buildings (119 kWh per square meter per yr), and assumed until October 2022 a 25% reduction in electricity demand as a result of working from home. After October, we calculated 0% reduction. 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.

23 Babbel purchases climate-neutral district heating from Vattenfall. Vattenfall has set itself the goal of making its heat generation completely climate-neutral by 2040. The company is actively replacing fossil fuels with renewable alternatives and integrating sustainable technologies into its systems. Remaining CO2 emissions from current heat generation are offset with "Gold Standard" certificates.

24 Last year, we included heat purchases in Berlin in our calculations. However, when we checked the figures from last year, we double-checked our numbers and there has been an inaccuracy. Vattenfall has been offsetting its remaining CO2 emissions since 2020, and we also purchased heat from them in 2021. Therefore, the correct emissions in tons would be 0 and not 169 as calculated in our 2021 ESG Report.

25 An average heating energy consumption of 79 kWh per square meter per year was assumed for the NYC office based on a 2021 NYC Benchmarking Report. We then multiplied this by the floor area (1,047 square meters) and assumed until October 2022 25% reduction in energy demand as a result of working from home.

26 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 a net €65,102,599 on a variety of services (including marketing, IT, legal, and consulting) and to a lesser extent electronic equipment and office hardware.

27 AWS provides a Customer Carbon Footprint Tool, which estimates a company's share of emissions from using their data centers. Our estimated emissions were 0.8 tonnes of CO2e, 50% of which came from the EMEA region (Europe, Middle East & Africa), while the rest came from the Americas and Asia Pacific. We saved 100.1 tonnes of CO2e due to AWS' transition to renewable energy at some of their data centers. We saw a significant decrease from the 3.3 tonnes we emitted through AWS in 2021.

28 We also used the spend-based approach and EXIOBASE factors to determine our emissions from waste management. Based on our spend of €6,888, it was estimated that our waste disposal and treatment contributed 4.7 tonnes of CO2e.

29 The spend-based approach and EXIOBASE factors were used to determine emissions from business travel. We assumed that 80% of the spend related to air travel and the remaining 20% to rail.

30 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 (after Covid-19 in Berlin, employees returned to the office in April 2022). The modal share was assumed to be 70% public transport and 30% on foot/bicycle. To calculate employee commuting, we took the average commute distance in New York, which is 15.45 km each way (after Covid-19 in New York, employees returned to the office in October 2022). The modal share was assumed to be 90% public transport, and 10% on foot/bicycle.

31 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, 208 Berlin working days and a 55% working from home quota, 230 U.S. working days and a 88% working from home quota, and the employee numbers, we came to a total of 107.000 kWh of electricity used while homeworking in Berlin and 43.000 kWh of electricity used while homeworking in the U.S.

32 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 513,000 kWh of heating used while homeworking in Berlin and 86,000 kWh of heating used while homeworking in the U.S.

33 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.

34 In last year's ESG Report 2021, we reported our total CO2 emissions as 2,053. After reviewing the numbers from last year, we noticed that we incorrectly included emissions for purchased heat in Berlin, which were 169 CO2e and were offset by our supplier Vattenfall. Therefore, we recalculated the number: 2,053 - 169 = 1,884 CO2e as stated in the table.

35 Not including business travel and commuting, and keeping assumptions for office energy and heat in NYC the same, as footnote 23 and 26 explain

36 +24% purchased goods and services, +4% Waste management, -76% data servers and fuel-related-activities respectively

37 We calculated this using partial water invoices for the Berlin office and extrapolating to get 300,000 liters, and average US water consumption by office workers, which is 15 gallons per person per day. We multiplied this by 68.6 employees and 100 working days (since New York colleagues only came back to the office in October 2022), and then converted that number to 389,519 liters. We added this to the 300,000 liters used in Berlin to get a sum of approximately 689,519 liters.