

ESG REPORT 2021

ENVIRONMENT - SOCIAL - GOVERNANCE

Dear Readers,

Facing challenges head-on and redefining the rules of the game: These have been our guiding principles since day one as an online marketplace positioned in the middle of a luxury watch industry steeped in tradition. Even so, the challenges that shaped the past year have demanded a lot from each and every one of us. Our social resilience has been put to the test – and will continue to be tested going forward – by a pandemic that had us firmly in its grip, political instability, and devastating natural disasters. Our focus has, therefore, been increasingly redirected to the essentials: **humanity, mindfulness, solidarity, and the belief that we as a society can overcome all of these challenges together.**

We are aware of the great responsibility, both to our employees and to the wider community.

"Together" is also key to Chrono24's success. 2021 was a very positive year for us as a company. We significantly strengthened our team, and now more than 400 employees work to provide our users an optimized online shopping experience. I couldn't have imagined leading a team of 400 a few years ago – I'm proud, to say the least. In addition, thanks to a successful financing round, we were able to **join the Unicorn Club in 2021**. We want to use this financial momentum to put our forward-thinking plans and ideas into practice.



We are grateful for these privileges and also aware of the great responsibilities that come with them, both to our employees and to the wider community. We believe that sustainable economies offer significant added-value with future-oriented leadership and meaningful social and ecological engagement. With the publication of our first ESG report, we want to create more transparency around our actions by highlighting the areas we are working on and where we hope to improve in the future.

Here's to a socially conscious future,

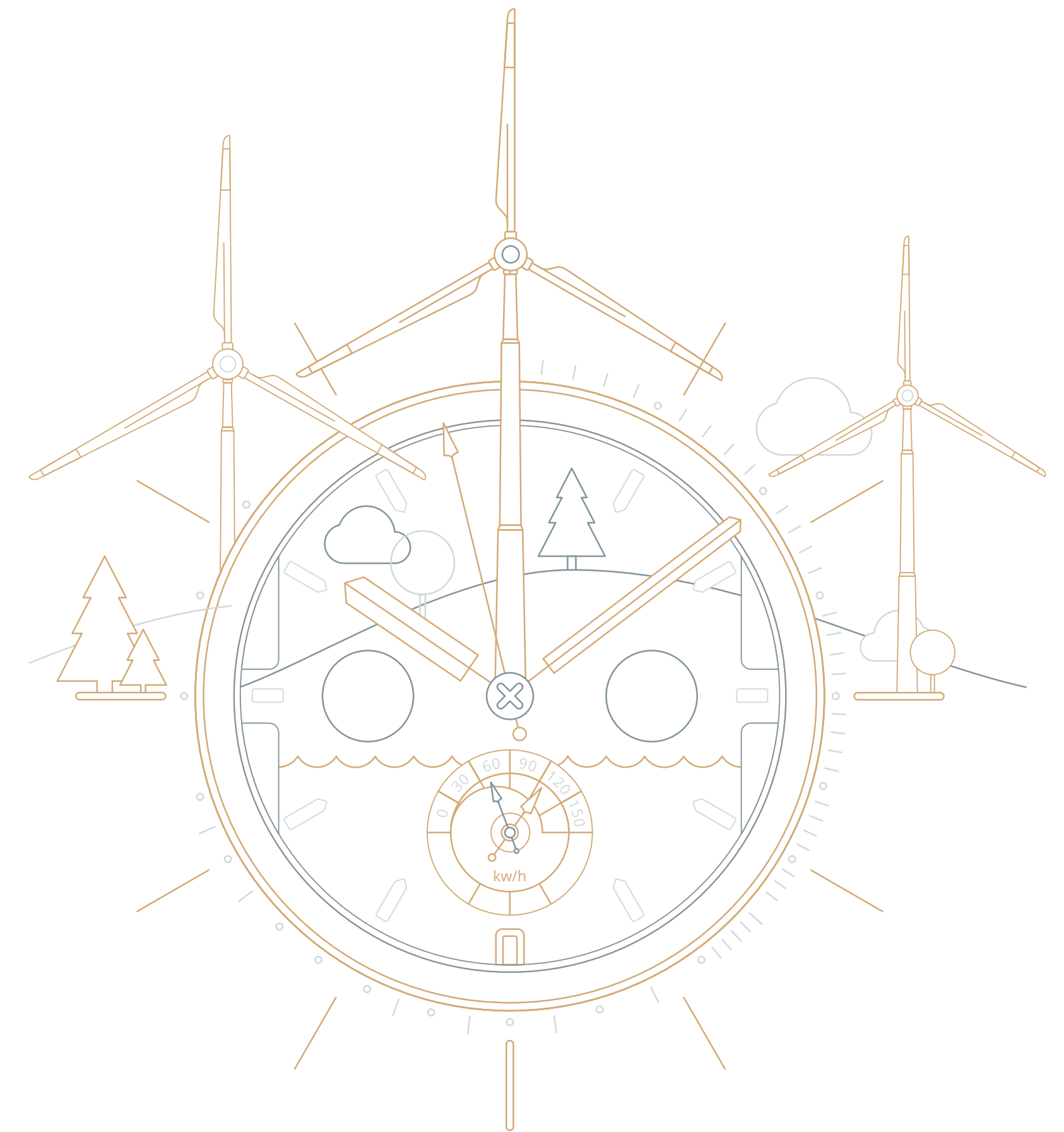
Tim Stracke

Co-CEO and Founder

A handwritten signature of Tim Stracke in a brown ink, written in a cursive style.

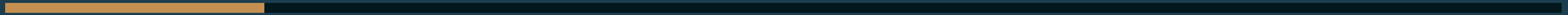
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01

DIVERSITY AND
EQUAL TREATMENT –
FAIRNESS FOR ALL

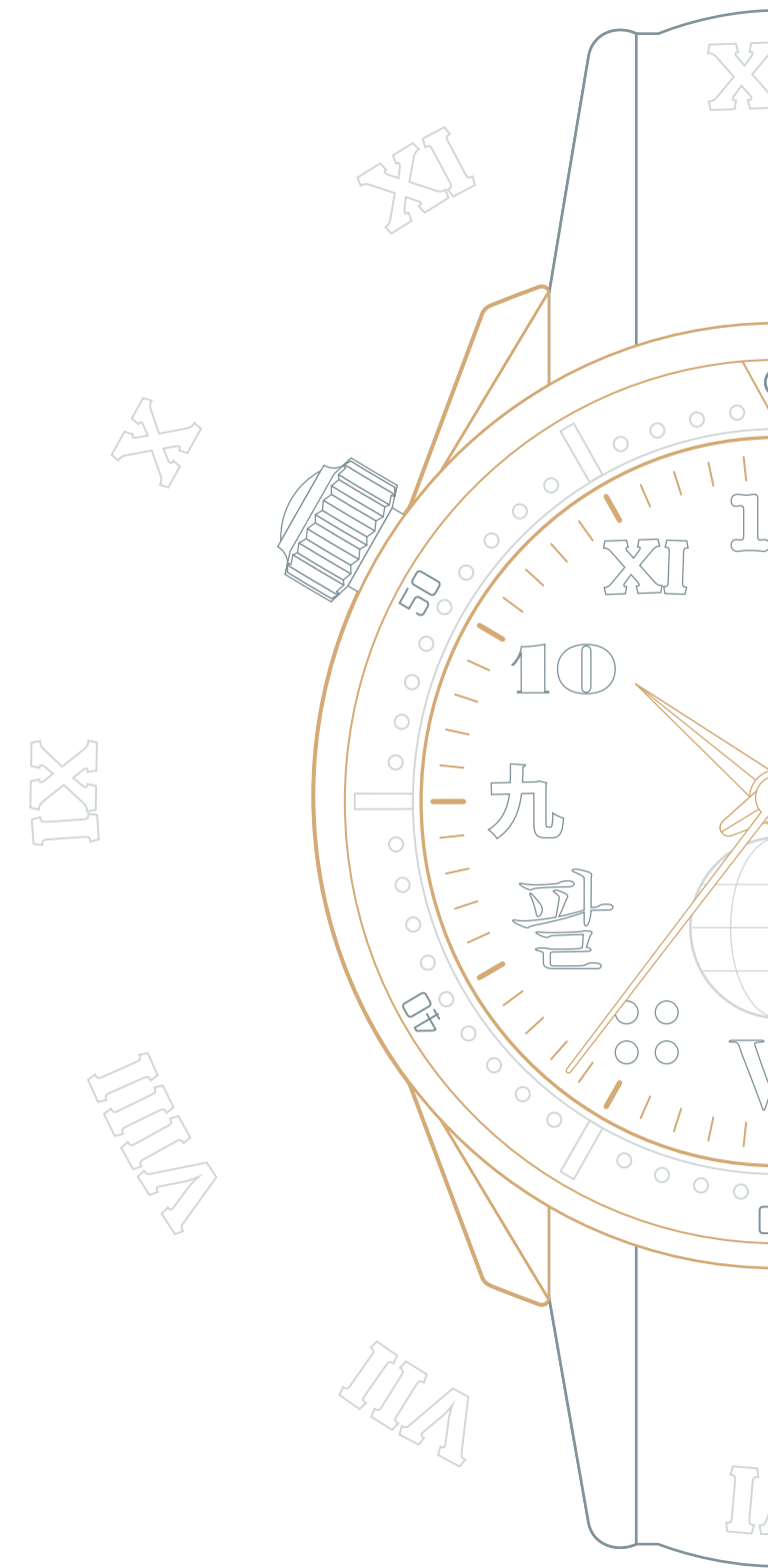


Diversity and Equal Treatment: Fairness for All

Our company culture sees the uniqueness in every individual, unites different perspectives and experiences, and promotes respectful interactions with each other. We firmly believe that a diversity of genders, religions, ages, ethnicities, sexual orientations, and physical capabilities leads to a culture of tolerance and acceptance.

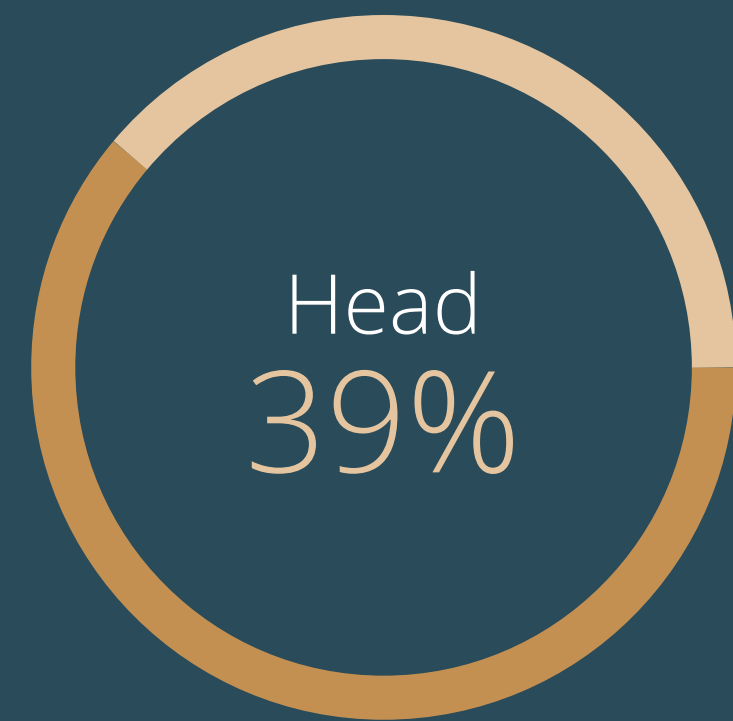
As an employer, we have always spoken out against and taken steps to prevent any form of discrimination.

For example, in 2021, we updated our application process, so it no longer asks for any age or gender data. Through this, we hope to lay the groundwork for equal opportunity and outwardly promote our commitment to diversity and equal treatment. We also plan to take further steps toward strengthening these values both within the company and in our daily lives.

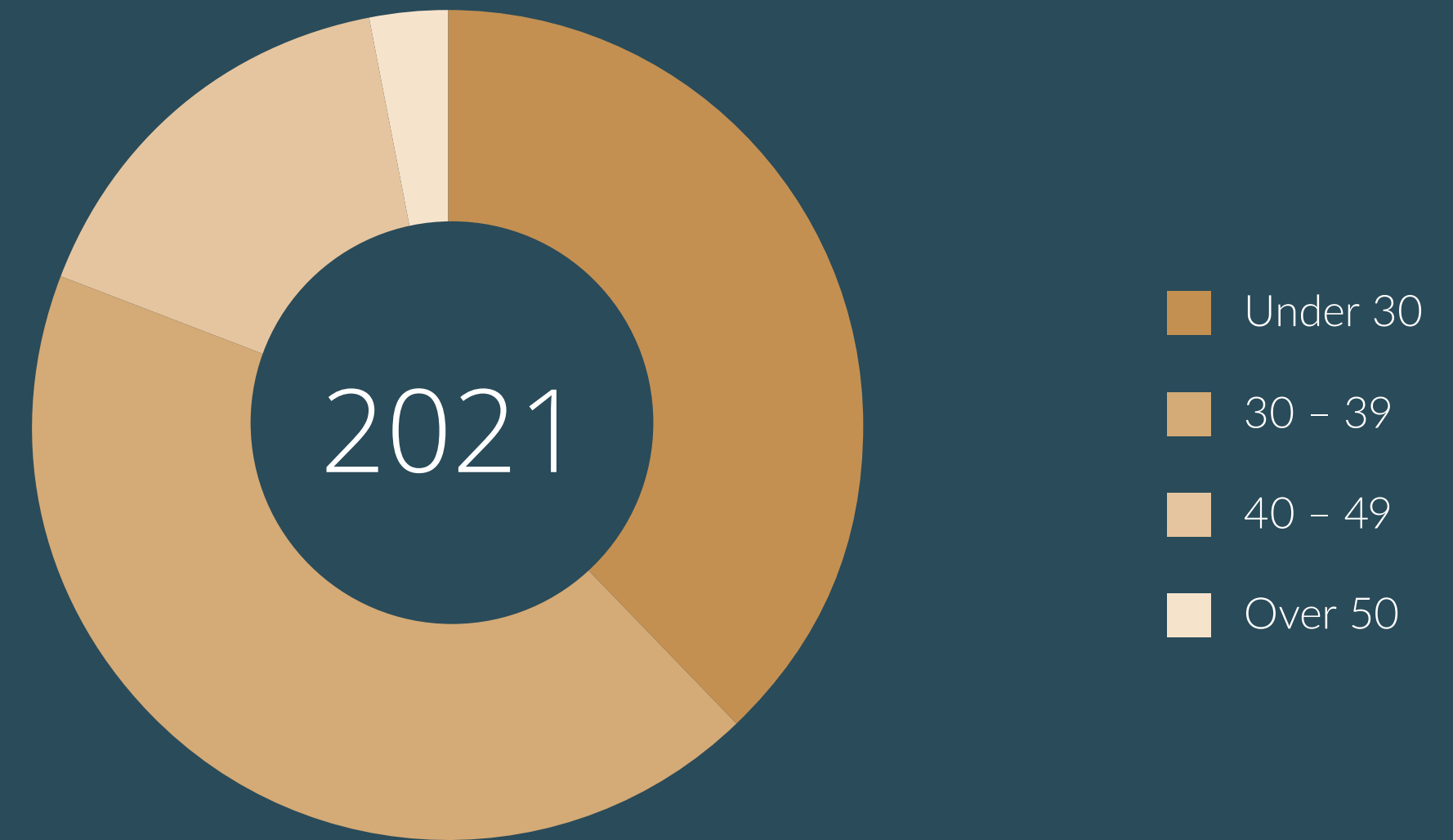


Women in Management Positions

Women Men



Age Distribution



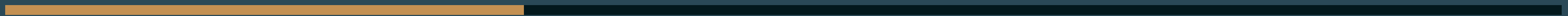
Gender Ratio

Women Men



2022

EMPLOYEE AND
MANAGER DEVELOPMENT –
BUILDING SKILLS AND
COMPETENCIES



Employee and Manager Development: Building Skills and Competencies

We know that it's our employees who make our business so unique and successful. Their passion, abilities, and skills are what make us strong. Our future is in their hands, which is why we encourage their continued growth and development.



What Personnel Development Means to Us

Our marketplace, customers, and business are complex, as are our company goals and challenges. In order to face these head-on, we approach the development of our employees' skills and competencies in a targeted manner. **Moreover, we work to create a business culture that enables all team members to reach their individual and collective potential.** Since 2020, Chrono24 has a people development department focused entirely on this work.

→ We think about development within the context of the business demands we all face.

- We design and establish reasonable, goal-oriented development formats, measures, tools, and processes.
- We are the contact point for employees and managers to seek support, inspiration, and advice regarding the creation of development plans.

"Personal Development at Chrono24" – Paths & Processes

At the start of 2021, we rolled out our "Personal Development at Chrono24" scheme, a key factor in our long-term growth as a business. This is comprised of concrete development pathways and processes. It serves to orient our employees, open up new perspectives, and motivate both personal and professional development.

Whether one's path leads from a junior to senior role within the same department or in the direction of a managerial or specialist role is decided on an

The Chrono24 Library

is a carefully curated and constantly growing collection of literature relevant to our business. Our library is available at two locations for those curious to learn more.

individual and situational basis. Together with the people development department, employees and their managers have open discussions **to identify their strengths, define development goals, and determine which measures will help each individual** fulfill their development plan – both personally and professionally. This process is supported by continuous feedback and open dialogue.

"Chrono24 Academy & Library" – Training, Workshops, Books, and More

By establishing the Chrono24 Academy – comprised of the People Academy, Leadership Academy, and Business Academy – we have created a platform that provides a targeted collection of development measures and tools for employees and managers.

The People Academy is designed for all employees, the Leadership Academy for managers, and the Business Academy offers every department the opportunity to offer subject-specific training to the wider team. We remain in regular contact with all levels of various departments via set meetings, topic-specific and informational events, and appointments with individual employees as well as management.

Content from the Chrono24 Academy can be adapted and formatted to meet specific needs and thus enables our employees and managers to acquire the skills required to grow in their functions and roles. **Our employees already have access to an e-learning program that we plan to expand further.**

This is supplemented by additional face-to-face trainings and workshops. The Leadership Academy was recently launched and includes an initial leadership training course designed in response to a company-wide survey on the current status of leadership com-

petencies. The course aims to teach leadership skills and works to transmit them to everyday working life through mutual exchange.

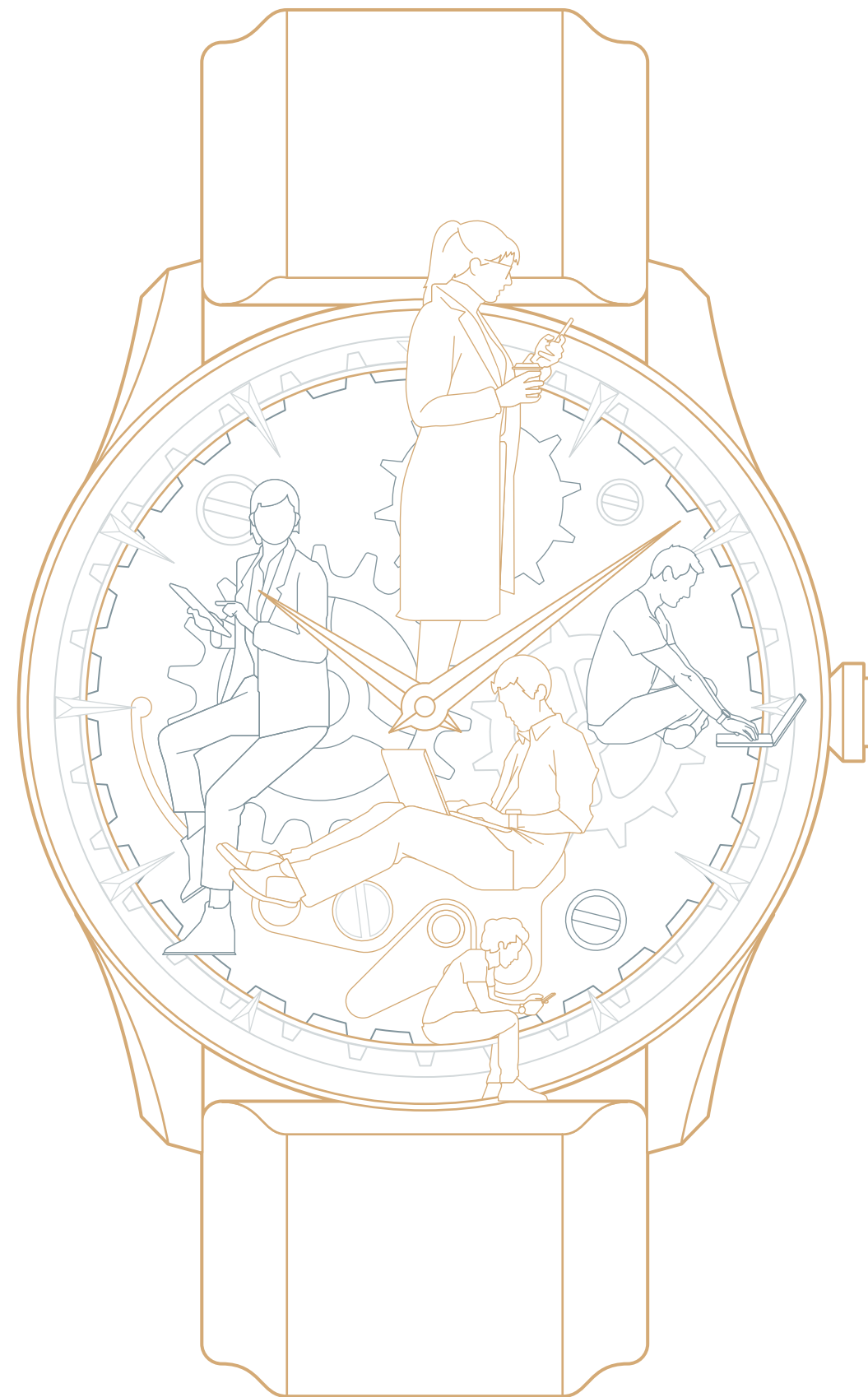


Coaching

Personnel development is hard to imagine without coaching. Teasing out individual issues and challenges and defining development goals often requires one-to-one support.

We collaborate with **two competent and experienced external coaches** who help employees and managers deal with the challenges inherent in their everyday working lives. Managers, in particular, are encouraged to take advantage of coaching at any time to tackle their specific areas of development.

This service is also available for employees who find themselves in challenging situations. The people development team and one's direct line manager are the first points of contact to access coaching services.



Where are we headed?

First and foremost, we want more! We want to continue expanding what we have to offer employees and managers when it comes to personal development. We want to be **innovative, creative, and bold** in our thoughts and actions in this area. We want to create a working environment that encourages the development of each employee as an individual, as well as part of a larger team and organization.

What skills and competencies will make us succeed today and in the days ahead? How do we support future-oriented leadership? How can we encourage effective and efficient teamwork? How do we want to think, feel, and act to uniquely shape Chrono24's culture? **We look forward to answering these questions together!**

03

SECURITY AND
DATA PRIVACY –
A TOP PRIORITY



Security and Data Privacy: A Top Priority

We are aware that our online marketplace can only continue to develop safely if potential threats to the confidentiality and integrity of our customer data and platform stability are identified and analyzed as quickly as possible.

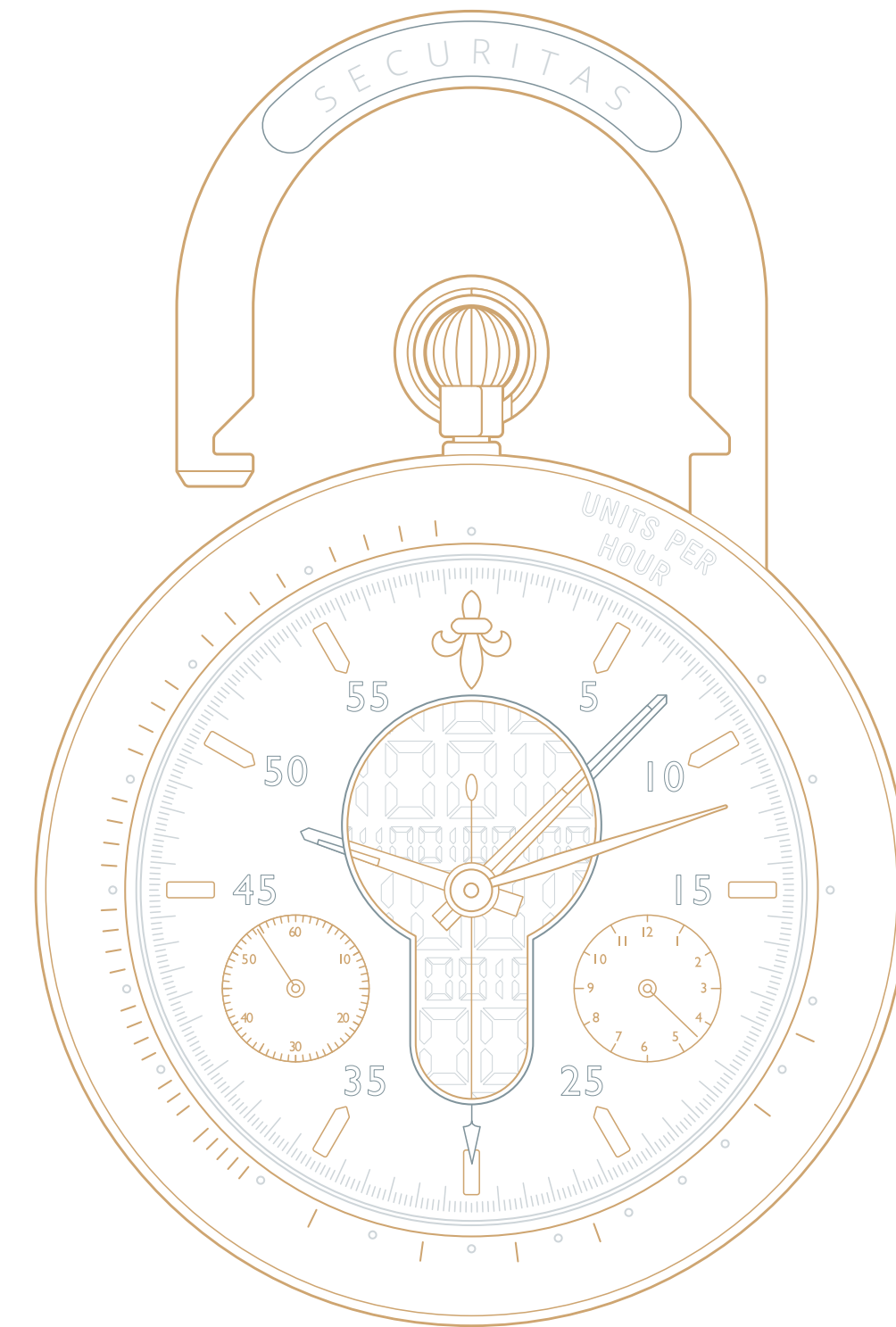
With this in mind, we have **integrated data protection and information security requirements** into the early stages of our continued development processes.

Moreover, we have experts from several disciplines supporting the development team during every phase of the process, as required.

Independent Security Checks

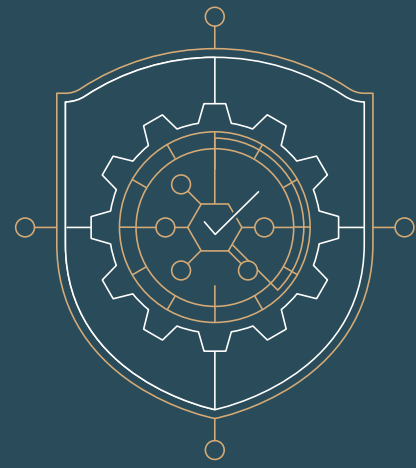
Independent security testing is essential to ensure our security measures are as effective as possible. Thus, we subject our platform to **comprehensive security penetration testing at regular intervals** – most recently in 2021. We also operate a bug bounty program, which involves independent third parties continuously

We operate our marketplace using our own servers located at datacenter service providers in Germany. When selecting service providers, **we pay close attention to the security measures** they have in place and any relevant certifications.

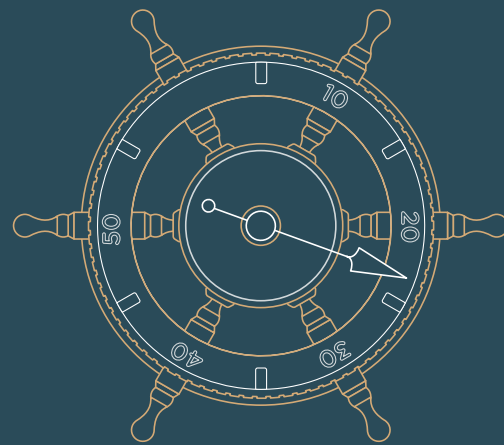


checking our platform for vulnerabilities. Any reported **weaknesses are evaluated, prioritized, and processed** according to a set of defined criteria.

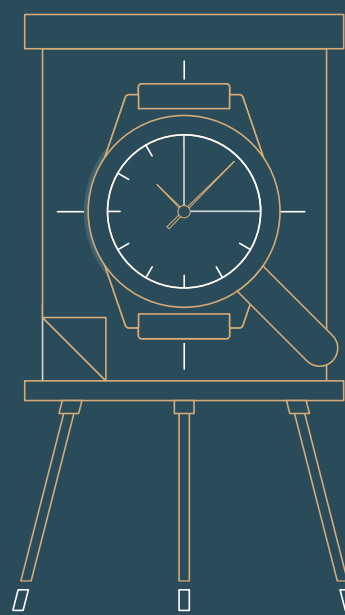
In 2021, an external service provider carried out a security penetration test of our office infrastructure in order **to check our defenses against internal attacks**. This was accompanied by a phishing test to improve user awareness.



Independent Security Checks



Governance & Compliance



Security Training

Security Training

As part of our preparations for the ISO 27001 certification planned in 2022, we have updated our **information security training program**. This training is mandatory for every new employee.

The data privacy of our users is absolutely critical.

Many of our employees come into contact with our users and their data on a daily basis. Therefore, these employees receive additional, individualized training and support from our internal experts to guarantee the secure processing of our users' data.

Governance and Compliance

In 2021, the path toward **certification of our information security management system** according to ISO 27001 was set. This is due to be completed in the first half of 2022.

Achieving these security goals is supported by **structured information security organization and a clear set of policies**. The information security officer's quar-

terly reports to management make up the core of this organization, along with the continued development of our information security management system and information security coordination board, which is comprised of representatives from the marketplace's most important departments.

We also have a **data privacy team** made up of members with both technical and legal expertise. This team **advises internal stakeholders and supports the further development of our products**. They regularly perform internal audits and commission external providers to review our data protection management at regular intervals.

04

COMPLIANCE –
PREVENTING CORRUPTION
AND MONEY LAUNDERING



Compliance: Preventing Corruption and Money Laundering

As members of the luxury goods trade, we are not only obliged to, but it's in our best interest to identify and prevent corruption and money laundering.

For this reason, we have our **Code of Conduct (CoC)**, a defined set of rules that must be complied with during every business transaction and by every Chrono24 employee, particularly those in management. Every employee is given a copy of the Code of Conduct as part of the onboarding process, and the most current version is always accessible via the intranet.

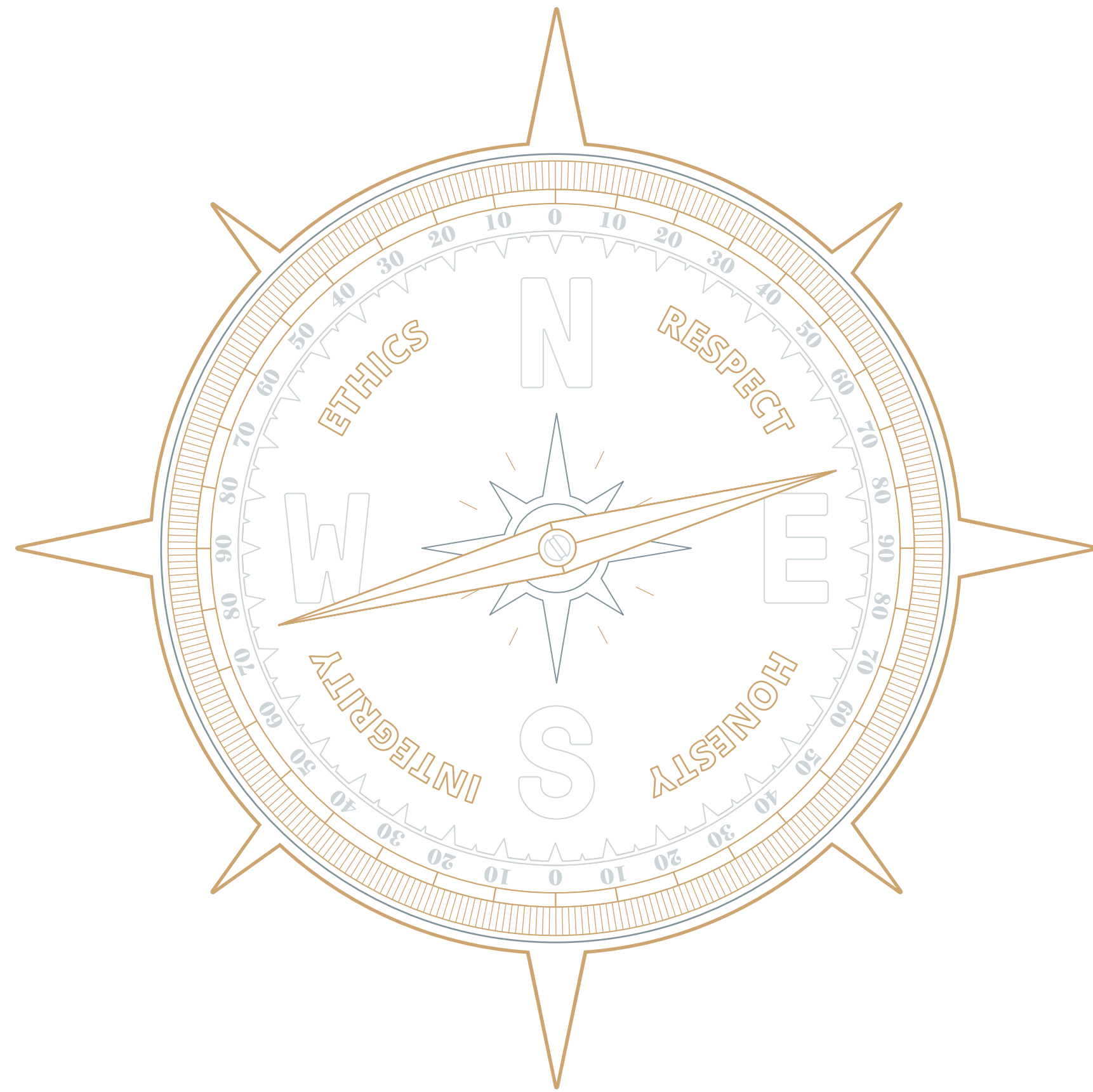
We encourage our employees to be vigilant, only conduct business with trusted partners, and to consider and report all gifts, when necessary. We also support employees in assessing suspicious cases through the use of organizational instructions and guidelines that provide pointers and rules to identify and prevent fraud using appropriate measures.

We have already taken **various measures to prevent money laundering**. For instance, we have a 13-member team that works to identify fraudulent documents and suspicious listings so that fictitious transactions can be prevented.

Our **employees must report any irregularities or anomalies** – such as the obvious preference of a specific dealer by a Chrono24 employee – to their supervisor, the money laundering officer, and the chief compliance officer (CCO). We also offer a whistleblower hotline, which enables employees to report suspicious activity anonymously. We are working on making this available to third parties going forward.

Moreover, we are introducing **measures to ensure our dealers comply with certain rules**, similarly outlined in a Code of Conduct. If dealers fail to comply with these rules, they will face penalties, up to and including exclusion from the platform.

All of these measures will be rolled out across all companies within the group during the first half of the year. Together with the chief compliance officer, the management team agrees on appropriate compliance measures and provides all necessary



Our fraud prevention team checks all private seller listings and requests photos of each watch set to a specific time. This ensures the listed watch actually exists and is not a fake. The fraud prevention team also carries out similar checks with commercial dealers at random. Anyone who visits the website furthermore has the option of reporting a suspicious listing.

resources to ensure they are adhered to. **The CCO reports directly to the management team**, and provides the CEO and CFO quarterly updates on all matters related to compliance. Every policy in this area is issued and signed on behalf of the management team. This "tone from the top" approach signifies management's express commitment to the area of compliance and ensures that employees are continuously reminded of the importance of these issues.

In addition to the organizational instructions and guidelines, the CCO is also responsible for **developing training** content to assist employees in **identifying irregularities and anomalies**. New employees receive training in a wide range of compliance-related topics, including:

- Compliance basics
- Fraud prevention
- Money laundering
- Financing terrorism

These training courses take place at **regular intervals** and are **mandatory** for all employees.

We are also **planning the development of a compliance management system (CMS)** that will guarantee observation of all rules, thus ensuring a sustainable compliance culture. It should also help us **identify and minimize risks** of significant violations in a timely manner.

In the course of this year, we are planning to further expand the compliance department. We intend to hire another compliance officer to support the CCO in the areas of risk analysis and CMS monitoring.

05

TAX POLICY –
IN LINE WITH ALL
LEGAL REQUIREMENTS



Tax Policy – In Line With All Legal Requirements

Tax Policy

We are a responsible taxpayer and take our social responsibility seriously when it comes to making financial contributions to the wider community.

Compliance with all legal requirements is an essential part of our founding principles, and our Code of Conduct requires employees to adhere to all applicable laws and regulations.

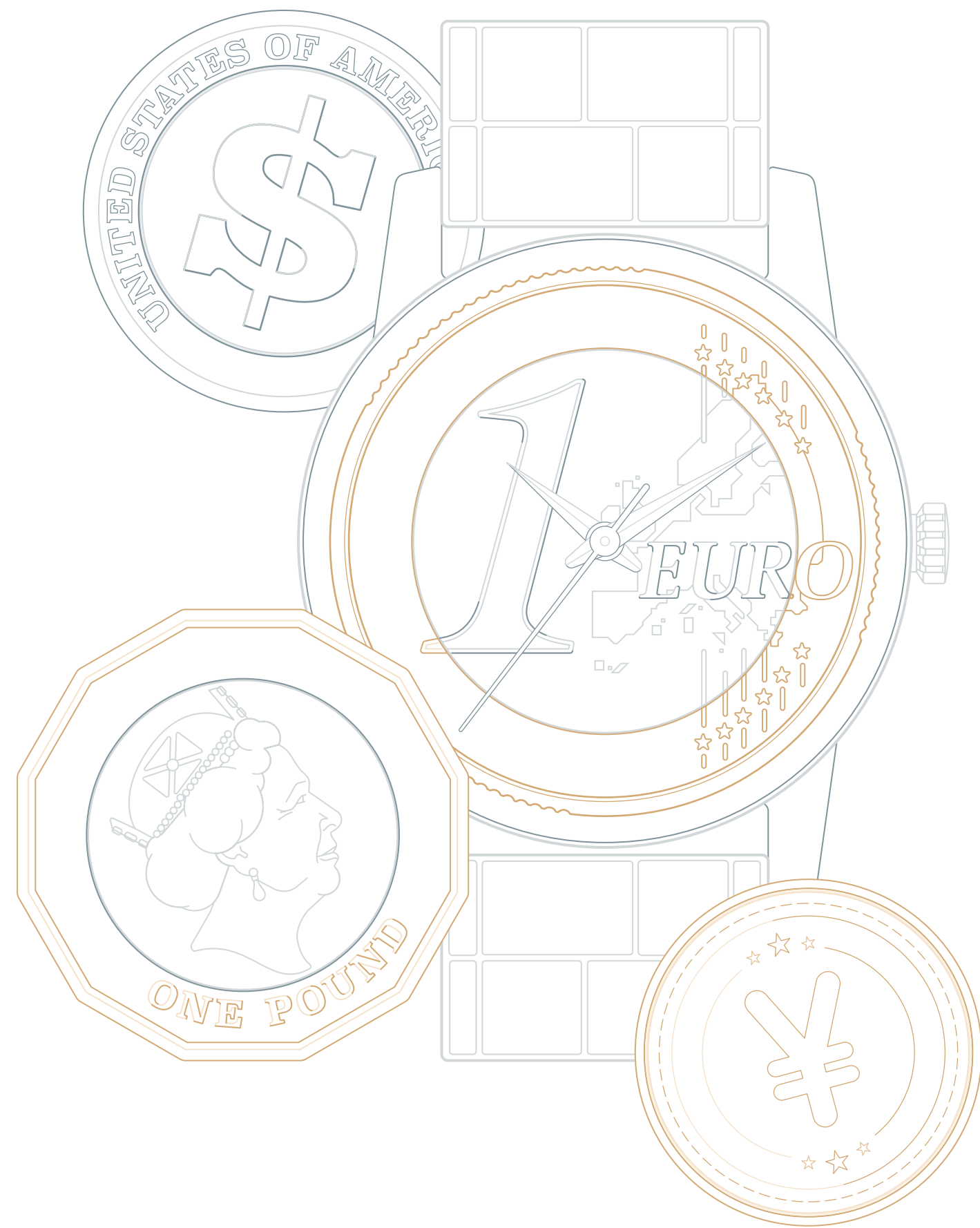
It is through complying with all the rules that govern our peaceful coexistence and economic order that we are able to make a socially conscious contribution. Therefore, it is a key part of our ethos to respect all relevant tax laws, regulations, and guidelines not only in Germany, but also in all other countries in which we operate. We are committed to proper conduct in regards to taxation in each individual market.

The management team of each company within the group is responsible for compliance with tax legislation, and we always take these matters into account when making important business decisions. In this area, we rely on internal employees with specialist knowledge as well as the expertise of external tax consultants.

We reject the use of aggressive tax planning to reduce group-wide tax rates and the artificial structuring that goes with it.

STEPHAN KNIEWASSER
CFO

Chrono24 GmbH ("Chrono24") is a 100% subsidiary of MPN Marketplace Networks GmbH ("MPN"). As such, all of the following policies apply to both Chrono24 and MPN.



Tax Governance, Control, and Risk Management

We ensure compliance with all applicable tax legislation by continuously fulfilling our national and international duty to cooperate, namely to declare, notify, report, and register for tax purposes. Comprehensive compliance is achieved through use of an established Tax Compliance Management System (TCMS) that accounts for corresponding tax regulations. With these measures, we are minimizing, or ideally eliminating, our prosecution risk as well as other risks that threaten our survival as an entity. The TCMS is supplemented by an anonymous reporting procedure. The management team of each respective company within the group is responsible for the TCMS.

Due to the large number and frequency of changes to tax legislation, and given our overall low risk threshold when it comes to tax issues, we regularly review, minimize, and eliminate tax risk using an efficient risk management system. Such risks include additional tax payments (interest, surcharges, etc.), fines

or penalties, and damage to the reputation of MPN and the associated long-term injury to our relationship with the authorities.

Our human and technical resources are organized in such a way that they comply with all relevant tax regulations. **We ensure we are able to act and respond via regular specialized training for relevant personnel as well as continuous access to necessary databases and the expertise of external tax consultants.** The necessary transfer of information within MPN is guaranteed through the use of appropriate controls, guidelines, and training.



Stakeholder Engagement & Management of Tax Issues

We aim to have a constructive and open relationship with all responsible tax authorities. **Maintaining mutual trust and cooperative correspondence with tax authorities is high on our list of priorities.** We ensure this by rapid, punctual, and accurate communication. This not only provides timely legal security with regards to appropriate tax assessment, but also counteracts our stakeholders' potential tax concerns.

Country-By-Country Reporting

Our business subscribes to the principle, **"tax follows business."** This means that we approach our overall business planning with the express goal of optimizing processes independent of fiscal considerations. We reject the use of aggressive tax planning to reduce group-wide tax rates and the artificial structuring that goes with it. If it becomes necessary to set up a subsidiary in a low-tax country, this will be done for operational purposes only and not to avoid taxation. In terms of our international business activities, **we always aim to pay taxes and make contributions in accordance with laws at the location where value is added.**

In view of our international operations and the presence of subsidiaries both inside and outside of the European Union, it is necessary to regularly examine whether internal transaction pricing is appropriate and in line with the arm's-length principle. We strictly follow the OECD guidelines and BEPS action points in this area.

Germany, the Netherlands, Hong Kong, and the USA are the main tax jurisdictions in which we are active. Since the foreign subsidiaries are of secondary importance and we are not obliged to prepare a country-by-country report according to Section 138a of the German Tax Code and BEPS action point 13, we will forego the publication of key figures and instead refer to the respective annual reports.





ENERGY –
SUSTAINABLE
AND RENEWABLE



Energy: Sustainable and Renewable

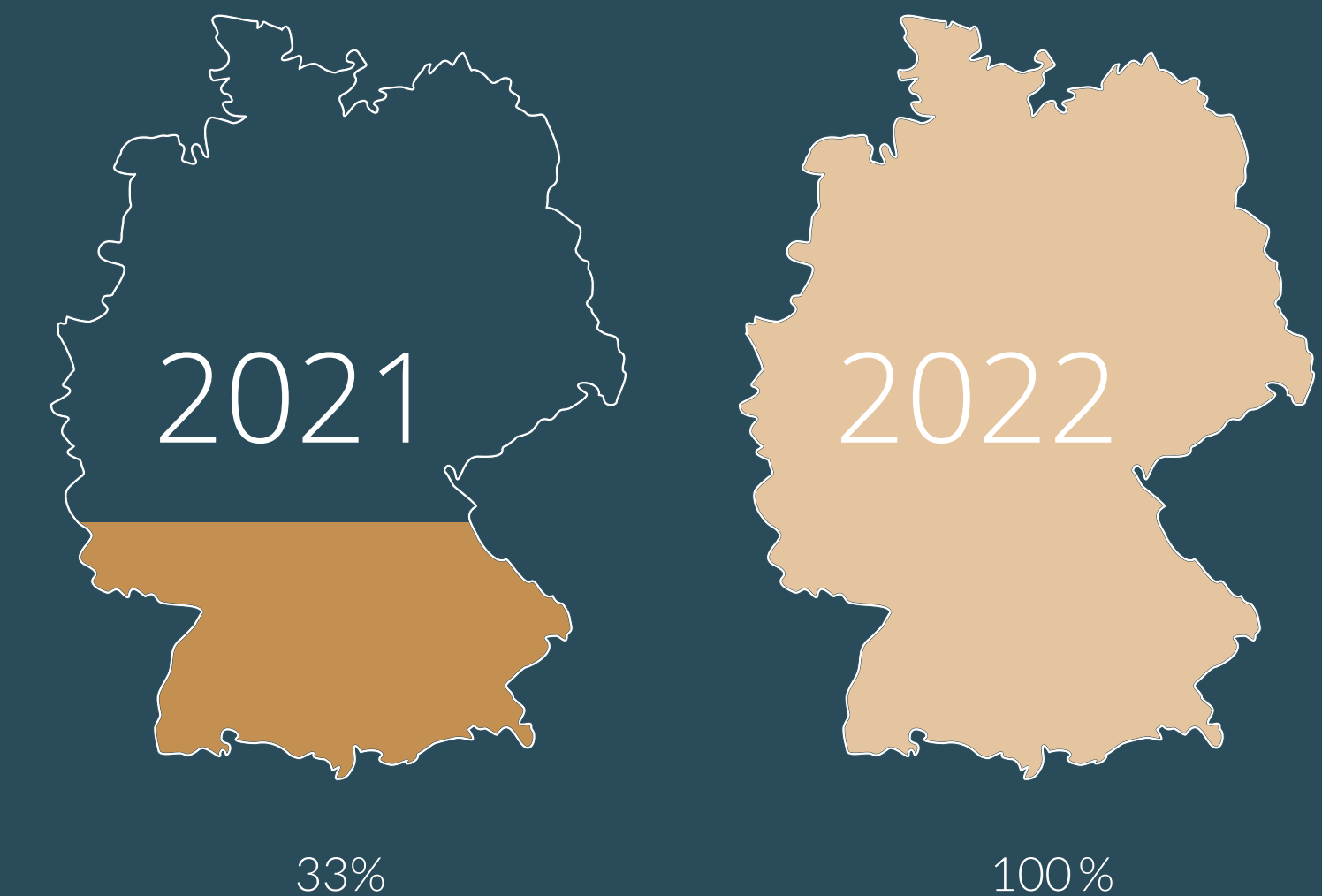
In 2021, we took an important first step toward using renewable energy sources by powering our headquarters in Karlsruhe, Germany with **57% green electricity** certified by TÜV Nord, among others.

At least 70% of our provider's electricity is from environmentally-friendly new sources, **resulting in zero CO2 emissions** and promoting the expansion of renewable energy supplies. Moreover, our provider has no stake in any nuclear or coal companies and supports the continued development of new wind and solar systems.

As an IT and e-commerce company, electricity is one of our most important resources, which is why this

move toward greener energy is only the beginning of our journey toward becoming a more sustainable business.

We have set **another ambitious goal for this year:** We want to switch our **entire German headquarters over to green energy** and exclusively source our power from renewables. Furthermore it is our aim to introduce a centralized control system for the heating and lighting in our offices with the aim of better managing our energy use and reducing it over time.



 green energy in use

 goal for 2022 using green energy

Impressum/ legal notice

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