



# ESG REPORT

*Environmental Sustainability*

*Social Responsibility*

*Corporate Governance*

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A message from the founder

## At MADARA Cosmetics, change is constant – *and we embrace it.*

The change is present in everything we do. Not only in sustainability related projects, but the rest of the company processes, too. We see that the world around us is changing, and we must keep forging a new path to keep up with it – as well as help steer change in a positive direction.

This mindset manifests in several key activities:

*Innovative products are at the core of what we do.* We do what we do to create effective products that are kind to the planet and its people by focusing our efforts on finding the most effective ingredients to help maintain biodiversity and not create toxic waste. We also choose recyclable packaging that, where possible, contains recycled content, thus reducing the need for newly produced material.

*Effective manufacturing processes.* We believe that being effective is being sustainable – that's why our factory works according to LEAN principles, trying to find ways to use less energy resources and ensuring that every action has value.

*Empathy towards each other and society as a whole.* Human values are engrained in our company's being. We're all members of society – MÁDARA customers and employees alike – that's why we strive to leave a positive impact, helping to solve social issues and providing meaningful support.

We are aware that we have to continue to raise the bar – what we have achieved this year will not be enough for the next. However, the progress we've made so far is what fuels our ambition for continuous improvement while working towards a more sustainable future.

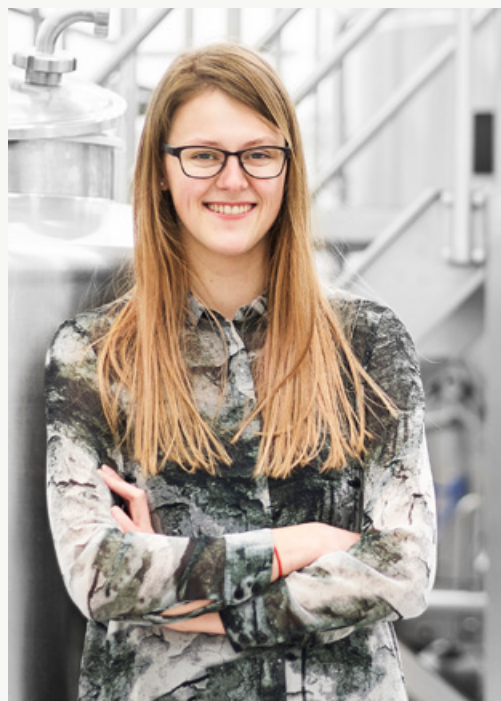


Lotte Tisenkopfa-Iltner  
Co-founder of MADARA Cosmetics

*Lotte Tisenkopfa-Iltner*  
MÁDARA founder

*Human values are engrained in our company's being. We're all members of society – MÁDARA customers and employees alike – that's why we strive to leave a positive impact, helping to solve social issues and providing meaningful support.*





## ESG Relevance among investors

2021 has been a record-breaking year for investments in ESG-focused company funds worldwide. The total worldwide investments increased by 19%, compared to 2020, accounting for 10% of worldwide fund assets\*. This is a signal that investors recognise the importance of a company following ESG guidelines and incorporating its principles in everyday activities.

MADARA Cosmetics has been reporting according to the Nasdaq ESG standard since 2016, and this will be our 6th ESG report. From our own experience we see that even though sustainability has been at our core since the very beginning, the ESG report has helped us to become more effective in certain aspects and to become more innovative. We hope that even more companies will review their business models to add ESG factors into them, and enjoy the great side-effects of becoming not only more sustainable, but also more effective and competitive. Only by continuous improvement and by ALL being part of the change, can we truly shift the course towards a planet and people friendly direction.

Anete Vabule  
*Sustainability Manager*

\*<https://www.reuters.com/business/sustainable-business/investors-back-esg-stock-funds-even-tech-slide-hurts-returns-2022-02-10/>

## The Sustainability Generation

Investors recognising the importance of sustainable business practices proves – the customer cares and is ready to support companies whose values align with theirs. I joined MADARA Cosmetics in 2021 to widen the sustainability-related project capacity. I can call myself a part of generation Z – the current new wave of customers, which is to become the largest consumer base in the coming years<sup>1</sup>.

With the increasing number of record-breaking heat waves, forest fires, floods, and droughts, Gen Z is the generation which has seen climate change become a tangible crisis from a young age. Naturally, we are highly aware of sustainability issues, and I am confident our values and consumption habits are giving just a glance into how those of the next generations will be. Gen Z prefers sustainable brands the most<sup>2</sup>, and, interestingly, this generation is not only making sustainable choices for themselves but is also able to influence those of the other generations<sup>3</sup>.

Many might say being rebellious towards the existing world order is natural to any young generation, but I believe being eco-conscious is something that is here to stay and grow. We as a society cannot choose anymore, and MADARA Cosmetics proves it is possible to build business sustainably without sacrificing the environment or people for economic benefit.

Diāna Paula Upmale  
*Sustainability Project Assistant*



<sup>1</sup> <https://www.euromonitor.com/article/generation-z-next-wave-consumers>

<sup>2</sup> <https://www.firstinsight.com/white-papers-posts/gen-z-svhoppers-demand-sustainability>

<sup>3</sup> <https://www.businesswire.com/news/home/20211123005565/en/The-State-of-Consumer-Spending-Gen-Z-Influencing-All-Generations-to-Make-Sustainability-First-Purchase-Decisions>

## ESG Performance at a Glance



### NATURAL AND ORGANIC CERTIFIED

MÁDARA cosmetics are certified according to the international ECOCERT/Cosmos standard, which defines and supervises all ingredient sourcing, packaging and manufacturing processes



### RECYCLABLE PACKAGING

The primary packaging (bottles, tubes, flacons) has been made of recyclable materials since 2006

8/14 of the new product launches contain 30-100% recycled plastics material

### LOW CO<sub>2</sub> EMISSIONS



Scope 1 + Scope 2, including CO<sub>2</sub> emitted by company vehicles

### 79g OF GHG EMISSIONS

per product manufactured (Scope 1 + Scope 2) in 2021. Lower every year: it was 80g per product in 2020

\*amount for 2020 was updated, including CO<sub>2</sub> emitted by company vehicles



### HELPING THE COMMUNITY € 71 000

Monetary contributions to NGOs MARTA, SOS Bērnu Ciemati, Rozā Vilciens, University of Latvia Foundation, Latvian Fund for Nature and donations of baby care products to Riga Maternity Hospital

### 94% CERTIFIED ORGANIC

94% of our plant-based ingredients (plant oils, plant extracts, waxes, butters, floral waters) come from certified organic farming

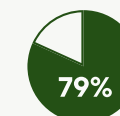
### 60-71%

recycled cardboard content for online order shipping boxes



### 2<sup>ND</sup> GREENEST BRAND IN LATVIA

(2nd in 2020, 5th in 2019)  
According to Brand Capital research



### GENDER DIVERSITY RATIO

Female employees at MÁDARA: 79%



### ENVIRONMENT SAVED FROM PLASTIC WASTE

**Post-consumer recycled** and ocean waste plastics instead of virgin plastics: ~7052 kg  
**Plant-based plastics** instead of crude oil plastics: ~980 kg

## PART 1

# Sustainable e-commerce *practices*

*In 2021, MÁDARA continued its journey towards more sustainable e-commerce practices, fuelled by our ambition for continuous improvement.*





# Sustainable e-commerce practices

## An increased demand

Sustainable e-commerce practices are now more important than ever, as more consumers turn to e-commerce platforms for their shopping needs. Retail e-commerce sales are continuously growing – predictions made before the global pandemic estimated e-commerce sales to comprise around 22% of total retail sales in 2023, compared to 10.4% in 2017\*. The global pandemic has accelerated the already fast-moving transition to online shopping even more.

At the same time, customer expectations and behaviour have shifted towards more sustainable choices. They have become more aware of the impact of their choices and now pay closer attention to not only the products themselves, how they're used and disposed of, but also corporate social and environmental sustainability. Subsequently, the transition to a more sustainable e-commerce sector is driven by consumer demand for sustainability and transparency.

\*<https://online.utpb.edu/about-us/articles/business/the-increasing-importance-of-digital-commerce/>

## Making informed product choices

When shopping online, customers can benefit from increased availability of product information to empower them to make informed choices. The e-commerce platform, alongside other digital tools, allows new ways to be transparent about a product and its impact. To support customers in their decision making, MÁDARA makes a conscious effort to create high-quality e-commerce content that allows consumers to choose the right product for their needs as accurately as possible. This reduces the risk of purchasing an unsuitable product that the customer will therefore not use.

MÁDARA does this by providing in-depth product descriptions and displaying more photos than most online shops, carefully curated to show product textures and application. Additionally, MÁDARA online shop features a review section where customers are encouraged to leave their honest opinion, allowing potential buyers to get an unbiased third party opinion and make a more informed purchase.

## Sustainable initiatives

Additionally, product samples are a convenient way for consumers to try and discover products before making a purchase. While most online shops add product samples to orders without the customer's consent, MÁDARA presents online customers with the option to choose whether they wish to receive product samples or not. On top of that, they are also able to select which samples in particular they'd like to try. In addition, MÁDARA allows clients to opt out of complimentary gifts with purchase, for example, if the customer finds it unsuitable for their skin type.

In 2021, MÁDARA not only continued to offer CO2 neutral deliveries within Latvia, but also expanded this option for shoppers outside Latvia to further reduce our carbon footprint.

We continue using 100% recyclable paper instead of plastic bubble wrap and reducing waste by minimising the use of packing tape on the online order shipping boxes. The online order shipping boxes contain no less than 60% recycled cardboard, and in 2021 we started gradual switch to 71% recycled cardboard.

*We reduce material waste by using 100% recyclable paper instead of plastic bubble wrap and minimise the use of plastic tape for order shipment boxes.*





## PART 2

# Sunscreens, sustainability *and you*

*Why it matters and what the MADARA approach is*







### Why is wearing SPF important

The importance of wearing sunscreen daily can be easily summed up as this – it helps protect the skin from damage which can take the form of sunburn, premature skin ageing and even skin cancer.

UV rays are always present – even on cloudy days as much as 80% of the sun's UV radiation reaches the earth. While UVC and some UVB rays get absorbed by the ozone layer, UVA and the rest of the UVB rays do get through. UVB is associated with sunburn and dark spots, but UVA – premature skin ageing and wrinkles.

As a result of sun damage, skin cancer has become much more common over recent years. To decrease the risk of developing it, avoiding overexposure to UV light is crucial – wearing sunscreen helps reduce the overall UV exposure and lower the risk of skin cancer and sun damage.

### Chemical vs Mineral sunscreen

There are two types of sunscreen – chemical, which absorb UV rays and turn them into heat by penetrating the skin, and mineral, which work by physically reflecting the sun's rays.

Recent studies have found that chemical SPF filters can enter our blood stream. They are also more likely to cause irritation and allergic reactions than mineral ones – especially since a typical chemical sunscreen will contain a combination of various chemical filters to ensure UVA/UVB protection. According to the COSMOS standard, chemical filters are not allowed in certified natural cosmetics.

While more research needs to be done to evaluate the safety of chemical filters, MÁDARA sun protection solutions are based only on pure mineral filters such as Zinc Oxide and Titanium Dioxide which comply with COSMOS standards. They are generally safer, thus more suitable for children and those with sensitive skin. Additionally, studies show that Zinc Oxide is unlikely to penetrate the outermost layer of the skin and be absorbed by the body.

### Non-nano vs nano zinc oxide

Zinc Oxide particles in a mineral sunscreen formula can either be "nano" (typically 10-20 nm in size) or "non-nano" (larger than 100 nm). Non-nano Zinc Oxide is too large to be absorbed by the skin, while nano potentially could – for this reason, non-nano is considered safer. While there is no conclusive scientific evidence that nano Zinc Oxide poses a threat, we don't think it's worth the risk and only formulate with Zinc Oxide in its non-nano form.

### Ocean and reef-friendly sun protection

Octinoxate and Oxybenzone – 2 commonly used chemical UV blockers – may also pose a threat to marine life and have already been banned in certain locations such as Hawaii. In terms of mineral, there are concerns regarding the nano particle forms of zinc oxide and titanium dioxide.

Further studies are required to determine the severity of these risks; however, MÁDARA takes a precautionary approach and follow the guidelines of natural cosmetics certifications, only formulating with non-nano Zinc Oxide which has been shown not to harm marine ecosystems. (larger than 100 nm).

### Newness in mádara natural sun protection line-up

In 2021, we expanded our natural sun protection range with two high-performance mineral SPF solutions. The SPF50 Plant Stem Cell Ultra-Shield Sunscreen is an advanced, silky emulsion that not only delivers broad-spectrum UVA/UVB protection but also shields from urban pollution and blue light. Meanwhile, the innovative SPF50 Pro-Active Sunscreen Stick boasts a travel-friendly, anatomic packaging for a mess-free application, making it perfect for on-the-go protection.





PART 3

# Environmental *Sustainability*

*We enjoy the shade of the tree we did not plant*





MÁDARA manufactures certified organic and natural skincare products, using organic and natural raw materials, recyclable or post-consumer recycled packaging and processing/manufacturing techniques that are clean and respectful to human health and the environment. With 95% of plant-based ingredients<sup>1</sup> being certified organic, MÁDARA promotes organic agriculture and biodiversity, restricts the use of chemicals, such as pesticides, and harmful chemical processing. MÁDARA products are certified by ECOCERT according to the international ECOCERT/COSMOS standards, which define and supervise ingredient sourcing, packaging and manufacturing processes. Along with GMP standard ISO 22716:2007, the ECOCERT voluntary organic certification underlines our commitment to creating innovative skincare products that are safe both for humans and the planet.

1 plant oils, plant extracts, waxes, butters, floral water and similar



ECOCERT/COSMOS requires a certified producer to have an environmental policy, which addresses the whole manufacturing process and all the residual products and waste resulting from this. MÁDARA Cosmetics' environmental management plan includes monitoring procedures for all the key environmental impact indicators, which allows one to evaluate and improve the environmental performance of the enterprise each year:

- |                             |                       |
|-----------------------------|-----------------------|
| > CO <sub>2</sub> emissions | > Rainwater pollution |
| > Energy consumption        | > Waste management    |
| > Water consumption         | > And others          |

Striving to be among the pioneers of sustainable manufacturing businesses, MÁDARA Cosmetics recognises that sustainability is a mindset rather than state of the art. Therefore, the company continuously rethinks and restructures sourcing, production, packaging, delivery and other practices.

### 3.1. Sustainable Ingredients

*Good food starts with good ingredients. Good skincare is just the same. Raw materials have an impact on both the skin and the environment.*

**Natural ingredients provide better health and environmental safety**

During the course of the 20th century many ingredients have been introduced into skincare products without sufficient safety assessments. In the past decades, scientific research indicates that many chemicals used in cosmetics have negative health impacts, and a large number of synthesised ingredients have been banned by the regulatory authorities.

**Reduced contaminants**

The manufacturing process of many synthetic raw materials produces unwanted by-products and impurities, which can contaminate cosmetic products and pollute the environment. For example, the widely used polyethylene glycol production process can yield harmful contaminants such as 1,4-dioxane, which is a carcinogenic substance. Organic ingredients are free from by-products of chemical synthesis and the production process is considerably cleaner compared to ingredients synthesised from petrochemicals.

**Free from pesticides**

Unlike conventional agriculture, organic farming restricts the use of pesticides, chemical fertilisers and growth enhancers. Intensive industrial agriculture often compromises environmental sustainability – polluting soil and water with residues of agrochemicals and endangering the biodiversity of species. Non-organic agro-ingredients may also have a negative influence on human health as they may contain residues of agricultural chemicals in the final product. It is well known that most fertilisers and pesticides efficiently penetrate through the epidermis (skin), indicating their ability to systemically influence human health. Even in low concentrations there is a cumulative effect of agrochemicals on the human body. Many of them have been proven to have an effect on the endocrine system. To minimise health and environmental risks associated with intensive industrial agriculture, 95% of MÁDARA plant ingredients<sup>2</sup> are sourced from organic farming.

2 plant oils, plant extracts, waxes, butters, floral water and similar

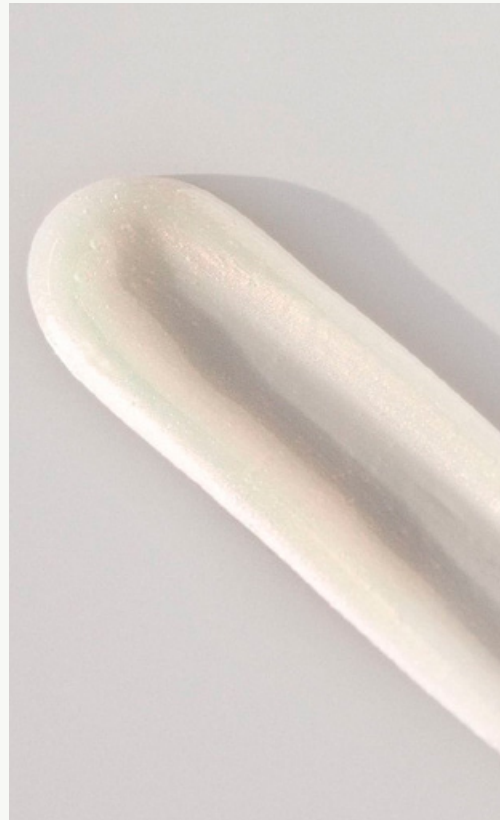


**Precautionary principle**

In accordance with ECOCERT/COSMOS standards, MÁDARA follows the precautionary route when there is scientific evidence that an ingredient, technology or process could pose a health or environmental risk: it is not included in the formulation or manufacturing. For this reason, genetically modified organisms (GMOs) are not used in MÁDARA formulations. Irradiation of raw materials with Gamma and X-ray irradiation is forbidden.

**Microplastics free**

Microplastics are plastic pieces smaller than 5 mm that easily pass through water filtration systems and end up in the seas and lakes. They can enter the waters as primary microplastics, like beads from personal care products or microfibres from clothes, and secondary microplastics from larger plastic items that get broken into smaller pieces. The tiny size is one of the reasons why they are so harmful – it is impossible to clean them up at the beach and they are easily ingested by everything from zooplankton, the base of the marine food chain, to birds, fish, turtles and whales. It is estimated that over 90% of seabirds have pieces of plastic in their stomachs. Fish, marine mammals and seabirds are being injured and killed by plastic, and it is believed that 700 species could become extinct because of it. As the food chain continues, the harmful pollutant might even end up on your dinner plate. This is one of the main worries of the cosmetics industry as microplastics are usually found in face exfoliators, toothpastes, shower gels and body scrubs. They were recently banned in Great Britain and some other countries but are still taking over most parts of the planet. All of the cosmetic products made by MÁDARA are manufactured without the use of microbeads. Instead we use natural exfoliating ingredients like volcanic sand that are not a threat to the environment.

**Protection of endangered species**

In accordance with ECOCERT/COSMOS standards MÁDARA uses only raw materials that respect the requirements of the Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES).

**Kind to animals**

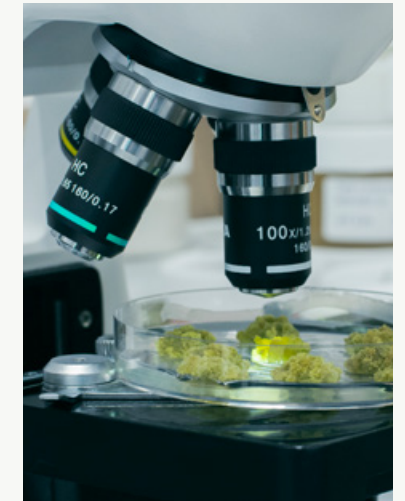
MÁDARA does not use raw materials extracted from living or slaughtered animals. The majority of MÁDARA products are vegan. The only non-vegan ingredient in MÁDARA products is Beeswax. In accordance with ECOCERT/COSMOS standards this ingredient has been obtained using strictly regulated processes and they do not entail the death of the animal concerned.

**Sustainability of stem cells****Environmentally friendly**

- Plant stem cell = clean and sustainable technology.
- Active ingredients are not only isolated from contaminants, such as microbes and pesticides; resources of land and water, which would be required by growing plant resources physically, are also saved.

**PROMOTES BIODIVERSITY**

- Nearly 1 in 5 plant species found on our planet are at risk of extinction.
- Plant cell technology allows one to obtain active ingredients from plants without harvesting the actual plants or damaging their natural habitats.

**Next-gen activity**

- Applying high-stress conditions to plant cells (e.g., high UV exposure) accelerates even higher production of the desired skin-protecting molecules.



## A look at 2021: sustainability of new product ingredients

*In 2021, we continued to innovate through brand new products – discover what's behind the plant-powered ingredients that elevate our formulas yet are kind to the planet and help maintain its biodiversity.*

### Pea peptide and Leuconostoc (radish root ferment filtrate)

**Found in:** MÁDARA Deep Matter Bold Volume Mascara

Derived from pea plants, pea peptides work to promote eyelash hair growth and increase density. We use family-owned pea suppliers committed to sustainable agriculture that values local traditions and upholds workers' rights.

With sustainability concerns surrounding animal agriculture, the world must turn towards plant-derived protein. Pea plants give back to the environment by working with nitrogen fixing bacteria, Rhizobium, to obtain their required nitrogen content. This aids in fixing and/or putting nitrogen back into the soil for other plants to utilise. Pea plants are used as a rotational crop and can become a central income strategy for farmers. By utilising legumes, including peas, farmers can economically stabilise the nitrogen levels in their farmland soil without having to use fertilisers. Leuconostoc is a natural preservative with hair conditioning benefits, created by fermenting radish roots.



### Jojoba oil

**Found in:** MÁDARA SPF50 Pro-Active Sunscreen Stick, Time Miracle Reface Sleep & Peel Overnight Serum, Vitamin C Illuminating Recovery Cream

Boasting nourishing properties and rich in vitamin E, Jojoba oil helps protect the skin against premature ageing.

The Jojoba shrub is of great ecological importance because it protects against erosion. The suppliers from Peru also attach great importance to organic and sustainable conditions when harvesting and processing the nuts. Jojoba oil even has an indirect effect on global whaling, as the oil serves as a substitute for the waxy whale oil of sperm whales.



### Sweet almond oil

**Found in:** MÁDARA BOOST Amino-Fill 3D Lifting booster

Abundant in nourishing qualities for comfort and protection of the skin, sweet almond oil is also rich in vitamin E, which boasts antioxidant benefits. The almond trees of our suppliers are cultivated in a controlled organic manner and exclusively in Europe with the purpose of avoiding long transport routes and reducing the CO2 footprint. Another 100% vegan alternative to conventional peptide products.



### Shea butter

**Found in:** MÁDARA SHAPE Caffeine-Maté Cellulite Cream, Velvet Wear Matte Cream Lipsticks;

This rich nut butter boasts intensely hydrating and nourishing properties that helps protect skin from dryness. Plus, it's rich in vitamin E – an antioxidant that shields from environmental damage.

The shea butter found in MÁDARA products comes from Ghana, Burkina Faso, the Republic of Côte d'Ivoire and Uganda, supporting local cooperatives and rural communities by doing so. The supplier supports various local projects, an example of which is the Wechiau Community Hippo Sanctuary in Ghana – they not only protect hippos and their habitat, but also work to improve the livelihoods of local communities. Their programme employs local women in the production of organic shea butter, granting them opportunities to earn their own income and send children to school. The wild shea trees grow to be over 100 years old and provide financial security for families for generations.



### Sea buckthorn fruit oil

**Found in:** MÁDARA SPF50 Plant Stem Cell Ultra-Shield Sunscreen, SPF50 Pro-Active Sunscreen Stick, Time Miracle Reface Sleep & Peel Overnight Serum, Vitamin C Intense Glow Concentrate;

High in antioxidants and other nutrients, it helps protect the skin and maintain its normal barrier function.

The suppliers we work with to acquire sea buckthorn oil cultivate the fruits organically. Moreover, resources are conserved as the oil is produced from by-products of food production and gets used for high-quality beauty upcycling.



### 3.2. Sustainable Packaging

Packaging sustainability has been an integral part of product design since the very first day of the company. To minimise the direct and indirect environmental impacts of packaging during its life cycle, MÁDARA uses recyclable materials for packaging and integrates recycled materials wherever possible.

All MÁDARA skincare primary packaging (e.g., bottles, flacons) is made of recyclable materials (recyclable polymers or glass). In 2021, we continued to use post-consumer recycled (PCR) plastics in the production of larger packaging volume items such as shampoos and liquid soaps. The number of items sold in post-consumer-recycled plastics or sugarcane plastics has grown by 15% compared to 2020. Products that come in larger packaging volumes (such as 200 ml, 250 ml, 300 ml) are

usually packaged in recycled plastic packaging, preventing tonnes of additional new plastics being created each year.

The sustainability of both primary and secondary packaging is regulated and monitored by ECOCERT/COSMOS standards, which requires that packaging must be reviewed against the standard at least every three years to improve environmental sustainability.

ECOCERT/COSMOS also specifies the list of allowed and forbidden packaging materials based on their recycling practices, environmental impact and other criteria.



**Allowed materials in packaging:**  
Wood, Glass, Aluminium, PE [Polyethylene], PET [Poly(ethylene terephthalate)], PP [Polypropylene], PETG [Poly(ethylene terephthalate) glycol], Paperboard, PLA [Polylactic acid] (non GMO), any other 100% natural materials.

**Forbidden materials in packaging:**  
Polyvinyl chloride (PVC) and other chlorinated plastics, polystyrene and other plastics containing styrene materials or substances that contain, have been derived from, or manufactured using genetically modified organisms. It must be proven that these materials have not been used, for example by having written confirmation from the supplier.



**Transportation packaging**  
Our transportation packaging delivers products to the consumer in the most sustainable way. The finished products are packaged in boxes containing 4-8 pieces (inner transportation boxes). The inner transportation boxes are further packaged in master cartons, which are shipped to the destination. The inner transportation boxes are sourced from 38 recycled material. The inner layers of master transportation boxes are made from recycled material (approximately 90% of total box weight); the outer layer, however, is made of new material to guarantee durability during shipping. We had to switch to inner boxes with less content of recycled cardboard due to introduction of new fully automated packing machine. Nevertheless, we now pack 8-10pcs per box instead of 4-6pcs, which allows for less cardboard use overall. The online order shipping boxes contain no less than 60% recycled cardboard, and in 2021 we started gradual switch to 71% recycled cardboard.



## A look at 2021 skincare launches

*Packaging sustainability has been an integral aspect of product design since the company's inception. To minimise the environmental impact of packaging during its life cycle, MÁDARA uses recyclable materials, as well as integrates recycled materials in product packaging.*

*The primary packaging of MÁDARA products is recyclable, and we are on a path to constantly increase the amount of post-consumer recycled (PCR) plastic we use in our product packaging. For example, in 2021 we launched 14 new products – 8 of which feature PCR plastic.*



### ACNE Hydra-Derm Balancing Fluid, 40 ml

- 100% recyclable packaging
- tube sleeve contains 100% PCR



### SOS Hydra Intense Rose Jelly, 75 ml

- 100% recyclable bottle and cap



### ACNE Sebum Control Clear Skin Wash, 140 ml

- 100% recyclable bottle
- bottle contains 100% PCR



### BOOST Amino-fill 3D Lifting Booster, 25 ml

- 100% recyclable packaging
- tube sleeve contains 65% PCR



### BOOST Hyaluronic Collagen Booster, 25 ml

- 100% recyclable packaging
- tube sleeve contains 65% PCR



### SPF50 Plant Stem Cell Ultra-Shield Sunscreen, 40 ml

- 100% recyclable packaging
- tube sleeve contains 100% PCR



### SPF50 Pro-Active Sunscreen Stick, 18 g

- 100% recyclable packaging



### TIME MIRACLE Radiant Shield Day Cream SPF15, 40 ml

- recyclable tube sleeve
- tube sleeve contains 50% PCR



### Time Miracle Reface Sleep & Peel Overnight Serum, 30 ml

- tube sleeve contains 30% PCR



### Vitamin C Intense Glow Concentrate, 30 ml

- recyclable



### Vitamin C Illuminating Recovery Cream, 50 ml

- 100% recyclable bottle



### INTIM Hyaluron-Lactic Intim Wash, 150 ml

- 100% recyclable bottle and cap



### SHAPE Caffeine-Maté Cellulite Cream, 150 ml

- recyclable

## Makeup launches



### Deep Matter Bold Volume Mascara, 6 ml

- lid contains 100% PCR PP
- tube contains 100% PCR PET

### 3.3. Sustainable Manufacturing

*The production process and other processes and activities of MADARA Cosmetics can be described as low energy consuming. It is important to consume as little energy as possible both from an environmental and economic perspective ; therefore, we strictly monitor our energy consumption. MADARA Cosmetics' energy saving policy describes clear activities and responsibilities for every employee.*

*Our production process consists of modern state of the art equipment. Most of our machinery is manufactured by industry-leading engineering companies, which integrate the most efficient energy solutions.*

	2016	2017	2018	2019	2020	2021
GHG Emissions (E1), t	95.06	132.08	139.12	164.11	197.96	206.46
Scope 1:	74.14	122.19	139.12	114.05	163.70	184.04
Production	67.44	110.38	112.89	110.78	120.70	141.43
Vehicles	6.70	11.81	26.23	37.27	43.00	42.61
Scope 2 (electricity):	20.92	9.89	0	16.06	34.26	22.42
Energy Intensity (E2), kg/EUR	0.02	0.025	0.022	0.015	0.012	0.011

**GHG Emissions (E1\*)**

CO2 and greenhouse gas (GHG) emissions are significant determinants of climate change and global environmental health, generated primarily by the use of non-renewable fuels, as well as farming and waste decaying in landfills. Reducing these emissions is a major goal when it comes to combatting climate change, meaning the use of renewable energy sources is essential. In 2021, AS MADARA Cosmetics was responsible for 184.04 tonnes of Direct Scope 1 GHG emissions, as a result of the combustion of 74 084.4 m3 of gas, which is higher compared to 2020 when it was 63 533.79 m3. The increase in the amount of gas is explained by the rapid production volume as well as colder winter season.

The Indirect Scope 2 GHG emissions (electricity usage) comprised a total of 22.42 t of GHG emissions.



**Emissions Intensity (E2)**

Carbon intensity helps to contextualise an organisation’s overall efficiency — relative to revenues generated (economic return) and the performance of other companies. In 2021, CO2 intensity per 1 euro of turnover was 0.011 kg of CO2. Although production volume has increased, carbon intensity has decreased by 1 g per 1 euro of turnover (a decrease of 10%). The indicator is relatively low compared to average carbon intensity per euro of GDP in the EU. The lack of industry-specific data makes further comparison difficult.

**Energy Usage (E3)**

This metric measures the total amount of energy consumed by the company. Energy consumption is a major contributor to climate change, since the burning of non-renewable fuels generates greenhouse gases (GHGs) and causes other environmental impacts. Using energy more efficiently is essential in combatting climate change.

In 2021, MADARA Cosmetics consumed 74 084.4 m3 of gas, out of which 70 164 m3 were used for heating and 3 920 m3 were used for steam generation. The amount of gas required for heating has increased by 10 380 m3, which is mainly attributable to the colder winter air temperatures in Latvia, as well as to higher production levels (e.g., heating water for washing processes). The average temperature of the three winter months of 2021 was 6° C lower than that of 2020.

\*Here and further on in this document the codes E1, E2 etc., S1, S2 etc., G1, G2 etc. refer to metrics outlined in Nasdaq ESG Reporting guide 2.0 (May 2019)

**Energy Intensity (E4)**

Energy intensity expresses the energy required per unit of activity, output, or any other organisation-specific metric. In 2021, MADARA Cosmetics’ energy intensity was 0.335 MWh per square metre of floor space of MADARA Cosmetics headquarters (an increase of 16.5% as compared to 2020) and 4.573 MWh per full-time employee (slight increase of 1.4% as compared to 2020).





Environmental Sustainability

Energy Mix (E5)

The use of non-renewable fuels generates greenhouse gases (GHG) and causes other environmental impacts. The use of renewable energy sources is essential in combatting climate change.

Our primary energy source is gas, which is non-renewable, followed by electricity, which partly comes from renewable sources. In 2021, over 75% of the electricity used came from renewable sources (hydroelectric power plants, biomass combustion, and wind power plants), while most of the remainder came from the combustion of natural gas.

Burning natural gas for energy results in fewer emissions of nearly all types of air pollutants and carbon dioxide (CO2) per unit of heat produced compared to coal or petroleum products. In fact, natural gas power plants produce no particulate matter (PM), ashes or slag, which is an especially important factor in the urban environment.

Water Usage (E6)

Clean waters are an essential part of environmental sustainability; therefore, MÁDARA takes care to reduce wastewater pollution and optimise the consumption of water in the manufacturing process.

MÁDARA uses water for 3 main purposes:

- 1. Highly purified water as a product ingredient;
- 2. Water for manufacturing and cleansing/hygiene processes;
- 3. Other water use (including offices).

The total amount of water consumed by the enterprise in 2021 is equivalent to 5 808 m3.

The majority of the total water demand is used for manufacturing and cleansing/hygiene processes. MÁDARA mainly ensures the cleanliness of wastewater by using natural and easily biodegradable product ingredients and by having strict requirements for cleansing and disinfecting agents. With wastewater and rainwater pollution monitoring procedures in place, MÁDARA returns the water to the water cycle with the minimal level of pollutants, which can easily be handled by the municipality’s cleansing systems.

Eco-friendly cleaning and hygiene

MÁDARA uses the following cleansing and disinfection agents: natural plant alcohol, natural plant-based surfactants, iso-propyl alcohol, amphoteric surfactants and hydrogen peroxide. All cleansing and disinfection agents used must be verified by the ECOCERT/COSMOS auditing body.

Reinforcing recycling

To promote the practice of sorting and recycling among skincare consumers, MÁDARA accepts empty product packaging at our brand stores in Riga, offering a discount for every packaging item brought back to the store. The returned packaging is then sent to a recycling company Nordic Plast, SIA for further recycling.

MÁDARA sorts cardboard, paper, plastic and other waste materials, sending them to specialised recycling companies, which ensure recycling of the materials whenever possible.



Waste generated in 2021:

Waste type	Tonnes in 2021	Change compared to 2020	Change compared to 2019
Everyday waste (general waste generated by manufacturing and the office)	41.86	+22%	-12%
Paper and cardboard (packaging materials, office paper)	43.65	+19%	-36%
Plastic packaging (ingredient drums etc)	1.36	+19%	-75%
Glass	0.77	+413%	-59%
Construction Waste	7.52	N/A	N/A
Waste from building and office equipment maintenance (used bulbs, batteries, etc.)	0.008	-60%	N/A
Waste from production (defective bulk, expired ingredients)	8.525	-11%	+313%



**Mádara and The LEAN philosophy**

The production at AS MADARA Cosmetics is a dynamic process, which in recent years has increasingly focused on developing more efficient processes for product production. To achieve this, we operate according to the LEAN philosophy, which aims to gradually eliminate all unnecessary, non-value-adding activities and waste, thereby simplifying everyday processes, reducing errors in daily work, improving product quality and increasing job satisfaction. Such an approach can have a strong impact on the sustainability of the company – both environmental and social.

The company has a successful LEAN team, which unites people that have the desire and willpower to improve everyday processes and make work easier for themselves, as well as others. Each month, the LEAN team assesses projects that require improvement and implements them themselves.

Manufacturing at AS MADARA Cosmetics is a continuous process of development. Each year, our production expands with more and more different types of products. Thus, it is essential to be able to quickly switch from one product to another, and to do so with minimum possible resources. It is important that when adding a new product to the assortment, we do not become less effective or spend more resources per item manufactured.

There is also an emphasis on process automation to reduce the manufacturing time, number of people required and improve product quality. The most significant time savings and efficiency improvements in filling lines are due to the workstation set-up, the collection of filling machine formats digitally, and the use of KPIs (Key Performance Indicators). At the end of each workday, a management and operator meeting is set up to briefly discuss and summarise the

operator's KPIs, as well as any problems or deviations that might have affected the day's performance.

Additionally, an "artificial vision" machine has been installed. Developed in participation with Riga Technical University, the equipment is able to read whether the vials have been clearly printed with a batch number and expiry date. In 2021 we also introduced automated robotic packing machine (first robot in MADARA Cosmetics factory), which allows for speedier packing.

Based on the JIT (Just-in-Time) principle, the production process no longer involves significant material preparation times or material reserves. It has been clearly defined how much material should be prepared and which processes need to be carried out in conjunction with the manufacturing of the product to avoid overproduction.

For safety reasons, a noise indicator has been installed to monitor the noise level in the production facilities. Moreover, additional warning signs have been set up to protect workers from various types of injury that may be caused by material handling equipment, slippery surfaces or hazardous areas. The workplaces are ergonomically designed with all the necessary lighting.

Various IT solutions are also used on a daily basis to improve communication between departments and accelerate work processes. One example is the current status device, which the warehouse that houses finished goods uses for speedier communication with the production team. Every minute, the device shows exactly which – and how many – products are currently being produced, as well as which goods are ready to be delivered to the warehouse to support the Just-In-Time principle.





PART 4

# Social *Responsibility*

*Skincare for humanity*



## 4.1. Foundations of Social Responsibility

*Social responsibility is an integral part of MÁDARA's values and purpose.  
Our social responsibility is based on four foundation pillars*

First, we work with organic and natural ingredients, delivering effective beauty solutions without compromising on health or the environmental safety of the raw materials, products or processes. Thus we help to minimise the health risks associated with increased exposure to consumer chemicals and help to limit environmental pollution, which influences larger groups of the population.

Second, respecting differences, promoting openness and equality is an integral part of our corporate mindset, business code of conduct and our communication with the public. There is gender diversity among MÁDARA employees and the board members, a lean organisation structure, open communication with consumers and the public. We actively share behind the scenes on social media, allowing anyone to look into our production process.

Third, the MÁDARA fair pricing principle defines that a product price shall reflect all true costs of product manufacturing, without transferring them to developing countries where they might compromise workplace safety, social welfare and the environmental future of local societies. All MÁDARA products are produced in our factory in Latvia in fair and safe working conditions. When choosing suppliers, priority is given to local suppliers. A major part of ingredients are sourced from organic farming, which can be described as more ethical and sustainable.

Fourth, we recognise that issues in society arising from inequality and discrimination are complex and widespread; therefore, MÁDARA collaborates with organisations and experts that work to make our society safer and better. For instance, MÁDARA is a continuous contributor to the Latvian NGO MARTA Centre. MARTA Centre works with issues of human trafficking and domestic violence on multiple levels - initiating systematic and legislative improvements, organising preventive educational work with school-age children as well as providing free of charge legal, psychological and other services to victims of domestic violence and human trafficking. MARTA Centre also works with partner organisations in Finland, Belarus, Turkey and countries in Central Asia, transferring best practices and initiating positive improvements in gender equality, domestic safety, and the prevention of trafficking.



## 4.2. Equality and Humanity

*The core purpose of MÁDARA is linked to the powerful concept of benefitting humanity and equality. We live by and promote the values of humanity and equality throughout: producing safe and sustainable products, devising safe and natural beauty solutions, creating safe and fair working conditions, sustainable supply chain, opening up our factory to the general public, pursuing transparent and ethical business practice. Every morning we wake up and come to work to create a better world – product by product, process by process, innovation by innovation.*

### Non-discrimination (S6)

MÁDARA Cosmetics aims to foster respect and equality among members of society. It is a diverse and international community that is related to the company. Individuals of different cultures, values, national origin, race, colour, gender, marital status, sexual orientation and political opinion are a part of our community. There are two pillars of the non-discrimination concept that the company adheres to: respect and social inclusion.

Respect – company members share a mutual respect in their interactions and encounters. We abide by cultural norms and laws dictated by the markets where we are present. Even if the personal beliefs and viewpoints do not correspond, it is our responsibility to embrace the viewpoint of others with grace and understanding.

Social inclusion – People of different viewpoints and backgrounds are welcomed in our company. Bias, prejudice and racism have no place in our company and community. We urge our employees to treat clients, partners and fellow employees in the same way regardless of their socioeconomic status, national origin, gender, or sexual orientation.

### Human Rights (S10)

Respect for human rights is at the core of MÁDARA Cosmetics. Business at the company is conducted in a manner that respects the rights of all parties involved, complying with all legal requirements. This policy applies to every employee of the company and is built on the following commitments:

#### Diversity and Inclusion

We value the diversity of the employees at the company. Discrimination of any sort is discouraged and forbidden (see more in Non-discrimination policy). We do not tolerate disrespectful or inappropriate behaviour or unfair treatment. Harassment is not tolerated in the workplace and in any work-related circumstance outside the workplace.

#### Freedom of Collective Bargaining

We do not restrict our employees from joining labour unions.

We aspire to provide an injury-free and healthy workplace and comply with applicable safety and health laws and regulations, as well as internal requirements. Together with employees, we are constantly improving the safety measures in our company by identifying the risks and educating our employees.

### Forced and Child Labour (S9)

Forced labour, including prison labour, indentured labour and any forms of slavery are forbidden in the company. Employment in our company is only possible on voluntary grounds under no threat of penalty or sanction. In addition, children under 18 years old are not allowed to be hired for work in hazardous positions. We also make the terms and conditions of employment available to all employees before their employment is started.

### Work Hours, Salaries and Benefits

Employees of our company receive competitive wages relative to the industry and specifics of the local labour market. We comply with applicable wage, work and overtime hour and benefits laws.

### Taking Action

In 2021, MÁDARA Cosmetics joined the Latvian Diversity Charter – a voluntary declaration striving for respect and inclusion of diverse groups. By signing it, we show our commitment to inclusivity both within our company and towards society at large.





### 4.3. Equality in Figures

**Gender Pay Ratio (S2)**

Gender Pay Ratio measures the remunerative scope and impact of the gender pay gap within the company. Ratio: Median Male Salary to Median Female Salary. The gender pay gap reflects ongoing discrimination and inequalities in the labour market which, in practice, mainly affect women. The average gender pay gap in the EU is 13%, while women in managerial positions in the EU on average earn 23% less than men. Currently the highest gender pay gap in the EU is in Latvia – 22.3%. With a gender pay ratio of 1.11, remuneration distribution in MÁDARA is more equal compared to Latvia's index, as well as that of the EU. Contrary to EU statistics, women in MÁDARA managerial roles earn roughly 13% more than men. The gap in MÁDARA is explained by the job specifics and reflects the situation in the job market. Globally, some higher paying industries have naturally formed with more male representatives, others with female. In MÁDARA, in some cases more men happen to work in higher-paying fields, for example, regarding ecommerce and IT positions, which distorts the ratio for the executive level, but there is no gender discrimination within the scope of the same job position in MÁDARA.

**Executive positions MÁDARA** – 1.43 men earn more than women

**Manager positions MÁDARA** – 0.87 women earn more than men

**Specialist positions MÁDARA** – 1.09 men earn slightly more than women

**MÁDARA production and warehouse employees** – 1.21 men earn more than women

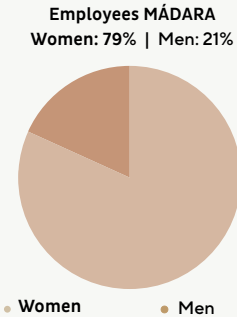


**Employee Turnover (S3)**

Employee turnover rate is an important indicator to measure both the effectiveness of the human resources management system and the overall work environment. It is the percentage of employees who leave the organisation voluntarily or due to dismissal, retirement, or death in service. If the ratio is low, there are fewer costs associated with hiring new employees as well as training them; it is also indicative of overall employee satisfaction. At the same time, it is important to experience some turnover, as new people bring fresh knowledge, skills and perspectives and can help the company grow. In 2021, the employee turnover rate in MADARA was 8.4%; in comparison, it was 11.2% in 2020. The average employee turnover rate over the last 5 years (from 2017 to 2021) has been 12.1%.

**Gender Diversity (S4)**

The percentage of female full-time employees to the Total number of full-time employees; this ratio can indicate risks related to workplace inequality.



**Contractors, Consultants and Part-Time Worker Ratio (S5)**

This ratio offers an indication of job stability and the level of benefits the organisation offers. In 2021, MADARA Cosmetics had an increased amount of online sales and as a result additional employees were needed for packing the orders. The ratio of part-time employees in 2021 was 4.9%, it was 2.2% in 2020 and on average over the last 5 years (from 2017 to 2021) has been 2%.

With 95.1% of the workforce on full-time contracts, MÁDARA contributes to the social stability and security of employees.

**Human Rights Violations (S11)**

The number of grievances or judgments regarding human rights impacts during the reporting period – 0.





# 4.4. Health & Safety at MÁDARA

*Creating a safe working environment and caring for the health of our employees is one of the main focuses of human resource management at MÁDARA.*

**Safety of the Workforce:**

- > There is a third-party risk assessment for each job position of the company. Based on these risks a personalised instruction is created in order to define the equipment standards and protection tools if needed (e.g., specialised shoes, helmets, etc.). MÁDARA provides employees with all of the protection tools needed and organises regular checks of how employees comply with the health and safety policy.
- > Each employee has been informed about the health and safety policy and trained before he/she commences work.
- > MÁDARA organises centralised health and safety training once a year.
- > Special permits are organised in order to fulfill certain job tasks (e.g., using warehouse loader).

Health and safety of the workforce is regulated by the legislation of the Republic of Latvia; MÁDARA respects all regulations and norms and has implemented a health and safety policy.

There is a special position at MÁDARA called a Safety Officer, which has responsibility for ensuring that both the employer and employees comply with safety legislation as well as that the health and safety policies are adhered to. MÁDARA has entered into a contract with a health and safety advisory and training company to ensure double control of all issues related to health and safety.

In the case of work in increased risk areas or work with specialised equipment (e.g. warehouse loader), special training is organised. Only those employees who have been trained and have obtained a special permit can work with specialised equipment or work in increased risk areas. Additionally, to ensure the safety of the employees and company visitors, walking areas in the factory and warehouse have been marked with a safety ribbon.



**Fire Safety**

- > There are fire evacuation plans in the MÁDARA building at 131 Zeltinu Street, Marupe, Latvia.
- > Each employee has been informed about fire safety and undergone training before the commencement of work.
- > MÁDARA organises a centralised fire evacuation exercise once per year.

**Health of the Workforce**

Mandatory Health Examinations are organised by MÁDARA regularly in order to guarantee each employee easy access to doctors as well as ensure that all employees fulfil the mandatory health examination.

MÁDARA provides employees with free-of-charge health insurance that covers the costs of medical services according to the insurance programme and personal accident insurance.

Due to the continuation of the COVID-19 pandemic, MÁDARA has kept up safety measures in the Company's office and production plant to minimise the risks of infection. It is permitted for the office staff to perform their duties remotely, which also gives the employees more flexibility to choose how to balance their work and private life.

**Injury Rate (S7)**

Low injury and absentee rates are generally linked to positive trends in staff morale and productivity. Total number of injuries and fatalities relative to the total workforce: 0.6%. In 2021, we had one case of a workplace injury. The case was investigated by a workplace safety officer and was attributed to an accidental case, as all safety precautions were in place. No serious harm was done to the employee and recovery was complete.





# 4.5. Together with Society

*We are firm believers in social responsibility – in fact, it is at the heart of MADARA brand values and purpose.*

We recognise that issues in society arising from inequality are complex and widespread; therefore, MADARA collaborates with organisations and experts taking steps towards a better society. For instance, MADARA is a long-term contributor to the Latvian NGO MARTA Centre. MARTA Centre works with issues of human trafficking and domestic violence on multiple levels – initiating systematic and legislative improvements, organising preventative educational work with school-age children. Our donation (in 2021 – EUR 20 000) help fund the free-of-charge legal, psychological and other services to victims of domestic violence and human trafficking that MARTA provides. In addition, we help to fund the opening of new centres in regions outside the capital, where there are fewer support system opportunities for women who suffer from domestic violence.

We also donated EUR 10 000 to SOS Children's Villages Latvia, a charity organisation that supports children who have been left without parental care or have been raised in difficult circumstances. The donation was targeted to ensure safe and favourable conditions for the child's development – tutoring, providing a psychologist's support for foster families as well as providing speech therapy for the children. EUR 1 000 were donated to organisation "Mozaika", with an aim to the improve the rights of LGBT people in Latvia.

Furthermore, MADARA supported the Pink train foundation with EUR 20 000. As a result of this donation 200 women diagnosed with breast cancer in Latvia were able to receive professional psychological support and physiotherapy.

Through the personal story of one of the founders – Paula Tisenkopfa, MADARA Cosmetics helped to raise additional funds, supporting the recovery of cancer patients as well as emphasising the importance of getting yearly screenings in order to lower the risk of dying from breast cancer. Awareness was raised through an exhibition "Self-Noises", initiated by Paula.

During October, Breast Cancer Awareness Month, MADARA also launched support activities in Finland, donating 10% of the sales from the special Pink Ribbon edition sales.

This year we gave support not only for social causes but also for 2 nature restoration projects – EUR 10 000 to the Latvian Fund for Nature with an aim to restore natural meadows, which is an endangered ecosystem (in Latvia – 0.7% of the whole land), yet important for the maintenance of biodiversity and ecological processes (e.g., pollination) and EUR 10 000 to the Latvian Botanical Garden to restore the historical Linden Tree Alley.



*The project "Self-Noises" consisted of an exhibition and video series. The video series are episodes of Paula visiting and talking to her hair dresser, and getting her hair cut shorter. The central character of the exhibition is a woman who has experienced cancer. She describes herself as someone who's been lucky with family, level of income, career and looks. Still, when speaking of cancer, she says that it is perhaps her only chance at breaking free, awakening and being born again. The wish to break free could be interpreted as the contemporary human's attempt to rationalise everything, even cancer, but perhaps it's actually an opportunity to find your self-noise in a sea of noise.*







PART 5

Corporate  
*Governance*



Board

Board – Board Diversity (G1)

The company has a two-tier management structure comprised of the Management Board and the Supervisory Board. While the Management Board has responsibility for everyday management, the Supervisory Board represents shareholder interests in General Meetings and oversees the activities of the Management Board. The percentage of Total Board seats occupied by gender: **Women: 67% | Men: 33%**



**Uldis Iltners**  
Mr Iltners, born in 1983, is a member of the company's Management Board and the Acting Chairman of the Managing Board while Ms Tisenkopfa-Iltnerē, the wife of Mr Iltners, is on maternity leave. He is the Chief Executive Officer of the Group. Mr Iltners graduated from the BA School of Business and Finance in 2003 with a bachelor's degree in business management and leadership. Before co-founding the Group in 2006, he worked as a private entrepreneur, for instance as CEO and analyst at an IT consulting service providing computer simulation assisted production controlling and optimisation for manufacturing companies. He does not hold any positions or perform any activities outside the Group that are significant with respect to the Group.



**Tatjana Nagle**  
Ms Nagle, born in 1996, is a member of the company's Management Board. Ms Nagle has a Degree of Bachelor of Science in Economics and Business from SSE Riga. Ms Nagle joined the Group as a business analyst in 2018, from 2021 fulfilling the role of Chief Financial Officer. She does not hold any positions or perform any activities outside the Group that are significant with respect to the Group.

Disclosure practices (G9)

The Management Board has the duty to submit a report on the activities and financial position of the company that is open to the public once every 6 months. The report shall include the financial performance of the company for the past 6 months as well as describe the recent outcomes of Management board activities and outline future strategies for development.



**Lotte Tisenkopfa-Iltnerē**  
Ms Tisenkopfa-Iltnerē, born in 1982, is the Chairman of the company's Management Board. Ms Tisenkopfa-Iltnerē graduated from the University of Latvia in 2005 with a bachelor's degree in Asian studies, where she mastered Asian culture, business and the Japanese language. Co-founded the Group in 2006. In 2009, Ms Tisenkopfa-Iltnerē completed the Swedish Institute Management programme of leadership and corporate social responsibility practices. Since 2016, has worked as a volunteer for MARTA Centre, an NGO that works with issues relating to victims of domestic violence and human trafficking. Apart from her volunteer work, she does not hold any positions or perform any activities outside the Group that are significant with respect to the Group.

Supervisory Board

Name	Position	Involved in executive activities of the company
Sari Hannele Rosin	Member of the Council	No
Liene Drāzniece	Deputy Chairman of the Council	No
Anna Ramata-Stunda	Chairman of the Council	No
Anna Andersone	Member of the Council	No
Edgars Pētersons	Member of the Council	No



**Liene Drāzniece**  
Ms Drāzniece has received a degree in Visual Communication from the Latvian Academy of Art and later Design Direction specialisation from the Instituto Marangoni Milano. Ms Drāzniece has spent years working as an art director for major Latvian brands. She is also the author of several brand identities for consumer goods and niche products.



**Anna Ramata-Stunda**  
Since 2010, Ms Ramata-Stunda has worked as a researcher and in 2016 also became a lecturer at the University of Latvia. Currently Ms Ramata-Stunda is a PhD Candidate in Biotechnology at the University of Latvia, a member of the Latvian Association of Microbiologists and a co-founder of two biotechnology companies - SIA InCell and SIA Alternative Plants. A number of scientific publications and cutting-edge patents in biotech are also on her list.



**Anna Andersone**  
Ms Andersone, a graduate of the Stockholm School of Economics in Riga, has worked as a Project Director and Strategist for the Baltic and international market. She has co-founded the online-based service start-up companies "be-with", The Mill, Froont, "berta.me". Some of the management positions that Ms Andersone holds include SIA HungryLab, NGO TechHub Riga, SIA Hello World and others.



**Edgars Pētersons**  
Mr Pētersons, a graduate of Stockholm School of Economics in Riga, has worked as a marketing and brand consultant since 2007. He is a co-founder of one of the leading creative and strategic agencies in Latvia - WKND. He is working with some of the leading Baltic brands to help them break into new markets.



**Sari Rosin**  
Ms Rosin, from Finland, is CEO of one of the leading Finnish cosmetics sales and marketing companies "Transmeri" - a family owned company since 1928 operating in Finland, Sweden and the Baltics. Transmeri is a market leader in natural organic cosmetics, and the Mádara and Mossa brands are very successful in the market. Ms Rosin also has extensive experience in retail business, in different kinds of chains from convenience stores to department stores. Ms Rosin is also chairman of the board in the Finnish Cosmetics and Hygiene Industry Association.

**Incentivised Pay (G3)**

Currently, the Management Board is not incentivised to execute a long-term ESG strategy. Nevertheless, it is a part of every employee's duties and day-to-day activities to work in accordance with the environmental, social and corporate governance guidelines stated in this report.



**Collective Bargaining (G4)**

The employees of the company are not part of any collective organisations of workers, but the policy of the company is to encourage employees to be open about how they see that the company could improve its everyday activities and thus the everyday work-life of its employees.

The company ensures that both the physical and emotional work environment of the employees meet the requirements of Latvian legislation, promote productivity and that each employee can fulfil their professional potential.

All employees are regularly instructed about fire safety and general work safety. In addition, with certain regularity everyone is required to perform a compulsory health check. All necessary protective clothing, equipment and tools are provided to the employees to perform their work in a safe and sustainable manner.

The employees are encouraged to express their opinion about various topics relevant to the company as well as their overall satisfaction with their work. In addition, it is communicated to the employees that they can approach any of the members of the executive team in order to discuss both company matters and their specific position in the company.

In 2021, the number of employees has grown by roughly 12%. 44 new job positions have been established in 2021. Fair labour practices are applied in the hiring process, horizontal and vertical promotion process as well as everyday work-life, giving all of the employees the opportunity to fulfil their work targets.



**Supplier Code of Conduct (G5)**

Madara Cosmetics has a strong position with regard to its suppliers. We strive to ensure a responsible supplier relationship by integrating environmental, social and ethical standards. The relationships is maintained via constructive dialogue. The Supplier Code of Conduct (the Code) dictates the requirements for suppliers in terms of their responsible business conduct. At the minimum, we expect our suppliers to comply with the national regulations and meet the requirements of the Code. The company expects suppliers to follow the requirements listed below:



*Meet Dagnija and Edgars from MADARA Cosmetics team!*

*Dagnija is the fairy of our warehouse and has been with us since 2008. Many online orders pass through her caring hands.  
For more than 13 years, Edgars has been watching our production machinery with an eagle-eye to ensure it's running smoothly and effectively.*



Corporate Governance

Labour and human rights

- 1. The supplier does not discriminate on the basis of national origin, race, colour, gender, sexual orientation, marital status, political opinion and disability.
- 2. The supplier provides its employees with working conditions, hours, wages and leave in accordance with local regulations and industry.
- 3. Personal information of employees is gathered and stored respecting employees' right to privacy.
- 4. The supplier prohibits forced labour practices including prison labour, indentured labour or any forms of slavery.
- 5. The supplier prohibits child labour practices in the company that could damage children's physical or mental health or prevent them from attending school.

Health and safety

- 1. The supplier ensures healthy and safe working conditions, takes preventive measures to minimise the risk of work-related accidents and injuries.
- Environment

- 1. The supplier complies with the local environmental law in a systematic manner.
  - 2. The supplier has a written environmental policy that is relevant to its type of operation and size.
  - 3. The supplier complies with Madara Cosmetics' environmental guidelines and requirements.
- Business integrity and operations

- 1. The supplier complies with all applicable laws and regulations concerning bribery, corruption, fraud, intellectual property rights and competition.
- 2. The supplier provides a complaint mechanism for managers, workers and communities to report workplace complaints.
- 3. The supplier acts according to written or verbal agreements and it has sufficient financial resources to deliver what is required.
- 4. The supplier keeps the quality standard of the product/service and minimises the risk of a faulty product.
- 5. The supplier ensures that the resources allocated for purchasing products/services are used efficiently and generate the most value.
- 6. The supplier seeks to ensure that everyday communication is clear and problem-solving is solution driven.

**Ethics & Anti-Corruption (G6)** Every employee has been introduced to the values and inner culture of the company and is expected to follow these guidelines. The values of humanity and equality embody respect, openness, friendliness and honesty among each other, which can also be considered as the ethical code of conduct of the company. These values apply not only inside the company, but also to outside communication and partnerships.

Introduction

It is the policy of MADARA Cosmetics to comply with all applicable anti-bribery and anti-corruption laws. This Policy also exists to act as a source of information and guidance for

those working for the company. It helps employees recognise and deal with bribery and corruption issues, as well as understand their responsibilities.

Bribery is defined as an act of offering, giving, promising, asking, agreeing, receiving, accepting, or soliciting something of value or of an advantage so as to induce or influence an action or decision. Bribery is not limited to the act of offering a bribe. If an individual is on the receiving end of a bribe and they accept it, they are also in breach of this policy. The most prevalent forms of bribery and corruption stem from:

- 1. Payments to a company's employees or their relatives, or to a third party, to secure an advantage in business transactions.
- 2. Political contributions made to secure an advantage in business transactions.
- 3. Charitable sponsorships used to secure an advantage in business transactions.
- 4. Gifts, hospitality and expenses payments made to secure an advantage in business transactions.

Purpose

The sole purpose of this anti-bribery policy is to set out the responsibilities of the company and those who work for us in regard to observing and upholding our zero-tolerance position on bribery and corruption.

Scope

This policy is applicable to employees, related personnel (spouse, children, etc.) of the company and third parties acting on behalf of the company and is valid to all business dealings and all jurisdictions where the company operates. How does one identify a bribe?

When in doubt, the following questions can be asked:

- 1. am I being asked to pay something/provide any other benefit over and above the cost of the services being performed?
- 2. am I being asked to make a payment for services to someone other than the service provider?
- 3. are the hospitality or gifts I am giving or receiving reasonable and justified? Would I be embarrassed to disclose them?
- 4. when a payment/other benefit is being offered or received, do I know or suspect that it is to induce or reward favourable treatment, to undermine an impartial decision-making process or to persuade someone to do something that would be regarded as the proper performance of their job?

Policy

The company does not engage in bribery or corruption. It is contrary to the company's policy for any employee or third party to request, offer, solicit, make or receive any payments or inducements which are illegal, unethical or represent a breach of trust. A bribe does not actually have to take place - just promising to give a bribe or agreeing to receive one is prohibited. The company does not make direct or indirect contributions to political parties.

It is acceptable to receive gestures of hospitality and goodwill as long as the giving or receiving of gifts meets the following criteria:

- 1. It is not made with the intention of influencing the party to whom it is being given to obtain a business advantage.
- 2. It is not made with the suggestion that a favour is expected in return.
- 3. It is in compliance with the local law.
- 4. It is given in the name of the company, not in an individual's name.
- 5. It does not include cash.
- 6. It is not selectively given to a key, influential person, clearly with the intention of directly influencing them.
- 7. It is appropriate for the circumstances (e.g., giving small gifts around Christmas or as a small thank you to a company for helping with a large project upon completion).

The company does not accept and will not make any form of facilitation payments of any nature. We recognise that facilitation payments are a form of bribery that involves expediting or facilitating the performance of a public official for a routine governmental action. The company will not make donations to support any political parties or candidates.

All employees are equally responsible for the prevention, detection, and reporting of bribery and other forms of corruption. They are required to avoid any activities that could lead to, or imply, a breach of this anti-bribery policy. If any

employee breaches this policy, they will face disciplinary action and could face termination for gross misconduct. The company has the right to terminate any employee if they breach this anti-bribery policy. Compliance with this policy is mandatory for all employees. Failure to observe the terms of this policy may constitute a disciplinary offence, dismissal from employment and may expose individuals to civil or criminal proceedings.

Data Privacy (G7)

MADARA Cosmetics has made certain actions to mitigate risks related to data privacy and ensure GDPR compliance. Since the data security and privacy of customers, partners and employees is crucial to sustainable company operation, with the help of an external auditor, the company has revised and reviewed all the documents, procedures and practices to improve the data privacy standards in the company. MADARA Cosmetics operates under the legislation of the Latvian Republic and has adopted a data privacy policy that complies with the criteria dictated by the law.

External Assurance (G10)

The company is audited by independent organisations, which check several of the criteria mentioned in the ESG report. One such organisation is ECOCERT, covering the audit for the sustainability of manufacturing practices and raw materials that are used in product manufacturing. Another organisation - Bureau Veritas Latvia SIA, performs auditing of all of the quality aspects of the product, including traceability, the manufacturing process and storage according to the ISO 22716:2007 standard.

The Financial Statements (including the consolidated financial statements of the Group for the financial year ended on 31 December 2021) have been audited by Deloitte Audits Latvia SIA.









# MÁDARA

organic skincare

**MADARA COSMETICS AS**

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