



ESG REPORT

Environmental Sustainability

Social Responsibility

Corporate Governance

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This year, we've made numerous notable sustainability achievements.

One of the most successful ones being the launch of the Retinol Alternative Serum – a product that serves as a testament to dedication and innovation in the world of skincare and science, proving that plant-based formulations can rival and even outperform synthetic ones.

We also continue to work closely with our packaging suppliers to keep improving the sustainability and recyclability of our product packaging.

The journey of sustainability is a part of our daily routine. Every single department in MÁDARA demonstrates sustainable thinking in their decisions. Sustainability is a creative and mindful process. First of all, it takes focus to notice the redundant or obsolete actions. Secondly, it takes courage and passion to rethink and optimize them. Strategically, we think of what we can stop doing in order to save resources for sustainability.



Lotte Tisenkopfa-Iltner
Co-founder of MÁDARA

Lotte Tisenkopfa-Iltner

*Sustainability is not a challenge;
it is a motivation.*

We look to 2024 with excitement, as we aim to further push our boundaries when it comes to developing new products, improving processes and innovating our production facilities.

Our longstanding partnership with COSMOS standard by ECOCERT Green-life certification is crucial to who we are. Not stopping at the current status quo but pushing ourselves forward at every single aspect of sustainability is what brings joy and excitement to the teams.

Firstly, we have upgraded our manufacturing. With support from a Norwegian grant, we've enhanced our facilities with new reactors that offer greater flexibility in batch sizes. This upgrade not only boosts business efficiency but also aligns seamlessly with our sustainability goals. For instance, it allows us to produce a wider range of shades for tinted products while optimizing resources effectively.

Secondly, we have further digitalized our internal processes by implementing scanners in warehousing and refining our product development and accounting systems. This has significantly reduced our paper usage, streamlined operations, and minimized our environmental footprint.

Finally, we continue our dedication to uncompromised quality in innovations and packaging. For example, our retinol alternatives and titanium dioxide-free pressed powders with recyclable packaging showcase our ongoing efforts to lead with integrity and responsibility in the cosmetics industry.



Gunta Šulte
MÁDARA Chief Executive officer

Gunta Šulte

ESG Performance at a Glance

ESG Performance at a Glance



**NATURAL
OR ORGANIC
CERTIFIED**

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



**93%
CERTIFIED
ORGANIC**

93% of our plant-based ingredients (plant oils, plant extracts, waxes, butters, floral waters) come from certified organic farming



**RECYCLABLE
PACKAGING**

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



86%

of the total cardboard used was made of recycled materials

**LOW CO₂
EMISSIONS**



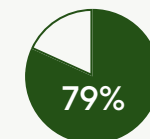
57.69g of GHG emissions

per product manufactured (Scope 1 + Scope 2) in 2023



**HELPING THE
COMMUNITY**

Contributions to BIEDRĪBA TAVI DRAUGI to help Ukraine which is fighting for the democratic values of the whole world, and to SŪRABELE HRONISKI SLIMO BĒRNU DRAUGU BIEDRĪBA.



**GENDER
DIVERSITY
RATIO**

Female employees at MÁDARA: 79%

PART 1

Pioneering Natural Skincare and Sustainability *from Day One*

*Since our inception, MÁDARA has been all about harnessing the true
(and scientifically proven) power of nature to bring effective and safe beauty
products to customers. Our mission is to drive the future of natural beauty.
And we believe that the future is based in nature.*



Choosing natural over synthetic ingredients presents unique challenges to beauty manufacturers. Natural products often have shorter shelf lives, demanding meticulous planning in production. Consistency in natural ingredients is complicated by factors like climate and soil composition, impacting costs and requiring innovative formulation approaches.

Conversely, synthetic ingredients in cosmetics pose significant challenges, potentially harming the environment. Their production, use, and disposal contribute to environmental pollution, as these materials often persist without decomposing, contaminating air, water, and soil. Moreover, concerns about the health effects of synthetic chemicals, including their potential to disrupt hormones, are driving demand for natural alternatives.

At MÁDARA, we strive to demonstrate that nature provides effective alternatives for synthetic products. Our formulations blend natural ingredients with scientifically proven efficacy, gentle on both skin and the Earth. Our range includes successes like natural SPF solutions, vitamin C skincare, mascaras, makeup, and our new Retinol Alternative Serum. In fact, some of our natural products have taken more than 5 years to develop – that's how meticulous we are when it comes to product formulations.

A standout achievement is our Retinol Alternative Serum, a testament to our research and development abilities. It is a natural alternative to synthetic retinol treatments that grants retinol-like results without the harsh side effects (further information can be found on page 23).

In 2023, we also launched the SOS+ Sensitive line, a collection of fragrance-free moistur-

isers tailored for sensitive skin – a challenge requiring natural ingredients that provide pleasant textures without added scent. Developed with the Finnish Allergy, Skin and Asthma Federation, these products have proven effective in instrumental tests, showcasing our ability to maintain efficacy with natural ingredients.

Navigating the natural cosmetics landscape, we also confront challenges like greenwashing, where unsubstantiated eco-friendly claims mislead consumers. Consumers are drawn to product packaging that features images of pandas, puppies, flowers, leaves etc which, while appealing, may not always have a factual basis to substantiate the eco-friendly or natural claims made. This has led to a growing scepticism towards the "natural" label in



cosmetics, with many questioning the efficacy and authenticity of such products. It also poses a challenge of distinguishing genuinely sustainable and environmentally friendly products from those merely capitalizing on the trend towards natural ingredients.

To counter this, we prioritise scientific validation and third-party certifications, ensuring transparency in ingredient sourcing, labelling, and overall environmental impact.

By adhering to strict criteria set by renowned certifications like COSMOS, our products meet high standards – from ingredient sourcing and production processes to final packaging and even the choice of cleaning agents – ensuring they are both effective and sustainable. These certifications guarantee environmentally friendly production, setting a benchmark for integrity in cosmetics.

Our commitment extends to rigorous scientific testing, including dermatological and user trials, to verify ingredient efficacy and product stability over shelf life. Certain products undergo instrumental tests to further validate our formulations, ensuring they deliver on performance promises. Stability tests are carried out for each product so that we can be sure that the product will retain its properties within the shelf life. For more sensitive raw materials, we have also carried out long-term quantification of the raw material to make sure that the amount of the active substance does not change during the product's shelf life.

In our pursuit to pioneer sustainable and effective formulations, collaborations with re-



searchers drive advancements in natural ingredients and manufacturing processes. For instance, our work with biotechnologists focuses on cultivating cell cultures from northern plants, a pivotal approach championed by SIA Alternative Plants and their Chief Science Officer, Anna Ramata-Stunda. This method ensures we produce botanical ingredients efficiently and sustainably.

At MÁDARA, our mission is clear: to enhance beauty while championing environmental responsibility and consumer well-being. Through obsessing over meticulous formulations and sustainable practices, we lead by example, setting new standards in the cosmetics industry.

PART 2

Improvements all around

*Sustainability is a mindset
manifested in daily actions*

You may call it corporate social responsibility, sustainability, triple bottom line, or in any other way, however, the overarching argument within MÁDARA philosophy from the very first day is of sustainability as a way of thinking, not just an end goal. It is simple care about everyone and everything in the world around us. Consequently, it means that every person in our team constantly takes an extra step to make sure the impact we deliver is better every day. Some days it will mean bigger changes, other days it will be something very simple.



This year, we want to highlight the little things that take place in each and every department at MÁDARA, going beyond the sustainability of the product itself. Even though separate, our departments work closely together and support each other whenever necessary to implement operational changes collectively as a team.

Our **product development** Team successfully led the launches of 6 new products, as well as improvements of packaging sustainability for several existing products. (further information on page 26).

Our **laboratory** pays careful attention to both the waste created and resources used in the testing and sampling processes, and in 2023 the way the samples are delivered to the testers was significantly improved to reduce

the number of shipments needed. (further information on page 34).

When it comes to **manufacturing**, the biggest milestone was the installation of a laboratory-sized reactor which helps to significantly reduce the consumption of production resources and raw materials, enabling us to scale up from the product development stage without creating excess product. (further information on page 32).

Our **Quality** Team in 2023 decided to separate the certification and regulatory matters from those of quality to be able to increase focus and develop clear goals for the two crucial functions of the department. Another successful ECOCERT Audit was achieved in 2023. In addition, in 2023, the quality team has improved complaint monitoring,



now also monitoring the complaints regarding shipping.

Logistics and **Warehouse** Teams, however, have become one to take advantage of the arising synergies and competences. The merge will be able to improve the outcomes regarding various matters of the department, including sustainability.

In 2023, significant changes were made regarding our **retail** stores. A new store was opened according to the new retail design concept, and another store underwent a full redesign to fit the new concept as well. The new design brings a glimpse of northern nature closer to our customers not only visually, but also through the choice of materials, as the changes were made keeping the environment in mind. The interior uses materials such as metal, gypsum and solid pine. The floor, ceiling, walls and furniture facades are



finished with natural lime plaster (eco-friendly and breathable material) using volcanic lava dust as a filler. The furniture that was replaced was reused within our offices.

Our **Digital** Team obtained its new name after transformation from the ecommerce team, taking on further responsibilities and expanding their capacity. Importantly, in 2023, a decision was made to introduce a symbolic cost for the product samples offered with each online purchase. The price is kept symbolic to make the customer evaluate the need of the product before adding it to their cart while still making the sample accessible for testing so the customer can ensure the product is suitable before making the purchase of a full-sized product. As a result, in Q4 of 2023, around 50% less sachets were issued.



Customer service has improved the first response time by 62% (now it is 3 hours and 12 minutes). The average response time was improved by 50% while the full issue resolution time by 39%. These improvements are despite a 42% increase in overall communication in terms of number of messages with our customers. These improvements demonstrate our dedication to addressing customer concerns promptly and effectively, as well as our commitment to transparency and open communication, ensuring every customer feels heard and valued. The dedication to customer satisfaction is reflected in our consistently high TrustPilot rating, with a score of 4.7 in 2023.

In 2023 our **IT** department worked on enabling employees to use work laptops for private needs, which, in many cases, will allow them to avoid the purchase of an additional

computer for private use. In addition, whenever possible, the work IT equipment for our colleagues working abroad has been sent directly from a local supplier instead of shipping from the main office, thus optimizing the supply chain.

The **HR** department continued to foster the wellbeing of employees by investing in their professional growth, mental and physical health, offering training and yoga lessons. The Company also received the official status of "Family friendly company", reviewed by the Society Integration Foundation in Latvia (SIF). The status is based on our current practices in growth and work-life balance opportunities for people with children. This year we also created children's corners at our offices and created events for children of our employees. (further information on page 41).

When it comes to our **buildings**, in 2023, we have further reinforced waste sorting in all of our kitchens, and separate storage containers have been introduced for the packaging that can be sorted under the new deposit system. This helps to ensure that all recyclable materials are properly recycled, and that waste is disposed of in a responsible manner. Reusable dishes and utensils are also always available in the kitchens, and employees now order less food delivery, which allows to reduce the single-use packaging waste created.

When any deliveries are received in our offices, instead of disposing of the packaging, it is handed over to the warehouse to be reused. The same applies to furniture, as any spare furniture arising from our stores returns to our offices and gets reused, while any unnecessary office furniture (office chairs and desks) get handed over to employees who work from home.

In 2023, we are proud to have been named the Greenest Brand in the Baltics (By Baltic Brand Rating), as well as the best employer in Latvia's manufacturing sector for the second year in a row (by Alma Career Latvia).

These improvements and achievements are employee initiated and driven, proving that our Teams work with sustainability in mind daily.



PART 3

Environmental *Sustainability*

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



MÁDARA manufactures certified organic or natural skincare products, using organic and natural raw materials, recyclable or post-consumer recycled packaging and processing/manufacturing techniques that are clean and respectful of human health and the environment. With 93% of plant-based ingredients¹ 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 Greenlife² according to the international COSMOS standards, which define and supervise ingredient sourcing, packaging and manufacturing processes. Along with ISO GMP standards, the COSMOS certification underlines our commitment to creating innovative skincare products that are safe both for humans and the planet.

The COSMOS standard 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's 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:

- > CO₂ emissions
- > Energy consumption
- > Water consumption
- > Rainwater pollution
- > Waste management
- > And others



Striving to be among the pioneers of sustainable manufacturing businesses, MÁDARA 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.

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

² ECOCERT Greenlife: <http://cosmos.ecocert.com>

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 a negative impact on health, 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 the residues of agricultural chemicals in the final product. It is well known that most of the 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, 93% of MÁDARA plant ingredients³ are sourced from organic farming.

³ plant oils, plant extracts, waxes, butters, floral water and similar.



Precautionary principle

In accordance with 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 are forbidden.

Microplastic free

You cannot see it, therefore it is not bothering you? Wrong. So small you can't see it with your eye, yet so disastrous it can create a pollution catastrophe with the potential of destroying marine life. 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 microfibrils from clothes, and secondary microplastics from larger plastic items that get broken into smaller pieces. The tiny size is one of the reasons why it is so harmful – it is impossible to clean it up at the beach and it's 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 stomachs¹. Fish, marine mammals and seabirds are being injured and killed by plastic, and it is believed that 700 species could go extinct because of it². 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 microbeads are usually found in face exfoliators, toothpastes, shower gels and body scrubs. They were recently banned in the United Kingdom and some other countries but are still taking over most parts of the planet. All 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.

¹ Study led by a researcher at the University of British Columbia: <https://news.ubc.ca/2012/07/04/seabirds-study-shows-plastic-pollution-reaching-surprising-levels-off-coast-of-pacific-northwest/>

² Study led by a researchers at Plymouth University: <https://www.sciencedirect.com/science/article/abs/pii/S0025326X14008571>

Protection of endangered species

In accordance with 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 COSMOS standards this ingredient has been obtained using strictly regulated processes and they do not entail the death of the animal concerned.

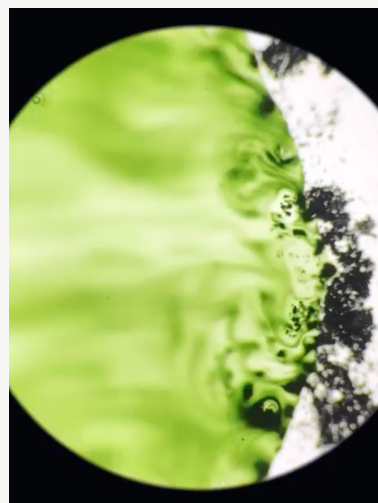


Sustainability of Stem Cells



Promotes biodiversity

- Nearly 1 in 5 plant species found on our planet is 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.



Environmentally friendly

- Plant stem cells = a 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.



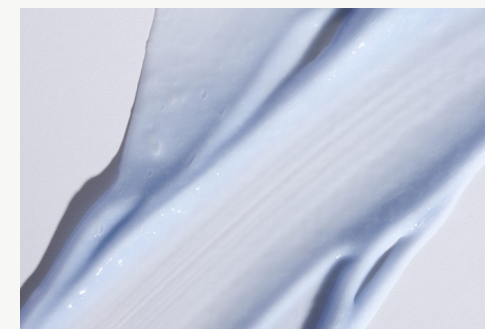
Next-gen activity

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

2023 Product Ingredient Highlights

RETINOL ALTERNATIVE SERUM

Astrocaryum Murumuru Seed Butter & Bidens Pilosa Extract & Gossypium Herbaceum (Cotton) Seed Oil & Linum Usitatissimum (Linseed) Seed Oil is a complex relying entirely on plant-based ingredients and is free of palm-oil. Oils and butter work together to hydrate and condition, while the Bidens Pilosa provides the skin-energizing molecules that are key to the product.



Octyldodecanol (and) Irvingia Gabonensis Kernel Butter (and) Hydrogenated Coco-Glycerides is NPA certified, which signifies that at least 95% of the ingredient (excluding water) come from natural sources. Octyldodecanol acts as an emollient, helping to lock in moisture and keep the skin feeling smooth, while Irvingia Gabonensis Kernel Butter contributes to softening. Finally, Hydrogenated Coco-Glycerides, derived from coconut oil, function as a thickening agent, creating a stable and smooth product for easy application.

Isoamyl Laurate acts as a high spreading, light emollient for natural formulations with a light & non-sticky skin feel. Made entirely from renewable sources, its enzymatic production process is eco-efficient, relying on renewable energy and enzymes to minimize environmental impact. The ingredient also contributes to the production of certified sustainable palm oil according to the rules set out by RSPO Mass Balance Supply Chain Model.

Polyglyceryl-6 Stearate (and) Polyglyceryl-6 Behenate play a key role behind the scenes in skincare products, acting as emulsifiers. These hidden helpers blend otherwise incompatible ingredients, creating a smooth and stable product. Derived entirely from renewable sources, their production also contributes to supporting certified sustainable palm oil practices according to the rules set out in the RSPO Mass Balance Supply Chain Model. This model ensures that the overall palm oil use within the

production chain is balanced by the responsible production of certified sustainable palm oil.

Dicaprylyl Carbonate acts as a silicone alternative. This means it provides a smooth, silky texture similar to silicones, but is more eco-friendly. It helps create a pleasant application experience and a lightweight feel on the skin. Over 70% of it is derived from natural, renewable feedstocks, and is readily biodegradable, minimizing its environmental impact.

MÁDARA Retinol Alternative Serum is a plant-derived, organic certified and non-irritating serum that is proven to match the effectiveness of conventional retinol. The innovative, science-backed formula is based on a synergistic combination of skin-activating molecules from Bidens Pilosa and Rose Myrtle plants, rejuvenating northern birch water and collagen-boosting hyaluronic acid to effectively yet gently target all signs of premature skin aging, such as wrinkles, fine lines and loss of elasticity.

The packaging components of our Retinol Alternative Serum are easily separable and 100% recyclable. Additionally, the airless flacon ensures that ~99% of the product can be extracted from the packaging, minimizing waste and maximizing usability.

In total, in 2023 we launched 14 new products with shade variations, all of which are COSMOS Natural or Organic certified.

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.

MÁDARA skincare primary packaging (e.g. bottles, flacons) is made of recyclable materials (recyclable polymers or glass). We continue to use post-consumer recycled (PCR) plastics in the production of larger packaging volume items such as shampoos and liquid soaps. We are also gradually switching several bottles from post-consumer-recycled plastics to prevented ocean plastics, which means that the plastics are collected in coastal areas to prevent it from ending up in the ocean. Evidence shows that 80% of

ocean plastic comes from land-based sources in developing coastal communities, and preventive schemes such as collecting plastic from coastal areas help halt such issues at the source. The plastic collection programme has also joined the Ethical Trade Initiative to promote respect for workers' rights around the globe.

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

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 made from 100% recycled material (approximately 38% of total box weight); while the outer master cartons are made of 83% recycled material. The online shipping boxes are made of at least 71% recycled cardboard. This means that in 2023 we have saved around 86.88 tonnes of new cardboard from being made.

Product Packaging Highlights of 2023

For each MÁDARA product launch, we strive to maximise the sustainability of our packaging. Here are the outcomes from 2023:



Retinol Alternative Serum

The packaging components are easily separable and 100% recyclable. The airless flacon system allows to use up to 99% of the product.



SOS+ Sensitive Night Cream

The packaging is 100% recyclable, and the sleeve part of the tube is made from 70% post-consumer recycled (PCR) material.



SOS+ Sensitive Moisturiser

The packaging components are easily separable and 100% recyclable. The airless flacon system allows to use up to 99% of the product. The transparent packaging enables users to easily see the amount of product used.



Superseed Age Recovery Facial Oil

The bottle features a unique indentation at the bottom, perfectly accommodating the pipette to ensure customers can extract every last drop.



Skinonym Semi-Matte Peptide Foundation

The packaging is 100% recyclable. The transparent packaging enables users to easily see the amount of product used.



Small size packaging for the SOS+ moisturisers and Retinol Alternative Serum has a 100% recyclable tube, and the sleeve part of the tube is made from 70% post-consumer recycled (PCR) material.

In 2023, we improved the packaging of 5 existing products:

Improving the sustainability of our existing product packaging is equally important as new product packaging. We're already in the process of phasing out hot foil stamping and aluminium caps in favour of corks and pumps. In 2024 and furthermore, we will conduct tests on PET bottles that haven't yet transitioned to 100% POP (Prevented Ocean Plastic) PCR, gradually implementing packaging enhancements.

We are also constantly looking for ways to improve product packaging, aiming to maximise the amount of product customers can extract. While these improvement initiatives began in 2023, substantial packaging changes are anticipated by 2025, given the time-consuming nature of the transition process. Here is a summary of our accomplishments in 2023.



SPF50 Plant Stem Cell Ultra-Shield Sunscreen



SPF30 Plant Stem Cell Age-Defying Face Sunscreen



SPF30 Plant Stem Cell Antioxidant Sunscreen

The packaging is now 100% recyclable, and the sleeve part of the tube is made from 70% post-consumer recycled (PCR) material.



Melting Cleansing Oil



SOS Hydra Repair Intensive Serum small size

Removed the foil part of the tube and switched the aluminium cap to a recyclable plastic one. The packaging is now 100% recyclable, and the sleeve part of the tube is made from 70% post-consumer recycled (PCR) material.

Similar packaging improvements have already been approved for the Detox Ultra Purifying Mud Mask, SOS Hydra Instant Moisture + Radiance Mask, ACNE line, Exfoliating Oil-to-Milk Scrub and Micellar Water. They are scheduled for implementation in 2024.

3.3. Sustainable Manufacturing

The production process and other processes and activities of MÁDARA 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. The 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	2022	2023
GHG Emissions (E1), t	95.06	132.08	139.12	164.11	197.96	206.46	154.20	148.70
Scope 1:	74.14	122.19	139.12	114.05	163.70	184.04	154.20	148.70
Production	67.44	110.38	112.89	110.78	120.70	141.43	118.95	113.34
Vehicles	6.70	11.81	26.23	37.27	43.00	42.61	35.25	35.37
Scope 2 (electricity):	20.92	9.89	0	16.06	34.26	22.42	0	0
Energy Intensity (E2), kg/EUR	0.02	0.025	0.022	0.015	0.012	0.011	0.009	0.008
Kg per unit manufactured	0.071	0.090	0.082	0.085	0.080	0.079	0.063	0.058

Source: Internal Company records.

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 combating climate change, meaning use of renewable energy sources is essential. In 2023, MÁDARA was responsible for 148.70 tonnes of Direct Scope 1 GHG emissions, as a result of the combustion of 45 036.2 m³ of gas, which is lower compared to 2022 when it was 63 268.7 m³, and 248 887 km driven with company-owned vehicles.

The Indirect Scope 2 GHG emissions (electricity usage) attributable to MÁDARA are nil due to the switch to purchasing 100% green electricity, i.e. electricity that is produced from renewable energy sources only, as certified by the AS Latvenergo POWERED BY GREEN certificate. We are continually refining our manufacturing processes to minimise energy consumption. Additionally, we've implemented energy-efficient lighting solutions throughout our buildings to further reduce our environmental footprint.

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 2023, CO₂ intensity per 1 euro of turnover was 0.008 kg CO₂. This means that the carbon intensity has decreased by 1g per 1 euro of turnover (a decrease of 9%). 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 combating climate change.

In 2023, MÁDARA consumed 45 036.2 m³ of gas, out of which 29 546.2 m³ were used for heating and 15 490 m³ were used for steam generation. The total gas consumption has decreased by 28.8% compared to 2022.

*Here and further 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 2023, MÁDARA energy intensity was 0.193 MWh per square metre of floor space of MÁDARA headquarters (a decrease of 19% as compared to 2022) and 2.998 MWh per full-time employee (a decrease of 4% as compared to 2022).

Energy Mix (E5)

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

Our primary energy source is gas, which is non-renewable, followed by electricity. In 2023, 100% of electricity came from

renewable sources – hydroelectric power plants, biomass combustion, and from wind power plants.

In 2023, we changed our primary energy source from natural gas to liquified propane gas. Liquified propane gas does produce slightly more CO₂ emissions than our previous energy source, natural gas, however, due to its efficiency, a smaller amount of gas is needed to achieve the same energy output. Research also shows that it creates less methane emissions, which is a potent greenhouse gas.

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 2023 is equivalent to 8 878 m³.

Most 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 wastewater treatment 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 Greenlife 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 for further recycling. In 2023, we did not send any to recycling, as we are collecting larger amounts to make the process more efficient.

Waste generated in 2023*:

Waste type	Tonnes in 2023	Change compared to 2022
Everyday waste (general waste generated by manufacturing and the office)	44.50	8%
Paper and cardboard (packaging materials, office paper)	44.70	8%
Plastic packaging (ingredient drums etc)	1.41	8%
Glass	0.84	20%
Waste from building and office equipment maintenance (used bulbs, batteries, etc.)	0	-100%
Waste from production (defected bulk, expired ingredients)	4.08	-44%
Construction waste	0	-100%
Aqueous varnish or paint suspensions	0.083	38%

*Based on the amount of waste sent out for recycling during the calendar year.
Source: Internal Company records.

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

MÁDARA and the LEAN philosophy

The production at MÁDARA is 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.

Production

In 2023, we achieved a significant milestone in enhancing production sustainability by installing two additional vacuum mixing reactors. Among them was a laboratory-sized reactor that is made specifically for scaling up processes. Installed in August 2023, this laboratory-sized vacuum mixing machine can produce both emulsion-type products and makeup formulations.

The implementation of this equipment helps to significantly reduce the consumption of production resources and raw materials, enabling us to scale up from the product development stage to full-scale production.

Over a six-month period, in 2023 we produced 96 batches of products, including both scale-up tests and final products. The incorporation of our new equipment led to remarkable savings, with ingredient usage



reduced by 40%. This reduction was made possible thanks to the new machinery that allows us to create smaller batches, ranging from 5 to 8 kg, compared to the previous minimum batch size of 15 kg.

Ensuring proper cleaning and maintenance of production equipment is an important factor of the entire manufacturing process. Each machine requires thorough washing to prevent contamination. To enhance the efficiency of the cleaning process, the cleaning procedure is optimized specifically for similar types of products. This implementation significantly reduces the duration of the washing process by three times, resulting in substantial savings of resources such as water, electricity and cleansing detergent.

In 2023, we improved the material circulation process from filling to the packaging area, significantly reducing the stock of prepared materials and minimizing errors permitted in the workflow.

As part of ongoing efforts to reduce waste, MÁDARA products with minor packaging defects are available for purchase during the Company's Factory Outlet sale. This approach allows us not to waste the resources that have gone into the production process and

avoid product wastage, especially since these products are still perfectly functional and meet the highest quality and safety demands.

Furthermore, MÁDARA places an emphasis on recycling to keep materials in use. As part of our production process, we utilise release liners, a type of backing paper that prevents stickers from adhering prematurely. Traditionally, these liners are challenging to recycle due to limited acceptance by recycling companies. However, we have implemented a solution to ensure that the release liners are responsibly managed. MÁDARA actively returns the release liner material to the sticker supplier company, which has the capability to effectively recycle it. This practice ensures that these materials are responsibly managed and given a new life rather than being disposed of. In addition, we have minimized paper consumption during production by eliminating the redundant steps in the documentation workflow, further contributing to our overall sustainability goals.

Consistently, our top priority has been the well-being of our employees. With the initiation of pressed powder production in 2023, we placed utmost importance on creating a work environment conducive to health and well-being. Our powder production/pressing

area is equipped with a high-intensity, explosion-proof dust extraction system to safeguard against inhaling small particles and maintain safe working conditions.

Warehouse

To prevent the unnecessary waste of outer boxes designated for shipping customer orders, employee orders are packed in inner carton boxes. This allows us to utilise existing packaging materials efficiently and reduce packaging waste.

Rather than relying on a courier company to transport deliveries between our MÁDARA offices in Riga and Marupe, we've implemented a more sustainable approach. Our employees conveniently bring the items along with them as they travel to the other office, which enables to optimise resources and minimise the environmental impact associated with traditional courier services.

Additionally, MÁDARA carefully evaluates the necessity of inner cardboard packaging used during production and packing processes, considering factors such as product protection and optimal material usage. By assessing each scenario, we aim to pack more items per box, reducing the overall material used and optimising packaging efficiency. For instance, in the case of web orders, inner cardboards may be deemed unnecessary for storing in the warehouse when the products are intended to be dispatched together.

Laboratory

Making more sustainable choices matters at every step from the initial concept to the final product that reaches the homes of our customers. Therefore, also the laboratory team places the utmost effort on continuous improvements to save resources, energy, reduce waste and improve efficiency. Such changes may seem small but together they can bring a substantial impact to our footprint.

The cycle of creating, testing and iterating is crucial for the creation of a functional, high-quality product. In this process, it is made sure that various materials are reused. Firstly, the packaging that is no longer used in production or is defective and would otherwise go to landfill, is used for sample filling in stability tests and internal/external testing. These samples are also stored in the cardboard boxes that the Warehouse Department would be sending for disposal. The primary packaging for powder products is reused even more than twice, as we have asked internal testers to return them, thus reducing plastic usage.

In the laboratory processes such as sample preparation, raw material collection, and weighing, glass and metal containers are used to reduce plastic consumption. Containers are collected and washed in dishwashers to reduce water consumption. In addition, raw material conformity certificates are stored only in electronic form, thus reducing the amount of paper waste, and rechargeable batteries are used for electronics such as computer mice and remote controls.

Above all, careful consideration goes into the decisions on the amount of product to be manufactured to be covering all needs, but also avoiding large mass surpluses. In the development process, many recipes are often prepared in small quantities and only after their evaluation, the best option is chosen and a larger volume of the product is prepared, saving packaging, time, and raw materials.

In 2023, however, further improvements were made to make the internal testing more environmentally friendly. Firstly, testing is organized in a way that packages are not sent out every day, but rather wait until several samples are ready and then sent out. Test samples can also be obtained at the office buildings, reducing the number of packages that need to be delivered to parcel lockers.



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 the behind the scenes on social media, allowing anyone to look into our production process.

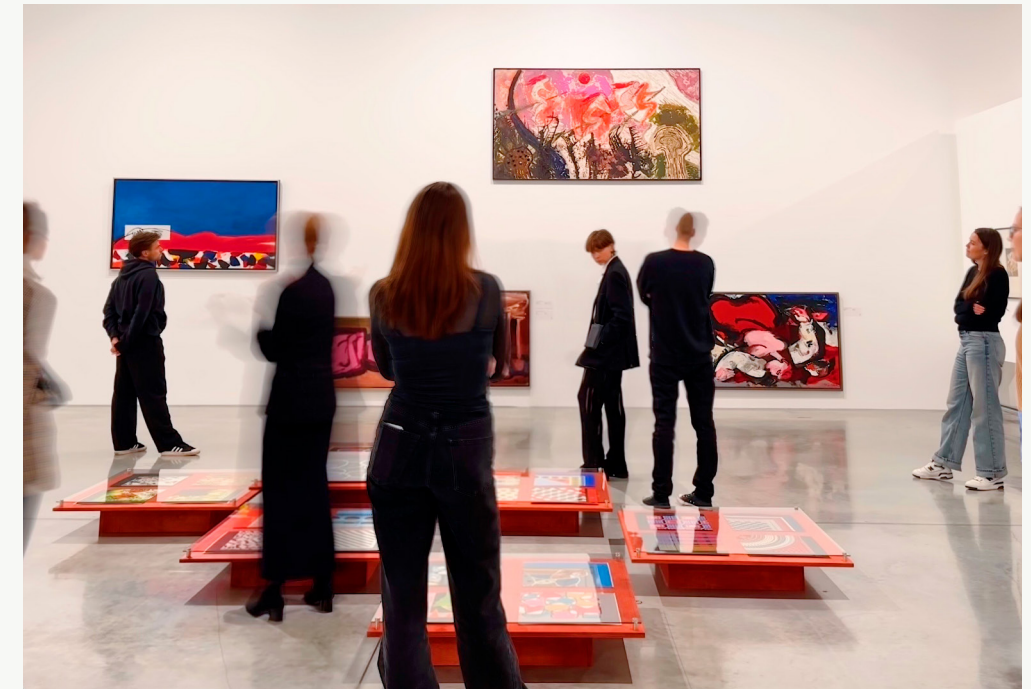
Third, the MÁDARA fair pricing principle defines that a product price shall reflect all true costs of product manufacturing, without transferring them to developing countries where they might compromise workplace safety, social welfare and the environmental future of local societies. All MÁDARA products 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 is 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 benefiting humanity and equality. We live 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 a 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 aims at fostering respect and equality within society members. 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 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 of 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. The 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 circumstances outside the workplace.

Freedom of Collective bargaining

We do not restrict our employees from joining labour unions.

Safety of the workforce

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 possible only on the voluntary grounds under no threat of penalty or sanction. In addition, children under 18 years 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. All employees are also ensured with health insurance and a paid day off on their birthday.

In addition, there is one-time allowance in case of a newborn: 500 EUR + parental leave based on local law (for father: 10 working days + 2 months, for mother: 1-1,5 years) and one-time allowance in case of a death of a close relative: 250 EUR.



Social Responsibility Initiatives in 2023

Building a socially responsible workplace

We are committed to cultivating a workplace in which supporting each other is second nature, which is why MÁDARA continuously strives to improve the employees' individual and collective experiences. This is reflected in various employee wellbeing and development initiatives. Regular employee surveys help us in creating initiatives which will best contribute to the wellbeing and satisfaction of everyone within the MÁDARA team.



Wellbeing matters

We give significant importance to mental health, which is why MÁDARA grants employees paid mental health days, and approximately 70% of our employees used this opportunity in 2023. Our standard Company benefits also include health insurance, which covers free counselling and psychotherapy sessions.

At MÁDARA, we place a strong emphasis on work-life balance, recognizing its importance in fostering the wellbeing of our employees. To support this, we offer flexible work arrangements such as remote or hybrid work options, while ensuring stable work schedules for our factory and warehouse employees without night shifts or work on weekends. Additionally, the Company grants one day of paid leave on our employees' birthdays.

In 2023, MÁDARA was named a family-friendly workplace – a status granted to companies that cultivate an empathic, humane work

environment and foster a culture that supports employees and their families. To help provide more support for families with children, in 2023 we implemented children's play corners in our offices to accommodate parents who need to bring their children to work when alternative care is not available. The children's corners were created in a sustainable way – many of the toys were brought to office by our colleagues. Additionally, for the first time, we organized a special Christmas event for parents and their little ones to celebrate and to learn a bit about the manufacturing and product development process that parents are involved in.

Recognizing the diverse needs of our team, we have established a wellbeing club comprising members from various departments. This club serves as a platform to support, initiate and develop ongoing wellbeing activities within the organisation, fostering an environment where employees can thrive, both personally and professionally. For example, in 2023, the wellbeing club launched a book corner initiative.

A variety of books, provided by MÁDARA and our own employees, are now available at the offices for everyone to read. We also encourage everyone to contribute by bringing books they no longer need to the new bookshelf.

This also extends to team building, which is a pivotal element of our Company culture. To nurture and strengthen our diverse team, we regularly organise team building events within and across teams, as well as quarterly Company events. The wellbeing club has also contributed to the development of several activities throughout 2023, such as various game tournaments, workshops and other activities that promote work-life balance and let our employees get to know each other on a personal level.

Staying active and healthy together

An active and healthy lifestyle of the employees is prioritized by offering a variety of activities. To promote both physical and mental health, free yoga classes have been made available and take place in one of our office buildings. In 2023, our employees attended regular volleyball training sessions as a team. Everyone is also encouraged to attend the Riga Marathon. In 2023, 13 of our employees decided to take part and prior to the marathon they had the chance to attend collective training sessions.

In 2023, the team showed great community spirit by participating in the Charity Football Tournament organized by DHL, this way contributing not only financial resources but also our time to the SOS Children's Villages.

Health is not only about the physical activities but also what we consume. In the fall and winter season of 2023, employees were provided with oranges along with the option to make freshly squeezed juice. Our team is constantly evaluating ways to cultivate a positive and healthy work environment, and we believe that every activity, big or small, contributes to achieving this goal.

Fostering a culture of continuous learning

We aim to create experiences that allow people to follow their interests and grow. As part of this commitment, MÁDARA offers a range of opportunities for learning and development. These include in-house training programs, external training opportunities, a mini-MBA programme, coaching sessions for managers and supervision and development talks for anyone interested.

In 2023, our employees devoted a total of 772 human-hours to one-on-one personal development talks, supervision or coaching sessions led by HR or funded by the Company. Additionally, we support colleagues pursuing higher education by offering 2-4 weeks of compensated study time, which was used by 13 employees during the year. Furthermore, 3 of our employees successfully completed a mini-MBA programme, a nine-week intensive study program financed by the Investment and Development Agency of Latvia.

To cultivate regular feedback culture, in 2023 we implemented 360-degree evaluations, provided feedback training, and facilitated regular conversations that encourage open communication within teams.

Managers took advantage of business coaching sessions and group supervision with professionals from various fields, while every employee had the opportunity to apply for individual supervision sessions, as well as development interviews with coaching elements. Our people also participated in professional mentoring to develop their Lean and Agile skills to which 565 human-hours were dedicated.

We consistently arrange various internal and external training sessions for our employees. In 2023, our employees collectively invested 872 human-hours in internal training sessions, which were accessible to all employees, and 2124 in external trainings. What regards

internal training, 540 of these human-hours have been dedicated to feedback training, 210 human-hours were spent attending energy planning workshops, while 68 in internal influencer sessions which gave a deep dive into video and photo creation to those curious. In addition, 54 human-hours were spent in financial literacy lectures with industry experts covering topics such as insurance, saving, borrowing and financial security in the digital environment. All such trainings are voluntary, and everyone is encouraged to attend. In 2023, employees of all departments have taken part in these training sessions.

In addition to these, there were other learning opportunities as this list only reflects pre-scheduled training sessions with documented hours. For example, employees participated in a self-organized interest club meetings roughly six times throughout the year, focusing on how Artificial Intelligence can be applied to their work. Additionally, various departments regularly hold their own internal training sessions and creative evenings on a wide variety of topics.

The external trainings, on the other hand, include activities such as the leadership academy, management development on how to lead one-to-one talks, training on coaching in the workplace, and various sales, marketing, and inventory management training sessions.

The total funding for training has increased by 266% in 2023, which arises from two major factors. Firstly, investment in personal development for both managers and specialists was initiated. The most significant was the knowledge development regarding the aforementioned Lean and Agile topics (consisting of both training and mentoring), as well as the coaching and supervision, which were regularly available this year. Secondly, we have been able to develop many of these initiatives thanks to the support of the European Union funding of the Association of the Latvian Chemical and Pharmaceutical Industry "Support for training of employees in the chemical industry and its allied industries (project number 1.2.2.1/16/A/001 and) and European Regional Development Fund project 'Implementation of training to attract foreign investors' (project identification number 1.2.2.3/16/I/003).

But our social responsibility extends beyond the workplace – to contribute to our community, we offer one compensated week for employees to engage in charity work or receive voluntary training in the Latvian National Guard.

Additionally, we have implemented an eating allowance to cover employees' food expenses. This on-going initiative ensures that our employees can enjoy paid lunch of their own choice provided by the Company.



Our commitment to social responsibility ensures that employees feel supported and valued, both within and outside of the workplace.

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 89.8%, women on average in MÁDARA earn more than men, as opposed to Latvia's index and that of the

EU. Any possible gap arising on yearly basis in MÁDARA in any direction is explained by the job specifics and reflects the situation in the job market, and, when examined by seniority, sometimes may mathematically arise from the use of median and distortion due to the weighting of female employees in the total pool. Globally, some higher paying industries have naturally formed with more male representatives, other 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 some level, but there is no gender discrimination within the scope of the same job position in MÁDARA.

Executive positions MÁDARA – 1.12 men earn slightly more than women

Manager positions MÁDARA – 1.03 women and men earn essentially the same amount

Specialist positions MÁDARA – 1.23 men earn more than women

MÁDARA production and warehouse employees – 1.02 women and men earn essentially the same amount

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 perspective and can help the Company grow. In 2023 the employee turnover rate in MÁDARA was 29.4%, in comparison, it was 7.8% in 2022. The average employee turnover rate over the last 5 years (from 2018 to 2023) has been 14.5%.

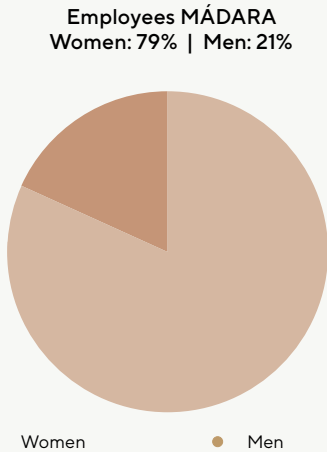
In 2023, we paid careful attention to the turnover rate and examined it further. In some cases, colleagues decided to seek new challenges and a fresh approach in life after 8+ years in MÁDARA, however, in some, it was the failure to meet expectations during probation time and lack of specific career advancements.

- To improve the job satisfaction of our employees, and, in turn, improve retention going forward, in 2023 several improvements in Human Resource management were made:
1. We started to have exit interviews during every exit and continuously analyse feedback from current and former employees to identify areas for improvement in recruitment, onboarding, training, career development, management and Company culture.
 2. We started to have more pulse surveys to detect any issues in the teams, communication, management, work-life balance and other topics. After each employee survey we conduct team meetings to discuss the results and necessary team-specific improvements.
 3. We are developing retention strategies to address the identified issues and improve employee engagement, satisfaction, and loyalty. Among them are more regular 1:1 meeting with direct managers.
 4. We organized a 3-month intensive training course for managers to improve leadership, communication and delegation skills.
 5. We started to work on implementing company-wide performance evaluations to sup-

port employee growth and development within the Company.

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. The ratio of part-time employees in 2023 was 7.4%, it was 4.5% in 2022 and on average over the last 5 years (from 2019 to 2023) has been 4.0%. With 92.6% 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 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 they commence work. MÁDARA organises centralised health and safety training once a quarter.

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 once per year in order to guarantee each employee has an 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.

During the COVID-19 pandemic, we succeeded in developing effective ways for the office staff to perform their daily duties remotely. Today, it allows us to offer the employees a flexible work module to help balance their work and private life.

Injury Rate (S7)

Total number of injuries and fatalities relative to the total workforce: 0.06%.

Low injury and absentee rates are generally linked to positive trends in staff morale and productivity. The single case of 2023 reflects a minor accident which was quickly taken care of as the colleagues reacted quickly, providing first aid and transporting the worker to the hospital. No investigation was conducted as the worker returned to work within 3 days.



4.5. Together with Society

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

The Company aims to make a positive difference to the communities where we operate through our activities, communications and business practices.



is equally important. In 2023, we continued supporting Ukraine and its people in fighting for the democratic values of the whole world and supported the littlest ones of our society – children with chronic illnesses*. Our goal next year is to refine our support policy and increase the positive impact on the communities surrounding us.

We also deeply believe in educating and inspiring children and youth to pursue their careers in scientific fields (STEM), by showing one of the many applications science can have in real life.

During 2023, we offered tours for groups of school children of various ages to introduce them to laboratory and production work, bringing more than 200 children in total to our premises. The laboratory had prepared experiments, they could see the production equipment within the production area, while the marketing team had come up with various social media and mood board tasks.

We participated in the Shadow Day initiative and were joined by 5 shadows - students who followed the daily work of our team members all day long. This gives a direct insight on the daily tasks and life within MÁDARA and the industry, helping students of pre-university age to understand their personal fit with the career.

We also actively accepted interns to give them the opportunity to put the skills they

*BIEDRĪBA TAVI DRAUGI and SŪRĀBELE HRONISKI SLIMO BĒRNU DRAUGU BIEDRĪBA

have acquired at university to use and learn more. Interns have worked in laboratory and quality control, production, as well as in sales, marketing, the digital department and administration.

In 2023, we also joined the Latvian Education Accelerator, whose first activities will take place in September 2024. It is a three-year programme designed to ensure systematic and regular cooperation between the private

and public sectors. The cooperation is based on a common goal – to solve the problems we face in the education system today to ensure a competitive workforce in the future. The Education Accelerator model has been developed with the participation of World Economic Forum experts who have experience with similar initiatives around the world. We are always curious about new initiatives being developed around us and we are glad to join any that align with our goals and passions.



PART 5

Corporate *Governance*

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: 75% | Men: 25%**



Uldis Iltners
Mr Iltners, born in 1983, is a member of the Company's Management Board. He was the Chief Executive Officer of the Group until May 22, 2023. 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 is Member of the Board in SIA Cosmetics Nord, SIA SLFNMD and SIA Kalvi.



Lotte Tisenkopfa-Iltnere
Ms Tisenkopfa-Iltnere, born in 1982, is the Chairman of the Company's Management Board. Ms Tisenkopfa-Iltnere 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-Iltnere 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.



Gunta Šulte
Ms Šulte, born in 1983 is Chief Executive Officer of the Group, assumed on May 22, 2023, and a member of the Company's management board since July 12, 2023. Ms Šulte holds a Bachelor's degree in Economics and Business Administration from the Stockholm School of Economics in Riga and a Master's degree in Fashion and Design Management from SDA Bocconi School of Management in Milan. Before the appointment as CEO of the Group, she has acquired close to two decades of experience in management positions, bringing invaluable international expertise to her new role. She 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.

Supervisory Board

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

SUPERVISORY BOARD



Liene Drāzniece
Ms Drāzniece has received a degree in Visual Communication from the Latvian Academy of Art and later Design Direction specialization 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 Microbiologist and a cofounder 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 online-based service startup 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 for the one of the leading Finnish cosmetics sales and marketing companies ‘Transmeri’ – a family owned Company since 1928 operating in Finland, Sweden and Baltics. Transmeri is a market leader in natural organic cosmetics, and MÁDARA and MOSSA brands are very successful in the market. Ms Rosin has also long experience for retail business, from different kind 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 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 meets the requirements of Latvian legislation, promotes 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. The results of an annual employee satisfaction survey and quarterly pulse-surveys are presented to the executive team to discuss the necessary improvements. 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. Before all-hands employee meetings employees can submit anonymous questions with a management guarantee to reply to every question.

In 2023, the number of employees grew by roughly 4%. 9 new job positions were established in 2023. 16% or 27 of the employees changed their position within the Company during the past 12 months, gaining an opportunity to develop their skillset and acquire new knowledge within the same Company, but in a different field of their interest. Fair labour practices are applied in the hiring process, horizontal and vertical promotion process as well as everyday work-life, giving all employees the opportunity to fulfil their work targets.

Supplier Code of Conduct (G5)

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

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 prevents them from attending school.

Health and safety

- 1. The supplier ensures healthy and safe working conditions, takes preventive measures to minimize 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 MÁDARA 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 minimizes 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 MÁDARA 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 recognize 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 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 parties (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 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 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 return favour is expected.
- 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)

MÁDARA has made certain actions to mitigate risks related to data privacy and ensure a GDPR compliance. Since the data security and privacy of customers, partners and employees is crucial to the 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. MÁDARA 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 Greenlife, 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 2023) have been audited by Deloitte Audits Latvia SIA.

