



# ESG REPORT

*Environmental Sustainability*

*Social Responsibility*

*Corporate Governance*

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## *2022 was a year about resilience*

*The resilience of the people and the resilience of the Company.*

*It brought forth economic trends that posed new and unforeseen challenges to MÁDARA. However, we gathered courage and determination to adapt to the changes, overcome obstacles and exceed expectations.*

As I look back on the year, I take pride in the progress we have made in driving transformative change and bringing exceptional products to market, while managing to extend a helping hand to the communities that need it the most.

I am delighted to present our 2022 ESG report to transparently communicate our efforts to effect meaningful change that positively impacts our people, planet and communities. At MÁDARA, ESG factors remain deeply embedded in our growth strategies, and our actions consistently reflect this commitment.

This report highlights important sustainability, social responsibility and corporate governance practices of the Company we have set in motion over the last year. It serves as a testament to our progress in facing the significant environmental and social challenges of today, as well as provides a glimpse into the ways we will further enhance our sustainability efforts in the future.

I kindly ask for your continued support as we keep moving forward on this journey to a more sustainable future where we can all flourish. Thank you for being part of our shared vision.



Lotte Tisenkopfa-Iltner  
Co-founder of MÁDARA Cosmetics

*Lotte Tisenkopfa-Iltner*



## A Message from the Team

In 2022, we continued our primary goal - creating sustainable beauty products that are functional and fulfill their promises. Sustainability in the beauty industry means more than just creating products with natural ingredients and eco-friendly packaging. It also involves creating products that show real results, so that once purchased, they're used until the very last drop.

Since 2006, our sustainability efforts have gone beyond manufacturing, ensuring that as a company, we provide value to our employees and the surrounding community. Throughout the year, we embarked on a mission to make every aspect of our business more efficient and adaptable, learning the art of being lean without sacrificing quality. This year, we also put significant effort into improving the HR department, which focuses solely on employee well-being and development opportunities.

As a significant responsibility of ours, we see supporting democratic values and Ukraine's independence during times of war. In 2022, we devoted EUR 65,000 to support Ukraine, alongside voluntary work from MÁDARA employees and a campaign at MÁDARA brand stores, where we gave away free products in exchange for donations to Ukraine.

As the world becomes more interconnected, we grow more dependent on each other, making all of us responsible for global

changes. Therefore, we encourage everyone at our company and beyond to make responsible and sustainable choices a habit to bring positive improvements to all parts of our lives.



**Anete Vabule**  
*MÁDARA Sustainability Director*

# ESG Performance at a Glance



## NATURAL AND ORGANIC CERTIFIED

MADARA Cosmetics are certified by ECOCERT Greenlife according to COSMOS standard available at [ecocert.com](https://ecocert.com). The standard defines and supervises all ingredient sourcing, packaging and manufacturing processes.



**93%**  
ORGANIC  
CERTIFIED

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



## RECYCLABLE PACKAGING

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



**65%**

of the total used transportation cardboard used was made from recycled materials

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



Scope 1 + Scope 2, including CO<sub>2</sub> emitted by the Company's vehicles

**63.24g** of GHG emissions

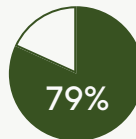
per product manufactured (Scope 1 + Scope 2) in 2022



## HELPING THE COMMUNITY

€ **65 000**

Monetary contributions to support Ukraine, which is fighting for democratic values of the whole world: BIEDRĪBA CENTRS MARTA, ZIEDOT LV, RIGA TECHGIRLS



## GENDER DIVERSITY RATIO

Female employees at MADARA: 79%

## PART 1

# Makeup Displays and Sustainability: *The Mádara Way*

*In the makeup industry, various components of makeup displays are often constructed from plastics that have limited recycling options, such as acrylic. At MÁDARA, we are actively addressing this challenge by prioritising the use of recyclable materials, particularly for larger components. While cardboard presents a recyclable alternative, its structural stability may not always meet the requirements for durability.*





As part of our commitment to environmental responsibility, MÁDARA actively seeks innovative alternatives that not only fulfil their intended function flawlessly but also possess high recyclability. By exploring and developing new solutions to address this issue, we aim to pioneer sustainable design approaches that elevate the environmental performance of our products.

While the makeup display primarily consists of wooden legs, metal shelves and metal top, we recognise that additional components contribute to the sustainability of the overall display. Therefore, we are taking specific actions to enhance the sustainability of these components.



### Modules for displaying products

As of the end of 2022, we have transitioned to a new material known as org-glass for our modules. This innovative material is 100% recycled and endlessly recyclable. It is made from PMMA, a durable plastic renowned for its transparency, ease of processing and resistance. By adopting org-glass, we are able to reduce our reliance on plastics with limited recycling options.

### Base

At MÁDARA, we have used metal boxes as the base for our makeup displays since the beginning. Metal is a highly recyclable material that can be recycled indefinitely, aligning with our commitment to circularity.



### Product holders

Our product holders have always been made from metal, a material known for its durability and recyclability. To further optimise materials, we have recently made changes. Starting in 2022, instead of including a holder for each product, we now include only 1-3 pieces per box, designating a specific place to position them.

### Carton flooring

To address the previous design's need for a mat in the box, MÁDARA has introduced a paper floor in the stand kit. This innovation not only eliminates the requirement for a separate mat but also provides the opportunity to print product locations directly on the paper floor.

### Cardboard backing

In 2022, MÁDARA has replaced org-glass mirrors with cardboard or a combination of cardboard and a glass mirror affixed to it. This switch allows us to reduce our reliance on materials with limited recycling options while maintaining the functionality and visual appeal of our makeup displays.

### Packaging

At MÁDARA, we repurpose bubble wrap from empty packaging boxes to pack the modules after inspection. Consequently, the stands are partly packed in recycled packaging, contributing to the reduction of waste.

## PART 2

# Sustainability Claims *in Cosmetics*

*As sustainability increasingly takes centre stage in the beauty industry, a plethora of claims have emerged, one bolder than the other with their commitment to a greener future. Going beyond environmental considerations, these claims showcase a brand's dedication to conscious practices that resonate with consumers who prioritise sustainability.*

*However, not all of these claims are regulated by the law. To confidently navigate the landscape of sustainable beauty, consumers are encouraged to seek out certifications or additional information to validate these claims and make informed decisions. Ahead, we break down some of the most popular claims regarding sustainability in beauty.*





## 1. Natural and Organic

When it comes to cosmetics, there's currently no legally defined term for "natural" in the EU. The European Commission has issued guidelines stating that the term "natural" should be reserved for ingredients or substances that occur in nature and are obtained by natural processes. However, these guidelines are not legally binding, leading to diverse interpretations by manufacturers. Even products claiming to be "natural" may contain synthetic or chemically processed ingredients, even if they are unnecessary or natural alternatives are readily available.

To determine the actual composition, consumers should review the ingredient list and rely on trusted certifications or labels from organisations defining and enforcing specific natural standards.

Meanwhile, the use of the term "organic" for cosmetics products in the EU is regulated by EU regulations. However, each member state may have additional requirements and certifications. Let's take a closer look at how "organic" is defined in different EU countries:

- Germany has its national organic logo, the "Bio-Siegel", which is used in addition to the EU organic logo.

- France has its national organic logo, the "AB" logo, which is commonly seen on organic cosmetics products.

These country-specific logos indicate compliance with national organic standards in addition to the organic regulations set by the EU.

In addition to the aforementioned regulations, private certification bodies also play a vital role in contributing to the certification of natural and organic cosmetics. These bodies bring their own set of standards and certifications, often surpassing the minimum requirements established by the EU.

Well-known private certifications for organic cosmetics include COSMOS (COSMetic Organic and Natural Standard) and Natrue. These certifications focus on natural and organic criteria, ingredient sourcing, environmental impact and ethical considerations.



Examples of natural certifications

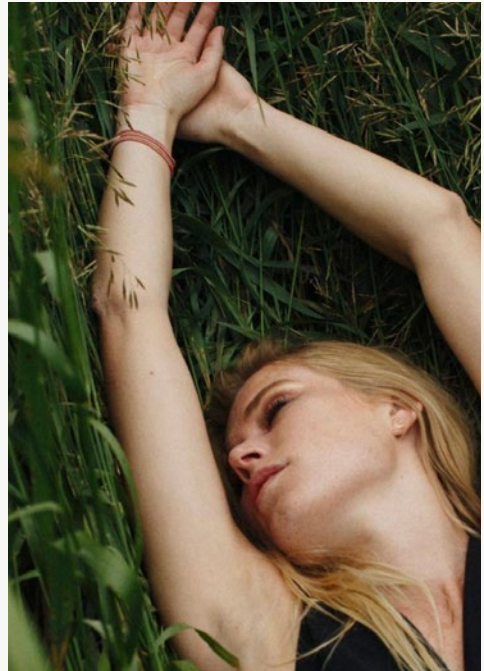
## 2. Cruelty-Free

The cruelty-free claim assures consumers that no animal testing was conducted during the development or production of the product. Within the EU, this is also prohibited by the EU Cosmetics Regulation since 2013.

## 3. Vegan

Vegan beauty products do not contain any animal-derived ingredients or ingredients that might potentially harm animals during the process of obtaining them. COSMOS standard allows to use ingredients of animal origin as long as they:

- are produced by animals but are not a part of the animal (e.g. beeswax)
- do not entail the death of the animal concerned
- have been obtained using animal-friendly processes (only certain suppliers are certified by ECOCERT)



## 4. Clean and Non-Toxic

These claims emphasise the absence of harmful chemicals, toxins or controversial ingredients in the product formulation. Nevertheless, there's no universal standard governing the usage of "clean" and "non-toxic" claims. Also, the list of clean or non-toxic ingredients can vary from one brand to another. To substantiate these claims, brands would need to obtain a natural certification, lending further support to their assertions.

## 5. Sustainable Packaging

Brands making sustainable packaging claims highlight their efforts to reduce waste and minimise their environmental impact through packaging choices.



- Recyclable materials means that the packaging can be easily recycled within consumer recycling units. This refers to packaging made from plastic (PET, HDPE, LDPE, PP), aluminium (ALU) or glass (GLS).

- Recycled materials indicates that the material has undergone at least one consumer cycle, giving it a second life. This is often marked as post-consumer-recycled on the label.

- Biodegradable refers to the biodegradability of packaging, either industrially or at home. It's crucial to consider whether the packaging can biodegrade in home compost or if it requires specific conditions. In cases where special conditions are necessary, it's important to check if consumers have the means to properly sort such packaging, ensuring it reaches designated recycling units for biodegradable packaging.

- Plastic-free is another common term. While the issue of plastic pollution is undeniably pressing, it's a very complex topic, since viable alternatives such as paper, aluminium and glass cannot fully replace all current plastic packaging. Moreover, transitioning to these alternatives would entail a significant increase in energy consumption during transportation, as glass, in particular, is heavier. To put things into perspective, replacing 20g of plastic would require 500g of glass.

## 6. *Eco-Friendly or Green*

These signify a brand's overall commitment to environmental sustainability, indicating their measures to minimise carbon footprint, preserve resources and promote eco-friendly practices across their operations. Nevertheless, these claims lack regulatory oversight and should be supported by recognised certification standards or concrete descriptions of the initiatives taken.

## 7. *Ethical Sourcing*

Brands with claims regarding ethical sourcing emphasise that their ingredients are responsibly and sustainably sourced. This includes supporting fair trade practices, ensuring the welfare of farmers and workers, and protecting biodiversity. The presence of a Fair Trade logo can serve as evidence of such practices. Some certification standards have even integrated ethical sourcing requirements as part of their criteria. For example, ECOCERT approves only those ingredients that are ethically sourced, particularly when fair trade risks are involved.



## 8. Carbon Neutral or Carbon Offset

This signifies that a brand has taken measures to reduce or offset its carbon emissions. It may involve conducting audits to assess current activities and explore ways of enhancing efficiency, alongside investments in renewable energy projects, support for reforestation initiatives, or the procurement of carbon credits to offset their carbon footprint.

While MÁDARA does not currently hold any carbon offset certifications, we have committed to monitoring Scope 3 CO<sub>2</sub> emissions starting next year and are investigating opportunities to offset them.

## 9. Renewable Energy

Brands making renewable energy claims highlight their use of renewable energy

sources, such as solar or wind, to power their manufacturing facilities or production processes. This demonstrates their commitment to reducing reliance on fossil fuels and minimising greenhouse gas emissions.

At MÁDARA, we utilise renewable electricity, predominantly sourced from hydropower plants.

## 10. Upcycled or Repurposed Ingredients

When claims emphasise the use of upcycled or repurposed ingredients in product formulations, it demonstrates a commitment to utilising materials that would otherwise be deemed waste by other industries. This conscious approach to ingredient sourcing contributes to minimising waste and aligns with the principles of a circular economy.



## 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 of human health and the environment. With 93% 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 Greenlife according to COSMOS standards available at <http://COSMOS.ecocert.com>, which define and supervise ingredient sourcing, packaging and manufacturing processes. Along with ISO GMP standards, the ECOCERT voluntary organic certification underlines our commitment to creating innovative skincare products that are safe both for humans and the planet.

ECOCERT Greenlife 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. MADARA 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
- > Energy consumption
- > Water consumption
- > Rainwater pollution
- > Waste management
- > And others



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

<sup>1</sup> plant oils, plant extracts, waxes, butters, floral water and similar



## 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 20<sup>th</sup> century many ingredients have been introduced into skin-care 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 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 ingredients are sourced from organic farming.



### 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 are forbidden.

### Microplastics 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 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 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 stomachs<sup>2</sup>. Fish, marine mammals and seabirds are being injured and killed by plastic, and it is believed that 700 species could go extinct because of it<sup>3</sup>. 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.

<sup>2</sup> 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/>

<sup>3</sup> Study led by a researchers at Plymouth University: <https://www.sciencedirect.com/science/article/abs/pii/S0025326X14008571>



### Protection of endangered species

In accordance with ECOCERT/COSMOS standards MÁDARA only uses 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

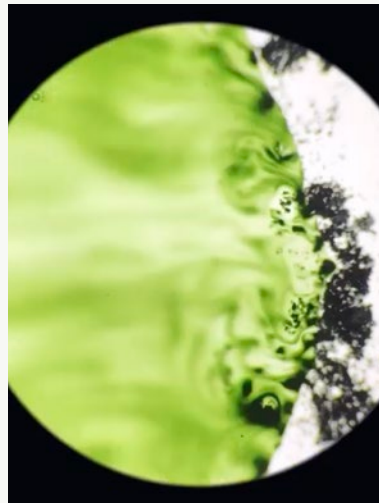


### Promotes biodiversity

- 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 cell = clean and sustainable technology.
- Active ingredients are not only isolated from contaminants, such as microbes and pesticides, but resources of land and water, which would be required for 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.

## 2022 Product Ingredient Highlights



### Furcellaria Lumbricalis Extract

The red algae *Furcellaria Lumbricalis* is a prevalent species in the Baltic Sea. Its extract comprises a depolymerized marine carrageenan, obtained through a distinctive and patented HTAC technology. Hydro Thermolysis Accelerated by supercritical CO<sub>2</sub> is an environmentally friendly, waste-free method capable of depolymerizing molecules without the need for solvents or enzymes.

Found in MÁDARA KIND Mild Shampoo

### Pentylene Glycol

A preservative made from agricultural waste materials. Also works as a humectant in the formulation.

Found in MÁDARA KIND Wash Foam and Gentle Wash



### Cellulose

A sensory additive, which helps with absorption and is entirely based on natural cellulose fibres. Sustainably sourced from forests across Europe. Beech and spruce are mainly processed to cellulose fibers using a procedure that employs renewable energy.

Found in MÁDARA KIND Hydra Lotion

MÁDARA KIND Mild Shampoo and Gentle Wash bottles are made of Prevented Ocean Plastic (POP) – recycled plastic, collected from coastal areas at risk from ocean plastic pollution. This Prevented Ocean Plastic Programme allows brands and customers track the materials in their products back to specific coastal communities in at-risk areas, including Southeast Asia, South America, the Galapagos Islands, the Mediterranean and Central America and Caribbean. The POP programme is the most extensive programme of its kind, preventing over 1 000 tonnes of plastic from entering the ocean every month. The production of recycled plastic packaging releases 5 times less carbon emissions than the production of virgin plastic.\*

MÁDARA KIND Hydra Lotion tube is made of 70% PCR (post-consumer-recycled plastics), that allows to reduce the amount of new plastic being made.

\*Based on Alpla Group data (2017)

## 3.2. Sustainable Packaging

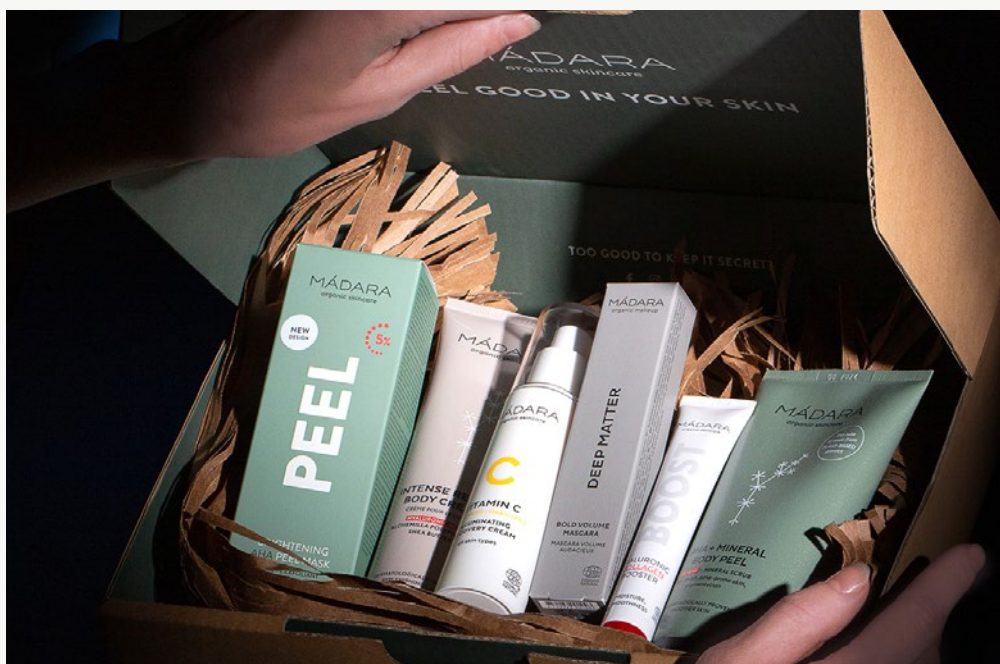
Packaging sustainability has been an integral part of product design since the very first day of the Company. To minimise the direct and indirect environmental impacts of packaging during its life cycle, MÁDARA uses recyclable materials for packaging and integrates recycled materials wherever possible.

All MÁDARA skincare primary packaging (e.g. bottles, flacons) is made of recyclable materials (recyclable polymers or glass). In 2022, we continued 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 from post-consumer-recycled plastics to prevented ocean plastics, collected from coastal areas. Preventative plastic

collecting initiatives, aimed at collecting plastic from the at-risk regions, play a crucial role in preventing significant amounts of plastic from entering the ocean. Our plastic collection programme has also partnered with the Ethical Trade Initiative, furthering our commitment to uphold workers' rights worldwide.

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 standard 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 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 2022 it allowed us to save around 38.547 tonnes of new cardboard from being made.

## 2022 product packaging highlights

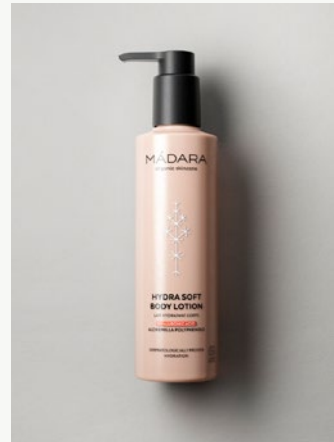
*For every MÁDARA product, we thoroughly assess all packaging possibilities to determine the most sustainable option. Here are the highlights from 2022:*



**WILD WOODS**  
Moisture Wash



**BITTER HONEY**  
Moisture Wash



**HYDRA SOFT**  
body lotion

Filled in 100% prevented ocean plastic packaging



**Intense Repair**  
Body Cream



**PEEL Creamy Clay AHA**  
Peel Mask



**CITY CC Hyaluronic**  
Anti-pollution CC cream  
SPF 15, TAN / BEIGE

Filled in 70% post-consumer recycled packaging

## Environmental Sustainability



**Deep Comfort Hand Cream**

Filled in 64% post-consumer recycled packaging



**DERMA COLLAGEN**  
Night Source sleeping cream

Filled in 64% post-consumer recycled packaging



**PEEL Hyaluron Intense Peel Serum**

Filled in a PET bottle and has a mono-material PP dropper that allows to recycle the whole product dispenser without having to separate it in parts



**AHA+MINERAL**  
body peel

Filled in a plant-based tube, made from spruce wood waste and sugar cane plant waste. The processed spruce is sourced from certified forests in the EU. The wood is collected from carpenter sawdust in Germany



**COME CLOSER**  
Infinite Lash mascara

Filled in a 100% post-consumer recycled PET bottle. Has a 100% post-consumer recycled PP cap



### 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 from both 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	2022
<b>GHG Emissions (E1), t</b>	95.06	132.08	139.12	164.11	197.96	206.46	154.20
<b>Scope 1:</b>	74.14	122.19	139.12	114.05	163.70	184.04	154.20
Production	67.44	110.38	112.89	110.78	120.70	141.43	118.95
Vehicles	6.70	11.81	26.23	37.27	43.00	42.61	35.25
<b>Scope 2 (electricity):</b>	20.92	9.89	0	16.06	34.26	22.42	0
<b>Energy Intensity (E2), kg/EUR</b>	0.02	0.025	0.022	0.015	0.012	0.011	0.009
<b>Kg per unit manufactured</b>	0.071	0.090	0.082	0.085	0.080	0.079	0.063

### GHG Emissions (E1\*)

CO<sub>2</sub> and green house 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 2022, AS MADARA Cosmetics was responsible for 154.2 tonnes of Direct Scope 1 GHG emissions, as a result of the combustion of 63 268.7 m<sup>3</sup> of gas, which is lower compared to 2021 when it was 70 484.4 m<sup>3</sup>, and 277 379 km driven with the Company-owned vehicles. The decrease is partially attributable to relatively warmer winter temperatures compared to the exceptionally cold winter of 2021.

The Indirect Scope 2 GHG emissions (electricity usage) attributable to MADARA Cosmetics 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. In 2022, we have worked on adjusting the temperatures for washing and heating processes to reduce the amount of energy consumed while maintaining the highest standard of quality and hygiene. We also completed full replacement of lighting in our buildings to a more energy-efficient solution.

### 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 2022, CO<sub>2</sub> intensity per 1 euro of turnover was 0.009 kg CO<sub>2</sub>. This means that the carbon intensity has decreased by 2g per 1 euro of turnover (a decrease of 21% y-o-y). 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 a 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 2022, MADARA Cosmetics consumed 63 367.7 m<sup>3</sup> of gas, out of which 59 477.7 m<sup>3</sup> were used for heating and 3790 m<sup>3</sup> were used for steam generation. The total gas consumption has decreased by 14.6% y-o-y.

\*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 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 2022, 100% of electricity came from renewable sources - hydroelectric power plants, biomass combustion, and from wind power plants.

Burning natural gas for energy results in fewer emissions of nearly all types of air pollutants and carbon dioxide (CO<sub>2</sub>) 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. This 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 Company in 2022 is equivalent to 7 235 m<sup>3</sup>.

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 Greenlife auditing body.

### Reinforcing recycling

To promote the practice of sorting and recycling among its customers, MÁDARA accepts empty product packaging at its 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. In 2022 we didn't send any to recycling, as we are collecting larger amounts to make it more efficient for recycling.

### Waste generated in 2022:

Waste type	Tonnes in 2022	Change compared to 2021
Everyday waste (general waste generated by manufacturing and the office)	41.15	-2%
Paper and cardboard (packaging materials, office paper)	41.23	-6%
Plastic packaging (ingredient drums etc)	1.31	-4%
Glass	0.7	-9%
Waste from building and office equipment maintenance (used bulbs, batteries, etc.)	0.011	+38%
Waste from production (defected bulk, expired ingredients)	7.32	-13%
Construction waste	7.23	-4%
Aqueous varnish or paint suspensions	0.06	-14%

*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 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 those themselves.*

### Production

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, we've optimised the cleaning procedure 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 2022, MÁDARA continued to improve the level of energy efficiency by upgrading office lightning to more energy-efficient light bulbs. These changes can seem small, but they all add up to reduce the overall energy consumption.

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.





In 2022, we have successfully reduced our paper consumption during production by eliminating unnecessary steps in the documentation workflow. This approach enables us to streamline processes and minimise the use of paper, contributing to our overall sustainability goals.

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.

## 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.



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 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 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 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 – the Company employees share a mutual respect in their interactions and en-

counters. 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 socio-economic status, national origin, gender, or sexual orientation.

## Human Rights (S10)

Respect for human rights is at the core of MA-DARA Cosmetics. 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 circumstance 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.

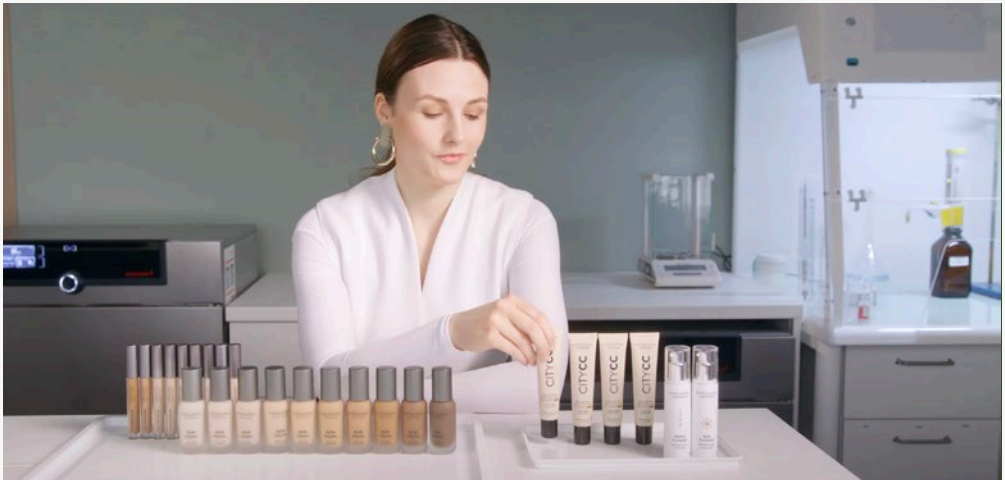
Additionally, there is a one-time EUR 500 allowance in the event of a newborn, parental leave based on local laws (10 working days + 2 months for the father and 1-1.5 years for the mother) and a one-time EUR 250 allowance with 2 paid days off in case of the passing of a close relative.



## Social Responsibility Initiatives in 2022

### 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.*



#### Wellbeing matters

We highly value the importance of mental health, which is why our standard company health insurance also includes free counselling and psychotherapy sessions.

To promote winter breaks, in 2022 we offered 4 extra paid days off, along with the annual vacation days, for all MÁDARA employees. These days were available for use between December 2022 and January 2023. A total of 162 employees (99%) took advantage of this offer.

We give significant importance to mental health, which is why MÁDARA grants employees paid mental health days. 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 impor-

tance 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. Additionally, the Company grants one day of paid leave on our employees' birthdays.

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

This also extends to team building, which is a pivotal element of our company culture. In order to nurture and strengthen our diverse team, we regularly organise team building events both within and across teams, as well as quarterly company events.



### Fostering a culture of continuous learning

Our focus is on creating experiences that empower our employees to pursue their passions and foster personal growth. In line with this commitment, MÁDARA offers diverse learning and development opportunities, including internal and external training, a mini-MBA British English = programme, coaching for managers and developmental discussions. Last year, 35 employees participated in HR-led coaching sessions, supervision and development talks. We also provide 2-4 weeks of compensated study time for those pursuing higher education; in 2022, one employee took advantage of this opportunity.

Promoting open conversations is shown through efforts like 360-degree evaluations, feedback training and regular team communication. Across various departments, a total of 52 training sessions were held, involving 120 employees.

Our commitment to community extends to

providing two compensated weeks for charitable activities or voluntary training with the Latvian National Guard. Last year, 10 employees engaged in voluntary work and 2 participated in the voluntary national guard program using these compensated days.

### Support when it's needed

The right support at the right time is invaluable. As Europe faced energy crisis at the end of 2022, many were affected – including our employees. We felt a responsibility to help them during this challenging time.

To support the employees through the cost-of-living crisis, MÁDARA offered each employee a one-time financial aid payment. This support aimed to help individuals manage the additional expenses caused by the crisis.

Additionally, we implemented an eating allowance to cover employees' food expenses. This on-going initiative ensures that our employees can enjoy a paid lunch 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 a company. 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%<sup>3</sup> less than men. Currently the highest gender pay gap in the EU is in Latvia – 22.3%. With a gender pay ratio of 1.01, remuneration distribution at MÁDARA is essentially equal, as opposed to Latvia's index and that of the EU. Any possible gap arising on yearly basis at 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. At MÁDARA, in some cases more men happen to work in higher-paying fields, for example, regarding e-commerce 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 at MÁDARA.



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

**Manager positions MÁDARA –**  
1.01 women and men effectively  
earn an equal amount

**Specialist positions MÁDARA –**  
1.19 men earn more than women

**MÁDARA production and ware-  
house employees – 0.96 women**  
earn more than men

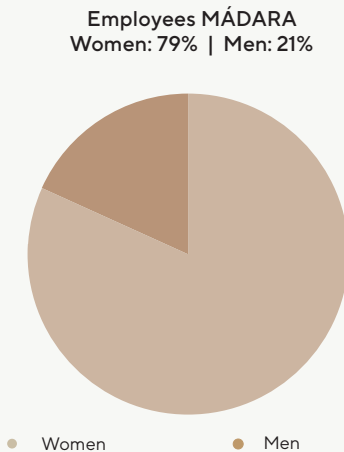
<sup>3</sup> [https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/equal-pay/gender-pay-gap-situation-eu\\_en](https://commission.europa.eu/strategy-and-policy/policies/justice-and-fundamental-rights/gender-equality/equal-pay/gender-pay-gap-situation-eu_en)

### 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 an 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 a company grow. In 2022 the employee turnover rate at MÁDARA was 7.8%, in comparison, it was 8.4% in 2021. The average employee turnover rate over the last 5 years (from 2018 to 2022) has been 11%.

### 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 2022 was 4.5%, it was 4.9% in 2021 and on average over the last 5 years (from 2018 to 2022) has been 2.7%.

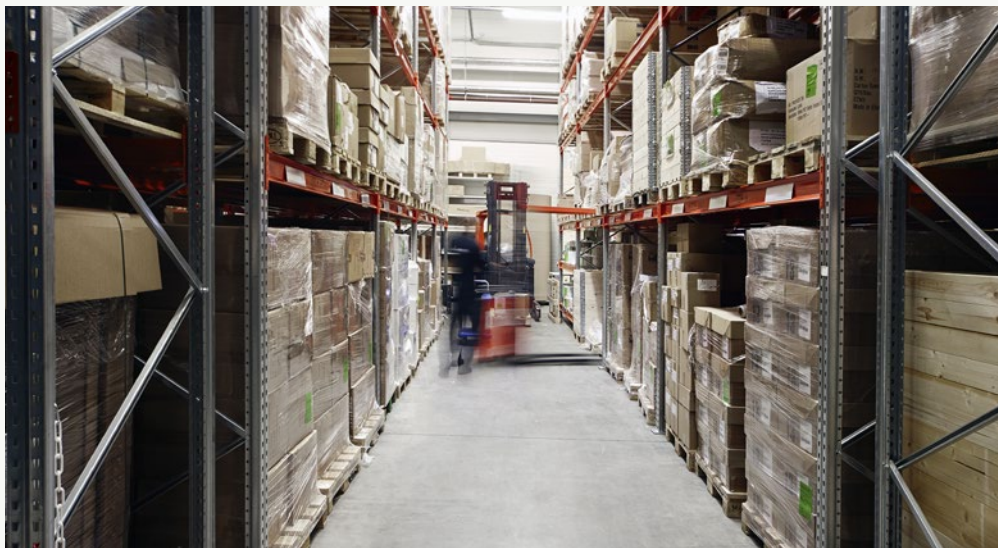
With 95.5% of the workforce on full-time contracts, MÁDARA contributes to the social stability and security of employees.

### 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 at 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 its employees with all of the protection tools needed and organises regular checks of how the 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 quarter.
- Special permits.

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, who 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 the visitors, walking areas in the factory and warehouse have been marked with a safety ribbon.



### Fire safety

- There are fire evacuation plans in the main MÁDARA building at 131 Zeltinu Street, Marupe, Latvia and also at Laubes nams at 20a Baložu Street, Riga.
- 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 easy access to doctors as well as ensure that all employees fulfil the mandatory health examination.

MÁDARA provides its 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.

Low injury and absentee rates are generally linked to positive trends in staff morale and productivity.





## 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.*



### Supporting Ukraine in the war against Russia

It is crucial for us not to be indifferent – now and in 2022, we stand with Ukraine. In response to Russia's invasion of Ukraine, MÁDARA extended support to the people of Ukraine via various initiatives, providing assistance and solidarity to the Ukrainian community.

Throughout the year, the company donated a total of EUR 65 000 to various NGOs, including Stopify and ziedot.lv charity, which provide coordinated assistance to the people of Ukraine.

MÁDARA also opened donation points in the brand's stores in Latvia, with all funds going directly to ziedot.lv charity. Customers could demonstrate their solidarity by contributing a donation of their choice and, in return, they received a free limited edition hand wash designed by the MÁDARA creative team. Through this initiative, we raised over EUR 7000 dedicated to providing humanitarian aid for the people of Ukraine.

The Company also extended its support by donating several thousand units of MÁDARA products, aiming to provide a sense of comfort to the people of Ukraine during challenging times and helping them settle.

Finally, MÁDARA provided crucial assistance to a Ukrainian family in the form of covering the expenses for an apartment in Riga, offering a safe and stable living environment for the family during their time of need.

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

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: 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-Iltnere, 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.



### 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.



### Tatjana Nagle

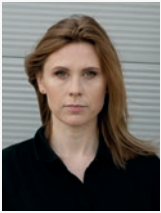
Ms Nagle, born in 1996, is a member of the Company's Management Board. Ms Nagle has a Degree of Bachelor of Science in Economics and Business from SSE Riga. Ms Nagle joined the Group as a business analyst in 2018, from 2021 fulfilling the role of Chief Financial Officer. She does not hold any positions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

\*Effective from May 22nd, Gunta Šulte, a seasoned business manager with two decades of expertise, has assumed the role of CEO





## 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 Biotech-

nology 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 the CEO for the one of the leading Finnish cosmetics sales and marketing company 'Transmeri' – a family owned company since 1928 operat-

ing 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.

### 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.

### The Supervisory Board

Name	Position	Involved in executive activity of the Company
Sari Hannele Rosin	Member of the Supervisory Board	No
Liene Drāzniece	Deputy Chairman of the Supervisory Board	No
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

### 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 its 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 is 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 the Company matters and their specific position in the Company.

In 2022, the number of employees has grown by roughly 24% y-o-y. 4 new job positions have been established in 2022. 14 of the employees have changed their position within the Company during the past 12 months, gaining an opportunity to develop their skill-set 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 of the employees the opportunity to fulfill their work targets.

## Supplier Code of Conduct (G5)

MADARA Cosmetics has a strong position with regard to its suppliers. We strive to ensure responsible supplier relationship by integrating environmental, social and ethical standards. The relationships are 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.

ble 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.

### 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 applica-







## 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 the 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 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 the 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 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.

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)

MADARA Cosmetics 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. 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 2022) have been audited by Deloitte Audits Latvia SIA.

# MÁDARA

organic skincare

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