



# ESG REPORT

Environmental  
Sustainability

Social  
Responsibility

And Corporate  
Governance Report

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A message from the founder

## Staying true to our purpose

2020 was an unprecedented year. The outbreak of Covid-19 impacted so many of us, both on an individual and society level. We faced great challenges that overturned our way of life and behaviour, forcing us to rethink the previously accepted norms and practices.

However, it did not sway us from the issues we have been tackling for years. In fact, MÁDARA navigated the unexpected hurdles and continued to address the planet's most pressing challenges through responsible practices, as we have aimed to do since our very beginning.

At MÁDARA, sustainability is deeply ingrained in the very consciousness and purpose of the company. It is practiced when we choose suppliers, select ingredients, promote and deliver our products. The times we are living in call for greater responsibility, and we as a company aim to embrace the future by embodying principles that coexist with the environment and society.

In 2020, we not only continued to develop planet-friendly formulas and packaging, but also went further down the way to support local communities and hospitals during these difficult times.

I am delighted to present our 2020 ESG report. It highlights important sustainability, corporate social responsibility and corporate governance practices of the company, including ways we are going to step up our efforts going into the future.



Lotte Tisenkopfa-Iltner  
Co-founder of MÁDARA Cosmetics

*Lotte Tisenkopfa-Iltner*  
MÁDARA founder

Deeper than skin is the philosophical essence of MÁDARA, meaning that beauty has a deeper impact. Ingredients can influence our body, health and the environment; production, sourcing and packaging processes all have their impacts. When producers and consumers realise how deep and wide these impacts are, it helps to make more informed decisions and choices on both sides of the counter.





A message from the team

## The mindset of sustainability



Anete Vabule  
Sustainability project manager

In the last quarter of 2020 we committed to explore sustainability issues in MADARA Cosmetics and outside the company in more depth. I took on a position to be the connecting point among all of the departments when it comes to topics covered in this report and the whole value chain that starts the moment a product idea is born to the moment the product lifespan has ended.

We believe that it is important to think of sustainability as a journey, not a destination. Our goal is to make as much positive impact throughout the whole product lifespan as possible. No matter how big the steps we take towards becoming more sustainable, it is important we take every step with care and kindness to people and environment.

I am glad to see how eager my colleagues are to participate in becoming more sustainable. This shows that sustainability has been at MADARA Cosmetics core from the very beginning and will continue to be.

It will be a complex and challenging journey, and we want to be open and honest about it – this is what our approach to this report and our activities will be like. Dig into the 2020 report to see our progress and I can't wait to tell you more about what we will have achieved the next year!

## ESG Performance at a Glance 2020



### NATURAL AND ORGANIC CERTIFIED

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



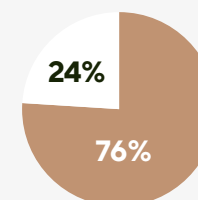
### RECYCLABLE PACKAGING

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

### GENDER DIVERSITY RATIO

Female employees  
at MÁDARA: 76%

Men Women



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



### HELPING THE COMMUNITY

Monetary contributions to NGOs MARTA, SOS Bērnu Ciemati, Dzīvības Koks and donations of hand sanitizers and hand creams to Pauls Stradiņš Clinical University Hospital, Liepāja Hospital, Riga East Clinical University Hospital, Riga 1st hospital

### 95% CERTIFIED ORGANIC

95% of our plant-based ingredients (plant oils, plant extracts, waxes, butters, floral waters) come from certified organic farming



### LESS WASTE GENERATED

2019: 125t  
2020: 82t [-34%]



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

According to Brand Capital research

88%

of the total cardboard  
used was made of  
recycled materials

### 61g of GHG emissions per product (Scope 1 + Scope 2) in 2020

Lower every year: it was 96g per product in 2019

### ENVIRONMENT SAVED FROM PLASTIC WASTE



**Post-consumer recycled** and ocean waste plastics instead of virgin plastics: ~6117kg

**Plant based plastics instead** of crude oil plastics: ~1462kg



# Circular Beauty

A buzz word in sustainability right now, circular economy is aimed at eliminating waste through a cyclical use of resources. We at MÁDARA Cosmetics operate with such principles in mind, prioritising the continued use of resources and wasting as little as possible to help preserve our planet and those who live on it.

### Recyclable packaging

Undeniably, packaging is an important aspect of every beauty product. But as beautiful the packaging might be, the legacy it leaves behind is the opposite of that. According to Zero Waste Europe, every year the global cosmetics industry produces more than 120 billion units of packaging, with much of this amount ending up in a landfill and the ocean. To reduce the negative impact this has on the environment, circular economy and the elimination of non-recyclable packaging is the way forward.

All MÁDARA skincare product packaging is recyclable – in fact, our primary packaging (bottles, tubes, flacons) has been made of recyclable materials since 2006. In contrast, the EU strategy for plastics aims for 100% recyclable/reusable packaging by 2030.

MÁDARA uses innovative packaging solutions, including post-consumer recycled and plant-based plastics, and even recycled ocean waste. In 2020, 27.3% of our plastic jars, tubes and bottles were made from post-consumer recycled polymers and additional 5.7% from sugarcane plastics instead of crude oil plastics. We see material at the end of its lifecycle as a useful resource, not waste – this lets us give a second life to the existing plastic pollution and spare the planet from both CO<sub>2</sub> and newly produced plastics.

Our long-term commitment to sustainable packaging includes recycled transportation packaging as well. In 2020, we used 39.4 tonnes of 100% and 90% recycled transportation packaging for shipping our products to distributors and retailers, and 10.6 tonnes of 60% recycled transportation packaging for shipping online orders.



### Customer incentives

To promote the practice of recycling among consumers, MÁDARA invites to return empty product packaging to our brand stores in Latvia. As an incentive, we reward our customers with a discount on their next purchase for every packaging item brought back to the store, increasing the appeal of our eco initiatives. In 2020, the amount of used packaging the company returned to recycling was 1.3 tonnes.



# Circular Beauty

### Ocean Love campaign

If nothing changes, by 2050, the plastic waste drifting in the ocean will outweigh all of the ocean's fish. On top of that, there are beauty ingredients in use, possessing long-term environmental effects and potentially toxic to a wide variety of aquatic organisms.

To raise awareness of the environmental footprint of the beauty industry, in 2020 MÁDARA launched a limited edition skincare collection titled Ocean Love, featuring 100% biodegradable formulas with ocean-friendly ingredients and earth-conscious packaging.

As part of the Ocean Love campaign, MÁDARA created a short animated film to educate people about the interconnections between their daily choices and the environment, highlighting the impact one's beauty routine has on the ocean. We used this campaign to invite our customers to have a more sustainable and planet-friendly beauty routine.



### E-waste

MÁDARA is committed to exploring how we can tackle the growing environmental problems caused by e-waste through circular economy approaches. Instead of purchasing brand new computers, the company uses refurbished computers with parts from disposed electronics to extend computer lifespans.

Out of 30 stationary computers in MADARA Cosmetics (excluding computers that are used for design and film), 28 are refurbished.







# Adapting to the rise of online shopping

## The Covid-19 effect

The Covid-19 pandemic has also impacted the way people shop – although online shopping has steadily been on the rise for years, it hit a new peak in 2020 as people were unable to visit brick-and-mortar shops. This has triggered changes to consumer behaviours, with more and more people shifting their spending to ecommerce, which is likely to have lasting effects. In light of this massive growth, it is now more important than ever for companies to adjust their e-commerce practices and for consumers to shop responsibly.

## Conscious shopping

Even before, MÁDARA advocated for conscious consumerism, encouraging people to buy smarter, not more. This belief was also reflected in our 2020 Black Friday campaign, which featured the slogan “Shop Mindfully”. During this campaign, MÁDARA encouraged shoppers to consider the need, ethics, and sustainability aspect of every potential purchase by sharing tips for mindful shopping.

## Changes to our e-commerce practices

To adjust to the rise of online shopping, MÁDARA has adjusted several aspects of its e-commerce practices during 2020. First of all, all deliveries made within Latvia were CO<sub>2</sub> neutral to reduce our total carbon footprint. We also started offering our international clients the option to choose between fast and slow delivery – those few extra days it takes to get the parcel delivered can add up to big impact. Slower shipping means different deliveries can be consolidated together, significantly reducing carbon emissions, while fast delivery often means inefficient routes which are more carbon-intensive.

We have also incorporated new scanners into our warehouse to get rid of paper order packing sheets, and our customs declarations are now paperless. The amount of tape used on shipping boxes was also reduced to 3 cm per box.

## Return rate

As more and more consumers turn to online shopping, it is only logical that the order return rate increases. Unfortunately, the convenience of easy returns also comes with an environmental cost, as returning items results in extra carbon emissions from transportation.

The MÁDARA return rate is relatively low – below 1% - which means that the quality of our products lives up to customers’ expectations and the initiatives we have taken to increase the accuracy of packed items have been successful. This helps us avoid any potential CO<sub>2</sub> emissions that would be created through product returns.

## No to wastage

At MÁDARA, we believe that good things should not go to waste – that is why products with minor packaging defects or shorter expiry dates are available for purchase in our online store at a reduced price. 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.







PART 3

## Environmental Sustainability

We enjoy the shade of the tree we did not plant





Named the No. 2 greenest and most sustainable enterprise in Latvia by Brand Capital research in 2020, MÁDARA believes that care for the environment and sustainable business practices are at the core of the future economic and social well-being of the planet.

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 95% of plant-based ingredients<sup>1</sup> being certified organic, MÁDARA promotes organic agriculture and biodiversity, restricts the use of chemicals, such as pesticides, and harmful chemical processing.

MÁDARA products are certified by ECOCERT according to the international ECOCERT/COSMOS standards, which define and supervise ingredient sourcing, packaging and manufacturing processes. Along with 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.



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



ECOCERT/COSMOS requires a certified producer to have an environmental policy, which addresses the whole manufacturing process and all the residual products and waste resulting from this. 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	> Rainwater pollution
> Energy consumption	> Waste management
> Water consumption	> 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.





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

### Reduced contaminants

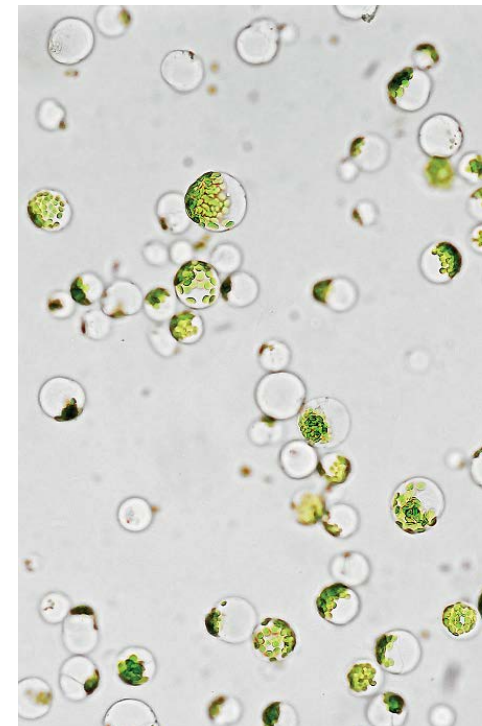
The manufacturing process of many synthetic raw-materials produces unwanted by-products and impurities, which can contaminate cosmetic products and pollute the environment. For example, the widely used polyethylene glycol production process can yield harmful contaminants such as 1,4-dioxane, which is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

### Free from pesticides

Unlike conventional agriculture, organic farming restricts the use of pesticides, chemical fertilisers and growth enhancers. Intensive industrial agriculture often compromises environmental sustainability – polluting soil and water with residues of agrochemicals and endangering the biodiversity of species. Non-organic agro-ingredients may also have a negative influence on human health as they may contain 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, 95% of MÁDARA plant ingredients<sup>1</sup> 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.



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



✔ 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. 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. As the food chain continues, the harmful pollutant might even end up on your dinner plate.

This is one of the main worries of the cosmetics industry as microplastics are usually found in face exfoliators, toothpastes, shower gels and body scrubs. They were recently banned in Great Britain and some other countries but are still taking over most parts of the planet.

All of the cosmetic products made by MÁDARA are manufactured without the use of microbeads. Instead we use natural exfoliating ingredients like volcanic sand that are not a threat to the environment.



Protection of endangered species

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

Kind to animals

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



Sustainability of stem cells

Science breathes in one rhythm and heartbeat with nature. Plant stem cells are the future of the beauty industry because of various SUSTAINABILITY and EFFICACY benefits. Learn 3 interesting reasons for why this is the best go-to technology for new skin inventions.



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, 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.







## Ingredient Highlights of 2020

### Chanterelle Fungi

MÁDARA spent a long time searching for the right ingredient to replace synthetic silicones, often used in hair care. They are stable and inert compounds, which make them highly functional, but extremely persistent in the environment. More research is required, but the existing data indicates that many types of silicones score high in environmental toxicity and are very bio-accumulative.

After extensive studies of Northern Chanterelle fungi, we discovered its potential as a innovative alternative of silicone, since it contains polysaccharides that deliver ultra-smoothing, hair-coating properties comparable to those of hair care silicones. In 2019, MÁDARA became the first cosmetics brand to unleash the unique potential of chanterelle fungi in a hair care line. However, in 2020 we took a step further and encapsuled its amazing properties in the Grow & Fix Brow & Lash Booster – a dual-action serum that boosts volume, length and shine while sculpting and fixing hairs in place.



### Juniper stem cells

Obtained through sustainable biotechnologies, plant stem cells allow us to enjoy the skincare benefits of endangered plant species without doing any harm to the plants or their natural habitat.

We use this innovative stem cell technology to create natural yet highly effective skincare solutions – one such solution is the MÁDARA ACNE range, launched in 2020. The unique range is based on Northern Juniper plant stem cells which boast excellent antimicrobial and antioxidant properties, which is why they are effective for acne-prone skin.



### Naturally-derived peptides

In 2020, MÁDARA introduced a natural alternative to synthetic peptides currently available on the market by launching a peptide skincare range called Derma Collagen.

At the heart of the Derma Collagen range is Hexapeptide-11 – a biotechnologically-derived natural peptide, which consists of 6 amino acids that help stimulate collagen synthesis. This natural hi-tech solution allows us to offer our customers a clean, organic and 100% vegan alternative to conventional peptide products.





### 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 2020, we continued to use post-consumer recycled (PCR) plastics in the production of larger packaging volume items such as shampoos and liquid soaps. The number of items sold in post-consumer-recycled plastics or sugarcane plastics has grown by 14% compared to 2019. Products that come in larger packaging volumes (such as 200ml, 250ml, 300ml) are usually packaged in recycled plastic packaging, preventing tonnes of additional new plastics being created each year.



The sustainability of both primary and secondary packaging is regulated and monitored by ECOCERT/COSMOS standards, which requires that packaging must be reviewed against the standard at least every three years to improve environmental sustainability. ECOCERT/COSMOS also specifies the list of allowed and forbidden packaging materials based on their recycling practices, environmental impact and other criteria.

- > Allowed materials in packaging: Wood, Glass, Aluminium, PE [Polyethylene], PET [Poly(ethylene terephthalate)], PP [Polypropylene], PETG [Poly(ethylene terephthalate) glycol], Paperboard, PLA [Polylactic acid] (non GMO), any other 100% natural materials.
- > Forbidden materials in packaging: polyvinyl chloride (PVC) and other chlorinated plastics, polystyrene and other plastics containing styrene materials or substances that contain, have been derived from, or manufactured using genetically modified organisms. It must be proven that these materials have not been used, for example by having written confirmation from the supplier.



**Transportation packaging**  
Our transportation packaging delivers products to the consumer in the most sustainable way. The finished products are packaged in boxes containing 4-8 pieces (inner transportation boxes). The inner transportation boxes are further packaged in master cartons, which are shipped to the destination. The inner transportation boxes are sourced from 100% recycled material. The inner layers of master transportation boxes are made from recycled material (approximately 90% of total box weight); the outer layer, however, is made of new material to guarantee durability during shipping.

The online shipping boxes are made of at least **60% recycled cardboard**. This means that in 2020 we have saved around **40 tonnes of new cardboard** from being made.



### 3.3. Sustainable Manufacturing

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

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

#### 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 2020, AS MADARA Cosmetics was responsible for 120.70 tonnes of Direct Scope 1 GHG emissions, as a result of the combustion of 63 533.79 m<sup>3</sup> of gas, which is higher compared to 2019 when it was 58 323.14 m<sup>3</sup>. The increase is explained by the rapid production volume growth.

The Indirect Scope 2 GHG emissions (electricity usage) made a total of 26.693 t of GHG emissions.

#### Emissions Intensity (E2)

Carbon intensity helps to contextualise an organisation's overall efficiency — relative to revenues generated (economic return) and the performance of other companies. In 2020, CO<sub>2</sub> intensity per 1 euro of turnover was 0.009kg CO<sub>2</sub>. Although production volume has increased, carbon intensity has decreased by 6 g per 1 euro of turnover and the company has fulfilled its goal to decrease the indicator value by 20%. The indicator is relatively low compared to average carbon intensity per euro of GDP in 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 2020, MADARA Cosmetics consumed 63 533.79 m<sup>3</sup> of gas, out of which 59 783.79 m<sup>3</sup> were used for heating and 3 750 m<sup>3</sup> were used for steam generation. An increase in gas consumption is mainly attributable to higher production levels (e.g., heating water for washing processes).

\*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 2020, MADARA Cosmetics’ energy intensity was 0.29 MWh per square meter of floor space of MADARA Cosmetics headquarters (slight increase of 5% as compared to 2019) and 4.51 MWh per full-time employee (slight decrease of 4% as compared to 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, which partly comes from renewable sources. In 2020, 40.1% of electricity came from renewable sources - hydroelectric power plants, 59.5% from combustion of natural gas and 0.4% from combustion of biomass 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 that is an especially important factor in the urban environment.



Water Usage (E6)

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

MÁDARA uses water for 3 main purposes:

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

The total amount of water consumed by the enterprise in 2020 is equivalent to 6 151 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/COSMOS auditing body.

✔ **Reinforcing recycling**

To promote the practice of sorting and recycling among skincare consumers, MÁDARA accepts empty product packaging at our brand stores in Riga, offering a discount for every packaging item brought back to the store. The returned packaging is then sent to a recycling company Nordic Plast, SIA for further recycling. In 2020, we sent 1.328 tonnes of empty packaging returned in stores for recycling.

Waste generated in 2020:

Waste type	Tonnes in 2020	Change compared to 2019
Everyday waste (general waste generated by manufacturing and the office)	34.32	-28%
Paper and cardboard (packaging materials, office paper)	36.61	-47%
Plastic packaging (ingredient drums etc.)	1.14	-79%
Glass	0.15	-92%
Waste from building and office equipment maintenance (used bulbs, batteries, etc.)	0.04	+100%
Waste from production (defected bulk, expired ingredients)	9.54	+362%

MÁDARA sorts cardboard, paper, plastic and other waste materials, sending them to specialised recycling companies, which ensure recycling of the materials whenever possible. In 2020 we were working on development of new products, which are a completely new category in terms of the technology used, therefore, we had an increased number of test batches and consequently more waste of cosmetic bulk.

Sustainability initiative

A notable initiative of 2020 is that the laboratory department switched from single-use plastic containers, trays, mixing spoons and testing sticks to multiple-use glass ones. We have also installed a new industrial dish washing machine to reduce the amount of water used for washing multiple-use trays and containers.







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.

**1** 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.

**2** 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, for instance the open factory, which currently is closed for visitors, but we hope to open it again soon!

**3** 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.

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

### Human Rights (S10)

Respect for human rights is at the core of MÁDARA 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.





## 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. The ratio is calculated by dividing Median Male Salary to Median Female Salary. In 2020, this ratio was 0.787. Contrary to the EU statistics, women at MADARA Cosmetics on average earn roughly 21% more than men. The gap in MADARA Cosmetics 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, other with female. In MADARA Cosmetics, in some cases more men happened to work in higher-paying fields but there is no gender discrimination within the scope of the same position in MADARA Cosmetics.

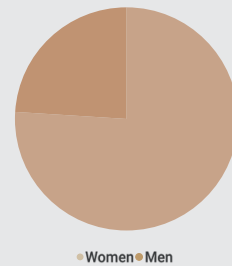
### Employee Turnover (S3)

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 2020 the employee turnover rate in MADARA was 11.2%, in comparison, it was 15.6% in 2019. This may be partly associated with the increased uncertainty and instability in the job market. The average employee turnover rate over the last 5 years (from 2016 to 2020) has been 12.9%.

### 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.

**Employees MÁDARA**  
Women: 76% | Men: 24%



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

This ratio offers an indication of job stability and the level of benefits the organisation offers. In the second quarter of 2020, MADARA Cosmetics had increased online sales amounts and as a result we needed additional employees for packing the orders and we gave first hand opportunity to the friends and family of MADARA Cosmetics employees, who either were out of a job or had decreased income. The ratio of part-time employees in 2020 was 2.2%, it was 0.8% in 2019 and on average over the last 5 years (from 2016 to 2020) has been 1%.

### 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 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, 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 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.

To address risks of COVID-19 pandemic, MÁDARA has implemented strict safety measures in the Company's office and production plant to minimise the risks of infection. The



office staff performs their duties remotely. Production and warehouse staff are divided into small groups, and each group belongs to a separate flow. This procedure has not reduced the work efficiency of the Company in any way.

### 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.

### Support during the Covid-19 outbreak

The Covid-19 pandemic severely affected all aspects of our society, and crisis like these call for actions. In hopes that MÁDARA could help make a small contribution to curbing the spread of the virus, we supported local Latvian hospitals with free hand disinfectants. The company produced 3757 bottles (100 ml) of plant alcohol-based professional hand disinfectant spray, specifically developed for medical staff, which were then donated to hospitals in April 2020. We also donated 4000 units of hand creams (150 ml) and 70 kg of hand soap during the course of the year.

Furthermore, when the Ministry of the Interior of Latvia approached MÁDARA in March 2020 to process alcohol of illegal origin into a surface disinfectant, we made an immediate decision to get involved and help. Seized by the state as part of the country's activities to combat the spread of illegal goods, the confiscated alcohol would normally be destroyed. However, this was an opportunity to turn it into something useful.



MÁDARA accepted 5000 litres of ethyl alcohol and processed it into a surface disinfectant free of charge – a total of 1340 units, filled in 5 litre cans. It was then handed over to the Ministry to be passed on to state and municipal institutions, including hospitals.

The increased demand for disinfectant products during the beginning of the Covid-19 crisis caused a shortage of hand sanitisers and surface disinfectants, and an increase in prices. Our contributions were a small step to help protect people's health and safety during this pandemic.



### Another way of helping the community

We recognise that issues in society arising from inequality are complex and widespread, therefore MÁDARA collaborates with organisations and experts taking steps towards a better society. For instance, MÁDARA is a long-term contributor to the Latvian NGO MARTA Centre. MARTA Centre works with issues of human trafficking and domestic violence on multiple levels – initiating systematic and legislative improvements, organising preventative educational work with school-age children. Our donations help fund the free of charge legal, psychological and other services to victims of domestic violence and human trafficking that MARTA provides.

We also donated 8000 EUR to SOS Children's Villages Latvia, a charity organisation that supports children who have been left without parental care, providing them a safe family environment where they can develop and become functional members of society.

Furthermore, MÁDARA supported the oncological patient support association Tree of Life by donating 3000 EUR towards the maintenance and development of the mentor movement, which provides valuable support to those affected by cancer.

### Standing with the people of Belarus

Starting in 2020, the ripples made by the Belarusian people taking a firm stand for freedom and humanity were felt across the world, and MÁDARA felt them too. With the help of the MARTA Centre, we were able to offer a little encouragement to the women volunteers and human rights activists in the frontlines of the protests for a free Belarus. As a symbol of our support, we sent a very special shipment of Velvet Wear lipstick to Belarus – a makeup product that's charged with symbolic meaning, both sensual and revolutionary, present in historic human rights and emancipation movements. Each lipstick came with a tiny note from a member of the MÁDARA team, offering words of encouragement to all the brave and strong Belarusian women in the hopes that we could cheer them up a little.



Stay strong.  
I'm holding your hand!

Santa



A close-up photograph of a field of tall, green grass. Several white daisies with yellow centers are scattered throughout the grass. The lighting is soft, and the overall tone is natural and somewhat muted.

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



**Paula Tisenkopfa**  
Ms Tisenkopfa, born in 1988, is a member of the company's Management Board. Ms Tisenkopfa graduated from the University of Latvia, bachelor's programme of philosophy. Co-founded the Group in 2006 and since then she has been actively involved in sales and export expansion, as well as product and brand development. Currently Ms Tisenkopfa is the deputy director, whose main areas are human resources and cooperate governance matters. She does not hold any positions or perform any activities outside the Group that are significant with respect to the Group.

Disclosure practices (G9)

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



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

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**Zane Tamane**  
After graduating from the Stockholm School of Economics in Riga, Ms Tamane has pursued a brand strategist career in 2 international advertising agencies – McCann and Lowe. Having a deep insight into brand strategy and interest in creating meaningful content, Ms Tamane feels strongly about cultivating a passion for eco-products across the globe.



**Anu Pauliina Koskinen**  
Ms Koskinen kickstarted her career as a Product Specialist in Procter & Gamble, later joining L'Oréal and climbing the career ladder up to the Luxury Brand Sales Director and Marketing Manager positions. In recent years, Ms Koskinen has worked as a Skincare Business Director in LUMENE. From 2016, she has been the Director of the Cosmetics Division at Oy Transmeri Ab.



**Liene Drāzniece**  
Ms Drāzniece has received a degree in Visual Communication from the Latvian Academy of Art and later Design Direction specialization from the Istituto 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.



**Sari Rosin**  
Ms Rosin, from Finland, is CEO for the one of the leading Finnish cosmetics sales and marketing company '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.



**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 co-founder of two biotechnology companies – SIA InCell and SIA Alternative Plants. A number of scientific publications and cutting-edge patents in biotech are also on her list.



**Anna Andersone**  
Ms Andersone, a graduate of the Stockholm School of Economics in Riga, has worked as a Project Director and Strategist for the Baltic and international market. She has co-founded online-based service start-up companies "be-with", The Mill, Froot, "bertame". 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.

Supervisory board

Name	Position	Involved in executive activities of the company
Zane Tamane	Deputy Chairman of the Council until 28.07.2020.	No
Sari Hannele Rosin	Member of the Council from 29.07.2020.	No
Liene Drāzniece	Deputy Chairman of the Council from 29.07.2020. Until then Member of the Council	No
Anna Ramata Stunda	Chairman of the Council from 29.07.2020. Until then Deputy Chairman of the Council	No
Anna Andersone	Member of the Council	No
Edgars Pētersons	Member of the Council from 29.07.2020.	No
Anu Pauliina Koskinen	Member of the Council until 30.06.2020.	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 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. In addition, it is communicated to the employees that they can approach any of the members of the executive team in order to discuss both company matters and their specific position in the company.

In 2020, the number of employees has grown by roughly 10%. 14 new job positions have been established in 2020. 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 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 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 Madara Cosmetics' environmental guidelines and requirements.

Business integrity and operations

1. The supplier complies with all applicable laws and regulations concerning bribery, corruption, fraud, intellectual property rights and competition.
2. The supplier provides a complaint mechanism for managers, workers and communities to report workplace complaints.
3. The supplier acts according to written or verbal agreements and it has sufficient financial resources to deliver what is required.
4. The supplier keeps the quality standard of the product/ service and 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 MADARA Cosmetics to comply with all applicable anti-bribery and anti-corruption laws. This Policy also exists to act as a source of information and guidance for those working for the company. It helps employees 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.



## Corporate Governance

2. Political contributions made to secure an advantage in business transactions.
3. Charitable sponsorships used to secure an advantage in business transactions.
4. Gifts, hospitality and expenses payments made to secure an advantage in business transactions.

### Purpose

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

### Scope

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

### How does one identify a bribe?

When in doubt, the following questions can be asked:

1. am I being asked to pay something/provide any other benefit over and above the cost of the services being performed?
2. am I being asked to make a payment for services to someone other than the service provider?
3. are the hospitality or gifts I am giving or receiving reasonable and justified? Would I be embarrassed to disclose them?
4. when a payment/other benefit is being offered or received, do I know or suspect 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.

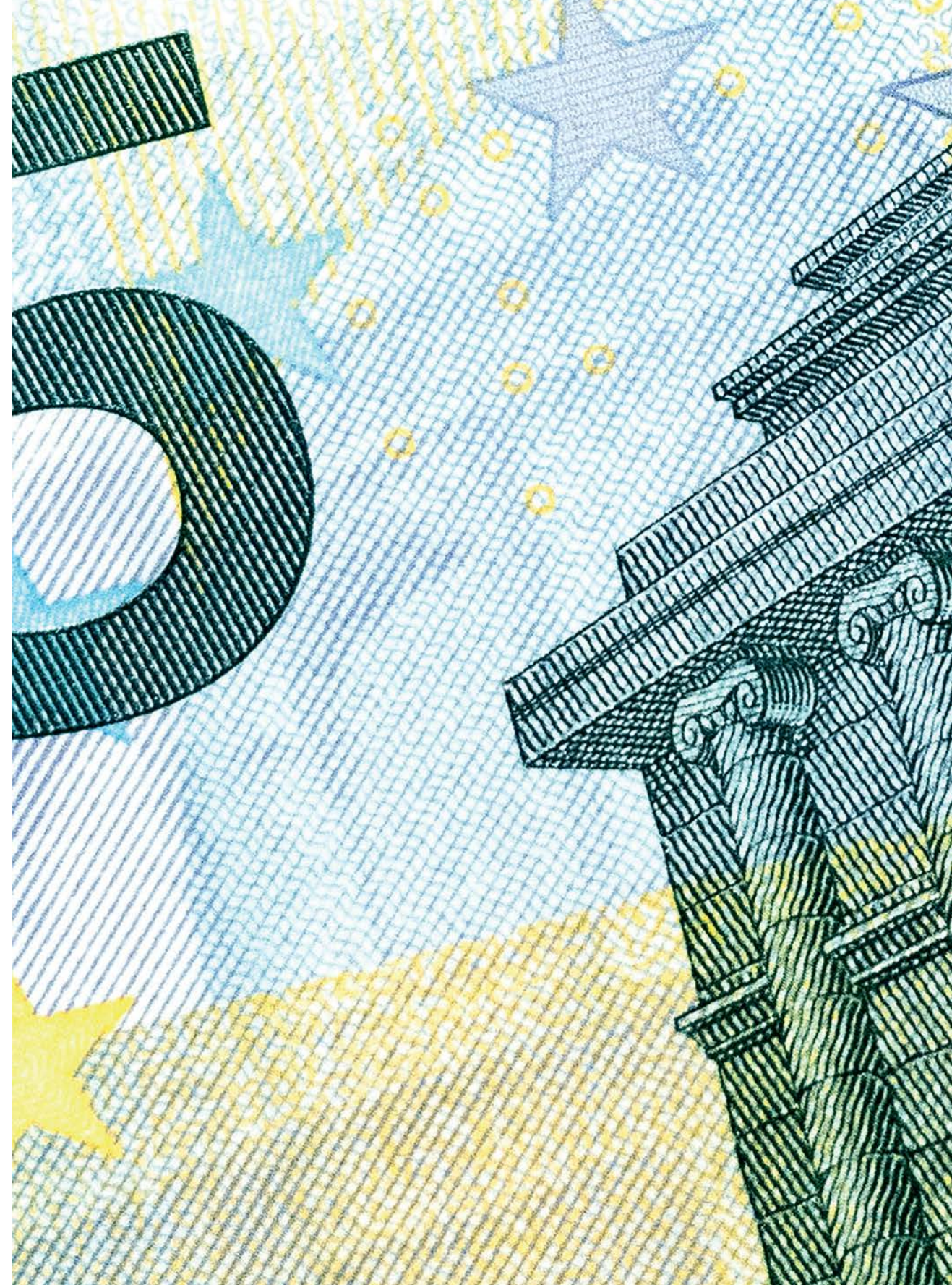
### **Data Privacy (G7)**

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 2020) have been audited by Deloitte Audits Latvia SIA.







Period of reporting: January-December 2020  
Published: August 2021

**MADARA COSMETICS AS**