A MORE
Beautiful World

2016
Amorepacific Group
Sustainability Report
Changing the World through Asian Beauty

Since its establishment in 1945, Amorepacific Group has single-mindedly pursued its calling to transform the world through Asian beauty, which emphasizes harmony and balance. We aim to fulfill our vision of delivering the infinite possibilities and power of beauty to our customers around the world. Toward this end, we have continuously improved our business operations, and created numerous best-in-class products while also developing groundbreaking products through innovative research. We continue our journey as a great company committed to sustainable growth.
First, we will be pursuing numerous activities aimed at raising awareness about the importance of sustainable lifestyles and the social and environmental impacts of consumer choices. Towards this, Amorepacific Group is implementing a sustainability strategy designed to minimize our social and environmental footprint by taking into account the entire lifecycle of our products – from research and development to the end-user stage. Simultaneously, we are integrating sustainability principles into our operations in our retail stores and with our customer service experiences, while also increasing our efforts on cause-related marketing to invite our customers to participate in ethical and sustainable consumption.

Second, in order to become a sustainable company which enables inclusive growth, Amorepacific Group will continue to support the professional and personal development of our employees and business partners and double our efforts on women’s empowerment and local community development. In this regard, we will continuously focus on creating great places to work for our employees where work-life balance is respected and all of our employees can thrive. We will also contribute to inclusive growth by actively supporting our business partners and suppliers. With our strategic social investment projects, we are committed to advancing the health and well-being as well as economic empowerment and independence of women, and will contribute to creating a society where all members can enjoy the beauty and culture and live a healthy life.

Third, we will be fully integrating circular economic principles into all corporate activities and processes and using all natural resources in a highly efficient and environmentally sustainable way to demonstrate our leadership on conservation of nature and environmental ecosystem. By increasing the use of renewable energy, we will reduce our dependence on fossil fuels, ultimately lowering the emission of greenhouse gas from our business practices. We will also improve resource efficiency and increase the reusability of water waste to proactively address global water scarcity and climate-change issues.

Finally, as a responsible global citizen, we support the 10 principles of the UN Global Compact regarding human rights, labor, the environment, and anti-corruption, and we are putting every effort into fully integrating these principles into our corporate strategies and operations. Furthermore, our “2020 Sustainability Commitments” will actively address various priorities of the UN Sustainable Development Goals (SDGs), and we will join the international community’s efforts on sustainable development.

We started small when we first began our journey. We always remind ourselves that we are not only producing cosmetic products, but also improving our customers’ joy and confidence through Asia’s health and beauty wisdom. Similarly, instead of being satisfied with our rapid growth and successful financial performance, we continuously challenge ourselves to fulfill our corporate responsibility to deliver economic, social and environmental values to our stakeholders. To become a truly great company, Amorepacific Group is prepared to travel further than we have ever before.

We would like to ask for your continuous support and interest on our way towards the greater future of Amorepacific Group. Thank you.

Kyung-bae Suh, Chairman & CEO of Amorepacific Group

April, 2017

To create A MORE Beautiful World, we are fully committed to working with diligence, honesty and patience.

Since we were founded more than 70 years ago, Amorepacific Group has always been guided by one big dream: changing the world through beauty. To realize this dream, we have been striving to deliver the value of our unique Asian beauty to all customers. We are proud of the performance and outstanding accomplishments we have achieved in 2016, amidst an ever more competitive business environment and rising market uncertainties. By strengthening our leadership on digital and mobile innovation we are attracting more engagement from young tech-savvy customers who look for unique shopping experiences. This has allowed us to build a portfolio of successful brands in various global markets and to become the leading cosmetic company representing Asian beauty and its wisdom.

Even with this success, this is only a beginning. We remind ourselves every day that we will need to work harder and focus more to fully realize our dream of changing the world through beauty. By going back to the basics where we first started, it is time to reaffirm our commitment to beautifying humanity and enthusiastically embrace our role as a responsible global corporate citizen. To create A MORE beautiful world, we are fully committed to working with diligence, honesty and patience.

"2020 Sustainability Commitments" introduced in 2016 is our promise to customers, the environment, and society, and is a moral compass for our efforts for the next generation. With three focus areas and eight commitments, we seek to enrich the quality of life of our customers, ensure equitable social development, and reinforce the sustainability and health of our environment.
Sulwhasoo

Holistic Beauty from Asian Wisdom

Inspired by Asian philosophy which values harmony and balance of body and mind, Sulwhasoo blends time-honored Asian medicinal herbs and modern technology to offer holistic skincare. Based upon scientific research on skin aging processes combined with rare and indigenous natural herbal ingredients, we offer ultimate skin solutions that treat the skin from deep inside. Our products comfort your body and mind through relaxing scents and rich texture, and optimize skin care effects through Asian beauty rituals. Experience holistic beauty drawn from Asian wisdom with Sulwhasoo.
Unleash the Sparkling Beauty in You
LANEIGE pursues Sparkling Beauty. Not just only in the form of clear, transparent and glowing skin, but we also seek to unleash that dazzling charm within you. LANEIGE goes beyond the infinite possibilities of moisture. We lead with an open mind, create trends with new energy, and transform women’s lives every day, making them more beautiful.

Presenting Blooming Beauty of Flowers to You!
Through advanced research on flowers in search of the root of true beauty, Mamonde re-invents beauty from the amazing power and energy that derives from flowers. Blooming beauty of flowers are integrated into all of our products. As a leading Global Mass prestige brand with strong presence in China and ASEAN countries, our products deliver beauty to customers around the world.
Life is sweet, Make Today Sweeter!
Born as the very first make-up brand in Korea, ETUDE has been reaking every woman’s sweet dream for spreading its charming ‘Fun and easy Make-up Play Culture’. ETUDE has been loved as a K-beauty brand, leading young beauty trends in the global market.

Natural Benefit from Jeju, innisfree
innisfree ‘an island that gives freedom and life to our skin’ is a natural brand committed to providing customers with healthy beauty inspired by the pristine nature of Jeju Island. As a leading eco-friendly green cosmetic brand, we pursue a beautiful dream in preserving natural wellness and healthy skin.
Sprout Energy for the Prime Moments of Skin Vitality

Combining two words, prime and era, primera vitalizes the skin by maximizing its nourishment through sprout energy and realizes new possibilities, opportunities, and hopes by delivering positive energy in an environment and community where we co-exist.

IOPE
Leading the Way to Vitalizing Skin through Phyto-bio Science

IOPE achieves the best possible technology for vitalizing skin through phyto-bio science and cutting-edge scientific technology.

H E R A
Exceptional Beauty from Seoul

HERA has led the superb aesthetic sense of Korean women by harmonizing the new with the beauty of the times and now, HERA is announcing a new iconic woman, Seoulista, under the theme of exceptional beauty from Seoul.

Global Premium Haircare Brand Made of Oriental Herbal Science

Ryo is a premium hair care brand that successfully delivers the value of real results by incorporating fundamental care to your hair and scalp through the carefully selected herbal ingredients and the oriental principles that originate from Korea.

AMOREPACIFIC
Artisan Beauty Brand that Delivers the Mystery of Botanicals Found by the Discerning Eye of Asians with Phyto-fluidics™

The flagship brand of Amorepacific Corp. representing the company’s history and philosophy in beauty, Amorepacific specializes in anti-aging skin care products which provide fast action through carefully selected Asian botanicals and advanced delivery technology.

VITALBEAUTIE
Inner Beauty Solutions for Your Healthy and Beautiful Look

Based upon scientific research and analysis of contemporary lifestyles on body and mind, VITALBEAUTIE brings a better quality of life tailored to individual lifestyle. We offer holistic solutions to improve your beauty and health by aspiring diet, nutrition, and exercise patterns.
2016 Performance for Sustainability

Sustainability Management Structure

innisfree
ETUDE
espoir
AMOS Professional
AESTURA
Osulloc Farm

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A Reasonable and Sensational Beauty Brand Reflecting the Hottest Trends - ARITAUM

Professional Makeup Brand

Happy Moment: A Body Care Brand Committed to Delivering Happiness

Tea and Jeju Offer Relaxation of Life and Spiritual Beauty

Style Expression by Professional

Customized Healthy Solutions for My Teeth

Medical Beauty Cosmetics Leveraging Extensive Dermatology Research and Technologies

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Strengthening Brand Value
Leading Digital Beauty and Innovation
Fulfilling Global Corporate Citizenship
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Business Overview

Sales (KRW bn)  Employees (Number of Persons)
| Year-over-year change | Location of Headquarters and Subsidiaries | Countries with Stabilized Launch |"
Vision

In 2016, Amorepacific Group announced the “Vision 2025: A Great Company” which articulates its ambitious goal of becoming a truly great company in the global beauty market in order to contribute to making the world more beautiful and healthier. With this vision, we are further strengthening the foundation of our continued sustainable growth by focusing on global market expansion, developing innovative products, implementing digital innovation to improve customer experience, and refining the singularity of our brand. Additionally, we are accelerating our effort to be more environmentally sustainable and socially responsible by minimizing our environmental footprint and strengthening our harmonious relationship with all of our stakeholders.

Vision 2025: A Great Company

With an ambitious goal of becoming one of the global top 3 players and Asia’s number 1 beauty company, Amorepacific Group is implementing a new mid-/long-term strategy to accelerate its global growth through product and brand innovation.

AP WAY

AP WAY is the essence and foundational spirit of Amorepacific Group that we have nurtured and developed since we began our business. The AP WAY articulates our core beliefs, common vision and a set of standards for action that we should embrace in our day-to-day life. We at Amorepacific Group are fully committed to integrating the AP WAY in every step of our great journey as we serve as pioneers in the world of beauty through ongoing innovation.

Our core belief that defines our purpose and mission as the Asian Beauty Creator.

Openness Integrity Innovation Proximity Challenge

Amorepacific employees strive to be a Creative Master who is seeking to fulfill our purpose and mission.

Engagement Professionalism Creativity Empathy

AP Minds is the code of conduct that we all must follow, and outlines 10 principles of actions.

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### Financial Performance

2016 was another exceptional year for Amorepacific Group, and it achieved significant growth in sales and robust profits both in our home market and other international locations thanks to our single-handed focus on key strategic priorities – global market expansion, digital leadership, and enhanced competitiveness of retail distribution channels. In 2016, the Group recorded KRW 6,697.6 billion in sales (18.3% year-over-year growth) and KRW 1,082.8 billion in operating profits (18.5% year-over-year growth).

#### Amorepacific Group (Unit: KRW bn)

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#### innisfree

innisfree achieved significant growth in 2016 thanks to a strong sales record of its signature products and new items that focused on their affinity to Jeju Island. innisfree also gained wider appeal by strengthening the differentiation of its customers’ experiences at retail stores (e.g., offering café services, and virtual reality zones), and delivered strong profits due to the popularity of products linked to Jeju Island.

#### ETUDE

ETUDE expanded its brand base by launching innovative new products, including “Play 101 Stick,” and “Tint My Brows Gel,” and improved net profits through the strong performance of e-commerce, omnichannel, and duty-free shops. Consequently, the company improved its leadership in the make-up category.

#### eSpoir

eSpoir delivered strong financial performance thanks to the increased sales of major make-up products that cater to the sensuality trend of the Korean make-up market. With the products developed based on the expertise of make-up artists and strong customer experience programs, eSpoir strengthened its position as a professional make-up brand.

#### AMOS Professional

AMOS Professional had strong financial performance thanks to the continued popularity of its signature premium hair salon brand “AYUNCHE,” and it increased brand visibility through various marketing activities.

#### AESTRA

AESTRA achieved solid growth driven by the increased sales of its inner-beauty products as well as a positive sales record of Alkemist products – its signature medical beauty brand.
Our overseas business continued to show solid growth due to strong performances from five global champions brands: Sulwhasoo, LANEIGE, Mamonde, innisfree, and ETUIE House.

In Asia, Amorepacific emphasized the brand uniqueness of Sulwhasoo, whose products are based on traditional Korean herbal medicine wisdom, with the 50th anniversary of ginseng research. It achieved strong growth in sales by increasing the number of retail stores and enhancing its brand visibility in various online stores.

To strengthen the brand visibility of LANEIGE throughout Asia, Amorepacific rolled out the massive global marketing campaign “Sparkling Beauty” and successfully positioned itself as the leader of a global prestige beauty brand.

Amorepacific introduced new Mamonde products in China to reflect the needs of Chinese customers and further strengthen brand appeal. It also launched shops in department stores in Thailand and Malaysia to expand its business activities in the ASEAN region.

innisfree achieved qualitative growth and enhanced brand visibility throughout Asia. In addition, innisfree introduced a series of signature products in Vietnam and further expanded its business activities in the ASEAN region.

ETUIE House strengthened its brand positioning as the leading make-up brand by launching innovative new products, promoting a fun make-up culture, and opening new stores in Asia. HERA offered various make-up products to Chinese customers and introduced luxury make-up items to showcase its diverse product lines.

Governance

Amorepacific Group is implementing a responsible management system for each business, which is centered on the deliberate corporate governance structure of our holding company. Our efforts allow us to professionalize and reinforce our core competency and expertise in beauty and healthcare businesses, which include cosmetic, personal care, and healthcare products. In addition, our corporate governance structure contributes to achieving shared goals for all stakeholders, including strong shareholder returns and the disarmament of management risks.

The Amorepacific Group Board of Directors (BOD) deliberated a total of 11 items during 6 meetings in 2016. The Group’s outside BOD’s attendance rate was 100%, and its inside BOD’s attendance rate was 93.8%. In 2016, Amorepacific – the Group’s largest subsidiary – convened a total of 6 board meetings and made decisions on 12 items. Its outside BOD’s attendance rate was 100%, and its inside BOD’s attendance rate was 100%. Public announcements were made through the Financial Supervisory Service and the Korea Exchange to inform stakeholders of all major decisions that were reviewed during the 2016 meetings.

As the top decision-making body for Amorepacific Group, the BOD was comprised of 6 registered members as of March 2017. Amorepacific’s BOD consists of 7 registered members. All directors on both boards are obligated to faithfully exercise their fiduciary duties and fulfill their responsibilities as good managers – based on the Commercial Act of Korea and the Company’s Articles of Incorporation – to promote the interests of shareholders and other stakeholders. Each board nominated all of its members from among those with expertise and experience in their respective fields, and received approval from the shareholders at a general shareholders’ meeting before appointments are made. Each board guarantees the independence of outside BOD’s members.

Amorepacific Group Board of Directors

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Ethical Management

Revision of Code of Ethics

Amorepacific Group revised its Code of Ethics, and began to implement it as of January, 2017. The revised Code asks all employees to embrace and practice the highest ethical standards to further strengthen the company’s transparency as a responsible corporate citizen. The revised Code outlines six basic principles, including respect for our customers and employees, and elaborates concrete guidelines for ethical decisions and behaviors that all employees are required to comply with both in their private and work life. Amorepacific Group plans to provide a series of in-person and online trainings to all employees.

Six Basic Ethics Principles

Caring about the customers
It is essential to put our customers’ trust through our work. Our products and services must add new values that meet our customers’, and give them confidence that our company always keeps our promises to them.

Harmonious growth
We must foster fair business relationships with all of our stakeholders, and pursue management practices that benefit all of our partners.

Respect for employees
We must cherish everyone we work with, and work in a way that everyone’s human rights are respected.

Protection of company assets
We must use all of the tangible and intangible corporate assets and information only for the intended purposes, and must make our utmost efforts to protect these assets.

Responsibilities as a corporate citizen
We must be an essential partner in society, and become a highly valued and respected corporate citizen.

Management with integrity
We must never deceive or try to cheat. We must not undermine our sustainable long-term growth and avoid relying on non-ethical business practices for short-term profits.

Communication

Through various campaigns and training programs, Amorepacific Group is working to embed ethical management practices into the daily conduct of all employees.

No Gift Policy
Communicate on the group’s ethical stance on gifts to gift-receiving business partners, and suspend twice a year.

Publicizing the Incidents of Unethical Practices
Publicize and share the recent incidents of unethical practices with all of our employees to prevent the occurrence of similar cases.

Employees Ethics Training
Senior management run one-to-one customized compliance training. Regular compliance trainings to all employees.

Promoting Ethical Practices with Business Partners
Amorepacific Group conducted a survey on our business procedures and relationship management activities to understand possible ethical dilemmas that our business partners face. After receiving the feedback during our regular internal audit, we decided to focus on strengthening our processes to support our business partners’ commitment to ethical management practices.

Ethical Management Website

In 2014, Amorepacific Group launched the website to provide guidance on ethical management issues and offered an employee hotline which employees can make a anonymous report on the violations of the company’s Code of Ethics. This website is accessible through one’s smartphones for easy and immediate connection to the hotline when he/she faces any ethical dilemmas or encounters unethical situations.

Risk Management

Establishing an Integrated Risk Management System

As a result of several factors, including fast-changing global political and economic situations, fluctuating business and regulatory environments, the increased influence of social media, heightened expectations of stakeholders, and the complexity of materiality issues, there is a greater need for a group-wide systematic risk management system. Amorepacific Group is operating an integrated risk management system to respond to risks and crisis situations as well as to strengthening our existing capacity. To allow prompt decision-making and stable business operations, we formed a group-wide risk management committee consisting of the most senior corporate executives. The risk management secretariat and issue-specific sub-committees were also formed to prevent risks and enhance the capacity to deal with risks early in order to minimize their impact.

Risk Management Process

After analyzing the internal and external business environments that affect our business activities, the company categorizes potential risks by their importance, severity, and likelihood, and identifies core risks. All business units designate a person in charge of risk management to regularly monitor and report any possible risks to strengthen our capacity for risk prevention and response. These designated individuals are regularly trained to respond effectively to a potential crisis by following the Group’s risk management guidelines.

Amorepacific Group’s Risk Management Process

Risk Response Strategies

Throughout the year, Amorepacific Group undertakes a range of activities to effectively respond to various risks identified through our risk mitigation and management process.

2020 Sustainability Commitments

For more details, please visit the Ethical Management website.
Materiality Analysis

Every year, after reviewing various topics relevant to implementing our overall corporate sustainability strategies, Amorepacific Group identifies the key issues that are materially most significant to our stakeholders as well as to the company’s mid- and long-term growth. In addition to integrating these materiality issues into our overall business decision making, we share our progress on each issue, both internally and externally, on an annual basis.

Seven Key Material Issues

1. Delivering Solid Financial and Economic Values
2. Innovation and Digital Beauty Leadership
3. Product and Service Quality Assurance
4. Expanding Our Global Business Activities
5. Strengthening Our Brand Value
6. Corporate Social Responsibility
7. Inclusive Growth with Business Partners
8. Refocusing Eco-Friendly Products and Service
9. Protecting Biodiversity
10. Socially Responsible Products and Service
11. Disaster Group Mitigation and Adaptation
12. Risk Management

Materiality Analysis Process

Identifying Key Sustainable Business Issues
Analyzing Socially Important Elements and Trends
Measuring Business Impacts
Prioritization
Selection of Materially Significant Issues

Results of the Materiality Analysis

Business impact

Stakeholder Communication

2016 Annual Dialogue with Stakeholders

Since 2011, Amorepacific Group has undertaken strategic communication activities with various stakeholders to integrate their diverse viewpoints into our core business activities. In 2016, we convened a workshop with leading academics and civil society representatives to discuss key issues under the theme, “Fostering Sustainable Consumption and Strengthening Strategic Customer Communication for Better Risk Management”.

Theme
Fostering Sustainable Consumption and Strengthening Strategic Customer Communication for Better Risk Management

Date
November 30, 2016

Participants
Jae-hyeon Bae, Professor, Korea Institute for Science and Technology (KIST), Jong-hee Kang, President, Consumer Focus Korea
Myung-hoon: Secretary General, Consumers Korea
Lee Young-joo: Policy Director, Korean Women’s Environmental Network
Venice Chi: President, CTV Consumer Research Institute
Jeong-Ki Kim: Professor, Korea University

Key Discussion Points

Promoting Cooperation and Enhancing Corporate Engagement in Advancing Sustainable Consumption and Systems

Diversifying communication channels and methods to further strengthen engagement with customers

Shaping Amorepacific Group’s sustainability leadership by continuously introducing highly innovative and sustainable products and services

Participating in various relevant standardization initiatives

Effective Consumer Communication to Manage Risks

Strengthening the risk management system and a process to effectively address risks

Engaging frequent and open communication with various stakeholders

Developing strategic and implementational strategies on consumer communication for risk prevention and management

Stakeholder Opinions and Our Responses

Target
Communication Channels
Notable Opinions
Activities

Customers

Customer consultation service

Consumer satisfaction survey and CAP

Retailer product safety

Strengthening partner relations

Developing sustainable products

Developed and launched its TV competition

Employees

Employee engagement

Regular labor-management consultation

Improving workplace environments and capacity for beauty partners (sales associates)

Sustained SHE management

Sustained KM activities

Sustained KM activities

Business Partners

Inclusive growth general assembly

With-Win Promotion seminars and general meetings

Business partners satisfaction survey

Sustained KM activities

Sustained KM activities

Sustained KM activities

Local Communities

Group brand CSR activity

CSR portal

Assisted women in running healthy beauty

Assisted low-income individuals

Assisted low-income individuals

Governments

Regular visit and meetings with related agencies

Participation in the Korea Cosmetic Association (KCA)

Promoted cooperation and support for regulatory improvement for industrial development

Strengthened cooperation with environment stakeholders

External Experts

Communication with external stakeholders

Professional and consumer organizations

Strengthened consumer to business communication

Encouraged frequent, regular and open communication with various stakeholders

Developed a strategy to strengthen cooperation and communication with stakeholders

2016 Sustainability Performance

2016 Performance for Sustainability

Sustainability Management Structure Amorepacific

· Innovation for Customers

· Harmony with Nature

· Harmonous Growth

· Sharing for Society

ETUDE
e biopsy
AMOS Professional
ESTUARIA
Oosal Farm

2020 Sustainability Commitments

Sustainability Vision
Sustainability Focus Area
Sustainability Commitments

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Creating a Sustainable Future with Our Stakeholders

Amorepacific Group undertakes a wide range of corporate sustainability activities focused on materially relevant issues for our long-term corporate productivity, and engages actively with all of our stakeholders.

Our sustainable business efforts seek to deliver economic and financial values while simultaneously creating social and environmental benefits to our society as a responsible corporate citizen. We believe that this will not only bring about the sustainable growth of our corporation, but also contribute to creating a sustainable future that benefits our society and the environment.
Expanding Global Business Activities

In 2016, Amorepacific Group introduced its “Vision 2025 – Great Company”, and focused on top priorities that contribute to the company’s sustainable growth, including global business expansion, qualitative growth, and digital innovation, to become the number one beauty company in Asia and one of the top three cosmetic firms in the world. As a result of the continued technological innovation and launching of various innovative products satisfying the needs of global customers, our 2016 global sales recorded KRW 1,648.1 billion – 35.1% increase compared to 2015.

Sulwhasoo

Six years after Sulwhasoo was introduced to Chinese customers in March 2011, we opened our 100th store in Chengdu City, China. This 100th store is dedicated fully to Sulwhasoo brand products with various sections that allow unique customer experience. These sections invite customers to review signature products (brand zone), luxury items (luxury zone), gift products (gift service zone), and spa products (spa cabin). The store offered the products that customers can purchase only in this particular place such as the 100th store sachet and essential balm, and enhanced VIP offerings with the gifts-wrapping service. The services provided at this 100th store enhanced differentiated brand experiences to our customers, and conveyed the feel of Sulwhasoo’s Asian wisdom and holistic beauty heritage to Chinese customers with the luxurious store ambience. We plan to accelerate our global sales and marketing activities on Sulwhasoo to become Asia’s number 1 beauty brand in Asia by 2020.

Mamonde

With the launch of new products reflecting local customers’ preferences and renovation of stores, Mamonde recorded the positive growth in China and demonstrated our strong global brand power. Especially, we successfully launched Youth Capture series, highly specialized anti-aging care products that are only available in China, and offered the new lines of make-up products based upon the needs of Chinese customers. We also strengthened our sales and marketing activities in the ASEAN market by opening three stores in Malaysia and three shops in major Thai department stores after its first successful launching in Bangkok’s Siam Paragon Department Store.

LANEIGE

LANEIGE convened its 2nd Beauty Roadshow to promote K-beauty in a total of 11 cities in Korea, Malaysia, Singapore, China, Canada and others. In various locations, customers tested LANEIGE’s global signature products – LANEIGE Water Bank Cream and participated in the make-up show with celebrities and free gift events. To increase our customers’ virtual participation, we also livestreamed all the 2016 Beauty Roadshow via our website and social network sites (SNS).

Appendix
innisfree continued to record the strong growth in the global market in 2016 thanks to its high-quality and innovative cosmetic products. In China, in addition to releasing the products focusing on local customers’ preferences, we opened 130 additional stores in various cities. In the ASEAN market, we opened the first store in Ho Ba Trung District of Ha Chi Minh City in Vietnam to accelerate our business activities in ASEAN mega cities. In 2017, we will focus on the U.S. market to further strengthen our global business activities while continuing to strengthen our foothold in the existing markets.

Total Brand Sales Exceeding KRW 1 trillion

Opening the 300th Store in China, the 1st Store in Vietnam

In 2016, innisfree opened a total of 10 stores in six Chinese cities such as Beijing and Shanghai, and plans to launch 8 additional stores in 2017 to introduce its bestselling cosmetics that are popular in Korea. In 2016, Hera opened a total of 10 stores in six Chinese cities such as Beijing and Shanghai, and plans to launch 8 additional stores in 2017 to introduce its bestselling cosmetics that are popular in Korea. Following the introduction of Hera in SKP, Beijing’s top luxury department store, in July 2016, we engaged in active sales and marketing activities in China. The introduction of the Hera product line to Chinese customers provides an important opportunity to position us as a global leading K-beauty brand. We also popularized Hera’s brand narrative – pursuit of inner and outer beauty of women with Korean beauty wisdom – to Chinese customers who are very interested in beauty techniques, trends and cosmetics that are popular in Korea. In 2016, Hera opened a total of 10 stores in six Chinese cities such as Beijing and Shanghai, and plans to launch 8 additional stores in 2017 to introduce its bestselling products such as UV Mist Cushion and Rouge Holics and to share Asia’s latest beauty trends with our Chinese customers.

Launching Hera in China

Marking the 50th Anniversary of Sulwhasoo Ginseng Research

Sulwhasoo has convened a series of global events in 9 countries to mark the 50th anniversary of ‘ABC Ginseng Cream’ – one of the first Amorepacific products that inspired the launch of the Sulwhasoo brand. In the last 50 years, Amorepacific launched several innovative cosmetic products using the properties of ginseng. After launching our first ginseng product, ABC Ginseng Cream, in 1966, we presented a series of products using ginseng, including ‘Sulwha’, a product highlighting the healing property of ginseng cosmetics, and Seolhwa, one of the first Asian herbal medicinal cosmetic products. All these research efforts contributed to launching the Sulwhasoo. By combining the latest dermatological science with our focused research on ginseng and other Asian herbal ingredients, Sulwhasoo became the first Korean beauty brand to generate KRW 1 trillion in annual sales in 2015. Sulwhasoo products are being offered in 11 countries and are gaining brand recognition as a luxury global brand centering on Asian beauty.

Sulwhasoo Flagship Store

Strengthening Brand Value

With emphasis on innovative technology, high-quality products, originality, and creativity, Amorepacific Group is focusing on developing the ‘singularity’ of each brand. As part of the efforts to enhance the brand power, we continue to discover new customer groups and nimblly respond to the needs of customers for each brand. At the same time, we conducted various events to mark the 50th anniversary of Amorepacific’s ginseng research and launched a new natural hair care brand ‘Fresh Pop’ inspired by the theme of super food therapy. We are also prioritizing the launch of unique products for each brand to enhance our brand competitiveness.

Sulwhasoo has convened a series of global events in 9 countries to mark the 50th anniversary of ‘ABC Ginseng Cream’ – one of the first Amorepacific products that inspired the launch of the Sulwhasoo brand. In the last 50 years, Amorepacific launched several innovative cosmetic products using the properties of ginseng. After launching our first ginseng product, ABC Ginseng Cream, in 1966, we presented a series of products using ginseng, including ‘Sulwha’, a product highlighting the healing property of ginseng cosmetics, and Seolhwa, one of the first Asian herbal medicinal cosmetic products. All these research efforts contributed to launching the Sulwhasoo. By combining the latest dermatological science with our focused research on ginseng and other Asian herbal ingredients, Sulwhasoo became the first Korean beauty brand to generate KRW 1 trillion in annual sales in 2015. Sulwhasoo products are being offered in 11 countries and are gaining brand recognition as a luxury global brand centering on Asian beauty.

Sulwhasoo Flagship Store

In 2016, we opened Korea’s largest single-brand beauty flagship store, which artistically expressed our ginseng research. This flagship store’s design was inspired by lanterns, which bring light to darkness, to reflect our desire to spotlight and shine the path to beauty through our products that represent Asian beauty wisdom. In addition to conveying the brand story, this flagship store-as-palace is to be a high-quality beauty-culture complex where customers can experience our products, spa, and beauty counseling and serves as a signature international landmark for our brand.

Launching the Sulwhasoo Flagship Store

50th Anniversary Emblem of Sulwhasoo Ginseng Research
In April 2016, Amorepacific Group launched Fresh Pop—a natural haircare brand designed to revitalize stressed hair and scalp under the concept of “shampoo made of healthy superfood ingredients for healthy hair.” The brand name is fashioned by combining two words, “fresh” and “pop” to associate its brand image with energy, youthfulness, fun and excitement. As the brand name tells, Fresh Pop offers fun and refreshing hair cleansing experiences with fruity packaging and fresh herbal fragrance extracted from five main superfood ingredients. To celebrate the launching of the brand, Fresh Pop opened the Fresh Pop Shampoo stone to introduce different haircare solutions for various hair types. The Fresh Pop includes six products that address various concerns customers express based on their hair types and scalp conditions. The products are currently available in Korea’s major supermarkets and drug stores. We also continue to develop new products and services that provide healthy and fun natural hair care experiences to our consumers.

In our newly renovated flagship store in central Seoul, Myeongdong, we are offering custom-made cosmetic products, including My Two-Tone Bar, which enables customers to choose their own preferred color. My Two-Tone Bar was inspired by one of signature products of LANEIGE, the Two-Tone Lip Bar, which was launched to offer the trendy and sophisticated two tone lipstick makeup experience to everyone. To order a custom-made two tone bar, our customers will first engage in the beauty mirror application—a technology which analyzes one’s skin through digital scanning—to identify suitable colors for their skin tone. Based upon this, customers will consult our in-store make-up artists to choose the most suitable color and create their own Two-Tone Lip Bar. LANEIGE also offers engraved personalized messages on the packaging for special occasions. At the Sparkling Beauty Bar Zone in our flagship store, we also began offering a custom-made moisturizing cream—LANEIGE My Water Bank Cream. This service is available only to those who made reservation, as it requires the special analysis of customers’ skin conditions to identify their most optimal skin care products. Through these experiences, we attempt to offer more than a traditional, passive customer experience. We encourage the active participation of our customers to find their beauty solutions and have received very positive reviews from customers who stress the importance of healthy superfood ingredients for healthy scalp and hair.

Leading Digital Beauty and Innovation

We have launched a series of innovative marketing campaigns to appeal to the digital generation. These campaigns integrate highly experimental digital content as to maximize customer’s positive experiences while they browse and purchase our products. In addition, we launched programs such as start-up competitions and in-house ventures aimed at accelerating innovation to meet the rapidly changing demands and needs of our customers while fostering a more innovative eco-system for the beauty industry.

Digital Communication

Launching the “Truth of Cushion” Digital Marketing Campaign

As the inventor of cushion products, Amorepacific Group has consistently worked to improve its R&D capabilities to make the product more appealing and convenient. To provide more detailed information on the innovative cushion technology and its history, we launched a digital campaign called “the Truth of Cushion” in November, 2016. This campaign features a number of on-line videos that provide a behind-the-scenes look at our “cushionists”, a group of experts who developed our unique cushion products, and explain the three key elements to making a high-quality cushion product. We also shared several fun stories about our cushion products along with some on-line quiz to increase customer engagement. The campaign hit 9.5 million views and attracted 460,000 visitors to our campaign website. Over 100,000 people participated in the quiz. Amorepacific Group will continue to improve its communication with customers through various entertaining, informative and interactive digital campaigns.

innisfree In-Store Virtual Reality (VR) Experience

Some of innisfree stores now have an in-store VR zone where customers can virtually experience Jeju island where the ingredients of innisfree are sourced from. Our first VR service “Jeju Flying Bike” at the innisfree store of Disney Land in Shanghai offers customers a virtual experience of traveling the beautiful island of Jeju by riding a bike. In particular, the virtual activity of flying in the sky and crossing the ocean on a bike ride is very popular among Chinese customers. Our second VR content service titled “Someday island of Jeju by riding a bike.” In particular, the virtual activity of flying in the sky and crossing the ocean on a bike ride is very popular among Chinese customers. Our second VR content service titled “Someday island of Jeju by riding a bike.”
Digital Counselling

ARITAUM, Integrated Digital Experience

To satisfy our customers’ various needs, ARITAUM has been offering a wide range of digital counseling services to customers. Mamonde is offering the Perfume Touch service that helps customers to choose their favorite fragrance at the Sachet Vending Machines. This store also introduced a Nail Fit program where customers can print their preferred nail art design through high-quality and high-speed printers. IOPE is providing advice on skin solutions to each customer by using BioLap – a bio-skin solution which diagnoses each customer’s skin conditions, and LANEIGE now invites customers to experience the Beauty-Mirror application.

Mamonde Perfume Touch
This customer experience service allows our consumers to test and enjoy various scents. Mamonde offers a ‘sniff-pen’ and to test, the Perfume Touch helps customers to find the scent that matches their preferences.

Available Stores:
ARITAUM Flagship store, ARITAUM Gangnam, ARITAUM Myeongdong Central, and ARITAUM Direct Yonsei University.

Nail Fit
The unique nail care service allows customers to select their preferred nail art design from over 500 designs and colors and have it printed on their nails.

Available Stores:
ARITAUM Flagship Store, ARITAUM Gangnam, ARITAUM Myeongdong, and ARITAUM Shinchon.

LANEIGE - In-store Augmented Reality (AR) Zone

Following the introduction of first AR application – Beauty Mirror – where customers can test make-up up through their smart phone’s mobile camera, LANEIGE continues to upgrade its service by adding new functions such as tools that offer the best makeup colors that match with the customer’s skin color. At its Myeongdong flagship store, there is another AR-based service called ‘Play LANEIGE camera’ that provides useful product information when customers take pictures of LANEIGE products.

Supporting In-House Venture and Startups

In-House Venture Incubation, Lean Startup
To respond to our customers’ needs proactively and foster a culture of in-house innovation, the Amorepacific Group launched the Lean Star-Up program with more than 20 teams consisting of employees from across various departments presenting highly creative ideas. Based on creativity, execution ability, and teamwork, we selected the two most appealing ideas and established the Lean Start-Up task force team. We introduced Gaondodam, a new naturalist brand made with organic indigenous ingredients, and OutRun, a new sun protection brand for customers who enjoy outdoor sports. They are being sold on-line. Instead of following the existing organizational structure, the two innovation task force teams were given autonomy to freely focus on their research and enhance entrepreneurship. As a result, they created Gaondodam with five products and Outrun with two products.

With continuous product upgrades and rigorous quality assurance, Gaondodam was recognized as the number one organic cosmetic brand by Joongang Daily’s 2016 Notable Brand competition. Amorepacific Group will continue to nurture this innovation culture within our group to present innovative products meeting our customers’ needs.

Beauty Start-up, AP TechUp+
To remain competitive in a fast changing market environment, Amorepacific Group is fostering and incubating notable beauty start-ups by combining the group’s R&D infrastructure and business capabilities with professional start-up incubation know-how. As part of such efforts, we launched the AP TechUp+ program in collaboration with Future Play, a tech-focused venture accelerator. With open competitions, we received 110 business proposals focusing on a range of new technologies including internet of things (IoT), artificial intelligence (AI), and 3D-printing from 100 teams, and selected 5 most competitive teams after evaluating all the proposals jointly with Future Play. We plan to foster and incubate strong and high-performance beauty tech start-ups through the accelerating process. Through the AP TechUp+, we identify new business opportunities, foster innovative business culture, and offer new capabilities with professional start-up incubation know-how.

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Fulfilling Global Corporate Citizenship
 Strengthening Sustainability of Partnerships
Response to Product Quality and Safety Issues

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- Innovation for Customers
- Harmony with Nature
- Harmonious Growth
- Sharing for Society
- innisfree
- ETUDE
- elizave
- AMOS Professional
- AESTURA
- Osulloc Farm

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Fulfilling Global Corporate Citizenship

As a global corporate citizen, Amorepacific Group is seeking to create shared value that promotes local economic activities and inclusive growth. In addition to our operation in Korea, our offices in China and Vietnam have carried out various activities to have positive social impact. These activities include raising awareness about common cancers mostly affecting women through supporting prevention education, cancer screening and post-surgery care for female cancer patients. Especially, Makeup Your Life, signature global campaign, support women’s health, and nurturing inner and outer beauty of these women.

Expanding CSR Activities in China

Amorepacific Group expanded our signature campaign Makeup Your Life which began in Korea in 2008 to China in 2011. In 2016, we undertook a range of activities that support female cancer patients to improve their quality of life by helping them recover their beauty and confidence. Especially, we offered a comprehensive program for cancer prevention, screening, and recovery, to increase the public’s awareness on two common cancers (breast cancer and cervical cancer). Amorepacific China carried out Moripao Women’s Health Marathon – a cause-related race promoting the importance of breast health and vital role of regular check-ups in preventing breast cancer.

<table>
<thead>
<tr>
<th>2016 CSR Activities in China</th>
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<tbody>
<tr>
<td><strong>Program</strong></td>
</tr>
<tr>
<td>Establishment of the Amorepacific Fund for Women</td>
</tr>
<tr>
<td>Support of the Medical Diagnosis and Screening Service of Breast and Cervical Cancers</td>
</tr>
<tr>
<td>Sponsorship of the Women's Health Marathon – Moripao</td>
</tr>
<tr>
<td>Makeup Your Life Campaign</td>
</tr>
</tbody>
</table>

Interview with Stakeholders

“Through our partnership over the last year, we were able to witness the efforts of Amorepacific China on Chinese women’s public welfare and related outcomes. We were also able to understand the company’s keen interest in women’s health. We believe that Amorepacific’s efforts do not only help improve women’s awareness on critical health information but also encourage the public engagement in this issue and address the concrete health problems facing low-income women. Through the expansion of this program, we hope that more Chinese women can have healthier life.”

By Jianmin Zhang (张健岷), Vice Secretary-General, China Women’s Development Foundation

“Makeup Your Life Campaign in Vietnam

Since 2015, Amorepacific Vietnam has participated in the Makeup Your Life campaign. Through our campaign in Ho Chi Minh City and Hanoi, we supported a total of 125 cancer patients, and sponsored a talk show featuring female cancer patients who are going through chemotherapy including a famous female announcer who survived malignant breast tumor and a doctor of breast cancer.

“Makeup Your Life Campaign in Vietnam

The 1st Women’s Health Marathon – Moripao in Shanghai

The most important thing to focus on gynecological cancers is to manage effectively their development and progress. This includes early detection and post-surgery/diagnosis recovery. These two activities require particular attention from the public on women’s health issues. I sincerely hope that Amorepacific Group’s Makeup Your Life campaign will increase the public awareness on women’s health and provide hope and confidence to more Chinese women”

By Yu Zhang (张羽), Medical Doctor, Chinese Academy of Medical Science, Department of Obstetrics and Gynecology, Oncology & Peking Union Medical College Hospital (北京协和医院)
Strengthening Sustainability of Partners

Recognizing that our business partners’ sustainability performance is beneficial for our long-term competitiveness, Amorepacific Group has been supporting our partners with various activities. These activities help them improve their sustainability innovation capabilities, and promote fair business relationships throughout our value chain. Through these efforts, we are sharing our sustainability values with business partners and creating a systematic sustainable supply chain management process as we expand our global operations.

Supply Chain Sustainability Management Process

- Requiring to Comply with the Sustainability Guidelines
- Assessing Sustainability Capabilities
- Offering Trainings, Consulting and Monitoring Progress

Revision of the Amorepacific Suppliers Sustainability Guidelines

To ensure supply chain sustainability, we revised the Guidelines which include 27 important items for supply chain such as human rights, labor, health, safety, environmental protection, and ethical management. We include the guidelines in our contracts with suppliers and require all our partners to comply with these.

Assessment of Suppliers’ Sustainability Capabilities

In 2016, based upon the “Amorepacific Suppliers Sustainability Guidelines”, we assessed 85 of our suppliers’ current capabilities to implement our sustainability guidelines. The assessment was made based upon input gathered through surveys, site visits, and a series of interviews with individuals responsible for health, environment, safety, and business ethics in partner companies, and we offered consulting services to help our business partners improve their corporate sustainability practices and regularly monitor their progress.

Mapping of Suppliers’ Sustainability Capabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Suppliers</th>
<th>Total Score</th>
<th>Detailed Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>92</td>
<td>78.9</td>
<td>88.8 83.4 80.7</td>
</tr>
<tr>
<td>2016</td>
<td>85</td>
<td>83.9</td>
<td></td>
</tr>
</tbody>
</table>

Specific Areas of Improvement and Action Plans for Improvement

- Safety: Need to develop manuals clearly outlining the roles and responsibilities of health and safety managers
- Environment: Need to develop environmental policies and strategies
- Business Ethics: Need to establish internal business ethics guidelines and compliance standards

<table>
<thead>
<tr>
<th>Area of Improvement</th>
<th>Action Plan for Improvement</th>
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| Safety              | - Need to develop manuals clearly outlining the roles and responsibilities of health and safety managers
|                     | - Need to develop environmental policies and strategies
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|                     | - Need to establish internal business ethics guidelines and compliance standards

As part of our commitment to fostering the culture of fair business relationships that benefit all of our business partners, Amorepacific Group is actively pursuing activities aimed at strengthening ‘mutual and sustainable’ growth. Based upon our partner strategies centered on financial support, human resources capacity building, and support of technological competencies and profit increases, we undertook a series of activities for our partners. We are proud that these efforts were positively recognized by the Korean Commission for Corporate Partnership as we were ranked as “Excellent” in the Inclusive Growth Index.

Technological Innovation through the Benefit Sharing Initiative

Since 2015, Amorepacific is implementing an incentive-based partnership mechanism to develop innovative technologies and products in collaboration with suppliers. Partners who are engaged in joint innovation tasks with Amorepacific are rewarded with additional incentives. In 2016, we undertook a total of 153 cases and shared the profits amounting to KRW 317.3 billion.

The Notable Project of the Benefit Sharing Initiative

<table>
<thead>
<tr>
<th>The Notable Project of the Benefit Sharing Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Support</td>
<td>Financial support to 116 employees of tier supplier to offer our Group’s credit to 2nd and 3rd tier suppliers in order to ensure prompt payment and accurate bookkeeping in order to enable enterprises like 2nd and 3rd tier suppliers.</td>
</tr>
<tr>
<td>Technology Support</td>
<td>Technology support to 49 courses of 2,222 employees of tier supplier to offer our Group’s credit to 2nd and 3rd tier suppliers in order to ensure prompt payment and accurate bookkeeping in order to enable enterprises like 2nd and 3rd tier suppliers.</td>
</tr>
<tr>
<td>Human Resources Support</td>
<td>Manpower dispatched for quality and technology transfer</td>
</tr>
<tr>
<td>Ethics Support</td>
<td>Supporting high-performing supplier’s ethics awareness at foreign regions</td>
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</tbody>
</table>

<table>
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<tr>
<th>Expected Outcomes</th>
<th>Description</th>
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- Harmonious Growth
- Harmony with Nature
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- Fair Trade
- Sustainable Finance
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Response to Product Quality and Safety Issues

Recall of Our Toothpaste Products

On September 26, 2016, Amorepacific announced a recall of some of its toothpastes after it was confirmed that these products contained a preservative not approved by the Korean Ministry of Food and Drug Safety. We promise to further strengthen our entire safety management process from the stage of sourcing ingredients to the end stage of production and distribution. We always consider customer safety to be our greatest priority and promise to offer only the best and safe products.

Background

The safety concerns over our toothpaste products erupted because some of our toothpastes included unapproved chemicals called methylisothiazolinone (MIT) and chloro(methylisothiazolinone (CMIT) mixture for its preservative. After the issue was raised, the company confirmed that the sodium laurilsulfate (SLS) surfactant that we purchased from one of our suppliers included CMIT/MIT as a preservative. CMIT/MIT have been used throughout the world, and in Europe, it is allowed up to 15 ppm.1 The amount of it found in our toothpastes was less than what the current screening method can detect. For this reason, internal and external third-party safety assurance testing methods did not find it in our products. However, we fully acknowledge our stakeholders’ safety concerns over the inclusion of the CMIT/MIT in our products, and thus, ordered a proactive recall of all the affected toothpaste products to ensure customer safety and restore their trust.

Exchange and Refund

Immediately after we confirmed the inclusion of CMIT/MIT in our toothpaste products, we decided to recall all the products. On September 27, 2016, we published an official apology to our customers and stakeholders through our website and began recalling the products. We immediately halted the sale of the products and informed our customers that we either exchanged the recalled products with other toothpaste products not containing CMIT/MIT or refunded at any retail stores or Amorepacific’s customer center. To further ensure the safety of our products, we reevaluated the inclusion of CMIT/MIT in all of our products, including ODM (original design manufacturing) products, and we discarded all the affected toothpaste products (approximately 388 tons) and submitted the document confirming the full discarding of the products to the Korean Ministry of Food and Drug Safety. All the products were recalled until January 2017 (approximately 3,900 tons), and all of them were discarded as of February 14, 2017.

Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
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<tbody>
<tr>
<td>Sept 23, 2016</td>
<td>Confirmed that SLS included CMIT/MIT</td>
</tr>
<tr>
<td>Sept 26</td>
<td>Made a list of products that contained SLS and submitted a voluntary recall to the Korean Ministry of Food and Drug Safety</td>
</tr>
<tr>
<td>Sept 27</td>
<td>Announced the latest status of products to be recalled in our own inventory and that of our distributors and retailers. Published the recall apology to customers and information on exchange and refund policy on the website.</td>
</tr>
<tr>
<td>Sept 28</td>
<td>Began to voluntarily recall the products through retailers and customer centers. Sent the letter requesting to stop selling the products and informing our policy on recall of the products to the three largest retail chains (E-Mart, Homeplus, and Lott Mart)</td>
</tr>
<tr>
<td>Sept 29</td>
<td>To further ensure product safety, Chinese and U.S. retailers began to recall the related products</td>
</tr>
<tr>
<td>Oct 10</td>
<td>Amorepacific inspected and confirmed that the amount was less than what the currently available testing method could find.</td>
</tr>
<tr>
<td>Oct 25</td>
<td>Completed voluntary recalling</td>
</tr>
<tr>
<td>Nov 14</td>
<td>Submitted a voluntary recall plan to the Korean Ministry of Food and Drug Safety</td>
</tr>
<tr>
<td>Dec 14, 2017</td>
<td>Completed the discarding of all recalled products.</td>
</tr>
</tbody>
</table>

Improvement Plans

Amorepacific Group set up a new team dedicated to product quality assurance to strengthen the product safety management system from sourcing of raw materials to distribution of final products, and is making an effort to inspire customer confidence in product safety through transparent and open communication.


Recall of Our Toothpaste Products

Response to Product Quality and Safety Issues

<table>
<thead>
<tr>
<th>1) Establishing Taskforce (TF) on Quality Renovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>We established a special TF dedicated to ensuring the company’s compliance with the required global product safety standards and improving the product safety management process. The TF will update the product safety management system.</td>
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</table>

<table>
<thead>
<tr>
<th>Strengthening Organizational Capability on R&amp;D and SCM unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>We will improve the entire product safety management process from sourcing of raw materials to development, production, and distribution of all our products. We will also strengthen our organizational capabilities to promptly identify risks and respond effectively.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Taskforce on Quality Renovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish the process on global product safety standards and identify areas of improvement for product safety</td>
</tr>
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</table>

<table>
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<tr>
<th>R&amp;D</th>
<th>Sustainable Quality Assurance Lab</th>
</tr>
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<tbody>
<tr>
<td>Strengthening quality control in the process of product development and sourcing of raw materials Provides customer safety information</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>SCM Quality Division</th>
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</thead>
<tbody>
<tr>
<td>Standardizing product safety procedures Strengthening pre-screening systems Strengthening audit on suppliers’ products</td>
</tr>
</tbody>
</table>

2016 Highlights

Expanding Global Business Activities Strengthening Brand Value Leading Digital Beauty and Innovation Fulfilling Global Corporate Citizenship Strengthening Sustainability of Partners

Response to Product Quality and Safety Issues


2) Amorepacific Group set up a new team dedicated to product quality assurance to strengthen the product safety management system from sourcing of raw materials to distribution of final products, and is making an effort to inspire customer confidence in product safety through transparent and open communication.

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- Harmonious Growth
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- Harmonious Growth
- Sharing for Society

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Building a Harmonious World
Benefitting the Nature, People, and the Company

By fully integrating our corporate sustainability vision into corporate strategies and operations, Amorepacific Group contributes to making positive change in the corporate ecosystem. By leveraging our expertise and core competencies, we seek to address the global environmental and social challenges. We will continue our journey to create the sustainable future.
Amorepacific Group
2016 Performance for Sustainability

In an effort to create a more beautiful future to our customers and stakeholders, Amorepacific Group strives to create harmonious coexistence between people, business, and the natural environment, and to nourish these efforts together.

2016 Key Numbers of Sustainability

<table>
<thead>
<tr>
<th>Sustainable Products ①</th>
<th>Environment ②</th>
<th>Employees &amp; Partners ③</th>
<th>Society ④</th>
</tr>
</thead>
<tbody>
<tr>
<td>591 products</td>
<td>1.302 tCO₂eq/WHN 100mm</td>
<td>Employees Engagement 83 points</td>
<td>Social Contributions Expense 23,994 HUF/ton</td>
</tr>
</tbody>
</table>

- ① Number of sustainable products from Amorepacific and subsidiaries
- ② Includes only data of R&D expenditure in sales from Amorepacific
- ③ Ratio of R&D Expenditures to Sales
- ④ Ratio of women in management calculated based on those working in China and Korea

**2016 Performance for Sustainability**

**Sustainability Management Structure**

Each year, we identify and implement new sustainability management activities and related targets based upon the Group’s four strategic priorities – customers, environment, employees and business partners, and social contribution. Amorepacific Group’s Sustainability Management Committee convenes two meetings and decides to integrate the progress of strategic sustainability issues into senior managements’ key performance indicators to strengthen our sustainable business practices.

**Sustainability Management Committee**
- CEO
- Growth Support Division
- Sustainability Management Team
- Sustainability Working Groups

**Sustainable Management Organizational Structure**

**Corporate Overview**
- CEO Message
- Brand Portfolio
- Business Overview
- Vision
- AP WAY
- Financial Performance
- Governance
- Ethical Management
- Risk Management
- Materiality Analysis
- Stakeholder Communication

**2016 Highlights**
- Expanding Global Business Activities
- Strengthening Brand Value
- Leading Digital Beauty and Innovation
- Fulfilling Global Corporate Citizenship
- Strengthening Sustainability of Partners
- Response to Product Quality and Safety Issues

**2016 Sustainability Performance**

**2016 Performance for Sustainability**

**Sustainability Management Structure**

- Creating growth opportunities
- Reinforcing product safety
- Pursuing HR development and innovation
- Fulfilling social responsibility as a corporate citizen through community involvement and cause-related marketing
- Establishing fair and long-term partnerships
- Responding to product quality and safety issues

**Major Awards and Recognitions**

- Land & Dec Jones Sustainability Index Korea for 7 consecutive years
- Mintel’s Best
- Recognized by CDP Korea as a Carbon Management Leader
- Recognized by GRI as a Global Reporting Initiative (GRI) “A” level
- Listed in 2016 MSC Global Sustainability Leaders, Global SRI Indices
- Winner of Korea’s Most Admired Companies – All Star Enterprises and Cosmetic Sector – Released by the Korean Management Association Consulting (KMAC)

**2020 Sustainability Commitments**

- Innovation for Customers
- Harmony with Nature
- Harmonious Growth
- Sharing for Society
- ETUDE
- Elfair
- AMOS Professional
- AESTUM
- Osulloc Farm
About Our Company

Since its establishment in 1945, Amorepacific has been pursuing our vocation as an Asian beauty creator by promoting the essence of Asian beauty. We opened Korea’s first cosmetic research and development center, and have produced innovative products combining Asian natural ingredients and latest cosmetic and dermatological technology.

Innovation for Customers

Sustainable Products

Amorepacific integrates social, environmental, and ethical considerations into the entire product lifecycle, from product development to consumption, to provide our customers with an experience of using sustainable products and to foster sustainable consumption. This focus further strengthens the environmental sustainability of our retail stores and reduces the environmental footprints of our packages. We continuously upgrade our sustainability framework to increase the positive contributions of our products and to improve our service to our customers, society, and environment.

Development of Sustainable Products

Amorepacific offers a range of sustainable cosmetic and personal care products. Our products are categorized by their impacts, which include customer-safety, environmental sustainability, and local community empowerment. We have established a set of rigorous standards for each category to increase our consumers’ trust of sustainability-certified products. Our internal sustainability standards are as strict as the ones established by specialized certification organizations, and we are continuously updating our standards to reflect changing regulations and findings from external experts. In 2016, we offered a total of 392 sustainable products to our customers around the world.

<table>
<thead>
<tr>
<th>Types of Sustainable Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer-Friendly Products</td>
</tr>
<tr>
<td>- Trained natural and organic products inspiring customer confidence</td>
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Amorepacific Promise

- Amorepacific continuously seeks to improve the sustainability of our packaging, and our focus areas include reducing packaging materials through resource-efficient and sustainable design, using recycled materials, encouraging the reuse of packaging, and using packaging materials made with renewable resources.

<table>
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Sustainable Technology Innovation

As of 2016, in addition to customer safety issues, we included environmental sustainability and social responsibility indicators in assessing the quality of ingredients. We also developed and refined specific evaluation criteria for three pillars of sustainable technology (i.e., customer, environment, and society), and focused on digitizing our evaluation process. Starting in 2017, all of our new products’ ingredients will be assessed on the three areas of sustainability. In addition, we will record and review the outcomes of our sustainability assessments in a master, digital database, improve our environmental impact assessment framework, and identify additional evaluation criteria to be added. Finally, we will set up the Sustainable Technology Advisory Group consisting of biodegradability experts, toxicologists, and other specialists in the field to seek their expertise and advice to further enhance the sustainability of our ingredients.

Research on Animal Alternative Testing Methods

We have fully recognized the importance of alternative methods for animal testing before the February 2017 enactment of Korea’s revised Act on Cosmetic Products that bans animal testing. Amorepacific has been undertaking a range of research projects on alternative methods for animal testing since 1997. Based on continuous research, we voluntarily discontinued all animal testing for cosmetic materials and products since 2008, publicly declaring our commitment on this topic, and prohibited animal testing for cosmetics except in situations in which animal testing is mandated by local governments and their laws in 2013. Currently, we are using alternatives to animal testing for skin irritation, skin sensitization, phototoxicity, absorption toxicity, ocular irritation, vaginal mucous membrane irritation, oral mucous membrane irritation, and endocrine disruption to assess the safety of raw materials and products prior to clinical test. In close collaboration with the Korean Ministry of Food and Drug Safety, Korean academicians, industry groups, and international experts, we are conducting research on alternative methods for animal testing, and we are focused on ensuring product safety without animal testing. Additionally, to continue assuring product safety, we are strengthening our collaboration with toxicologists.

Air pollution in Asia is quite serious, as particulate matter (fine dust), haze (which causes reduced visibility), and smog affect billions of people. The impacts of particle pollution are alarmingly severe in the Northeast Asia region that includes China and Korea. Particulate matter (PM) consists of solid and liquid particles in the air that, when inhaled or absorbed through skin, can cause serious health problems. In 2013, the World Health Organization (WHO) categorized fine PM as a cancer-causing agent. In response, since 2014, we have conducted a range of research to provide skin care solutions that can help our customers protect their skins from fine PM. To conduct this research, we compared the skin conditions of two types of customers – the ones living in PM air pollution areas and residents of areas declared to be safe from severe PM pollution.

We also did a comprehensive analysis of about 25,000 genes in our skin cells to investigate the harmful effect of PM-related electric generation on our skin. Based upon the research, we generated the findings confirming that fine PM accelerates the skin aging process by creating substances that cause skin irritation. Then, we developed approaches to protect our customers from PM in order to address the needs of Chinese and Korean customers.

These approaches consist of the following: first, we introduce the ‘skin defense technology’ which helps customers protect their skin from PM when they are outdoors. Second, we provide a cleansing technology to remove the remains of PM on the skin. Third, we offer a technology to ease PM-caused skin damage. We are presenting optimal skin care solutions to our customers who are impacted by PM air pollution and have also paved the way for innovative anti-pollution beauty products.
Sustainable Stores

Our stores represent our brand values and are the prime way our products are introduced to customers. By focusing on the integration of sustainability thinking into all aspects of our store design and operation, we are making our utmost efforts to reduce our environmental footprints. We prioritize the use of environmentally sustainable in-store interior materials across all of our stores and regularly monitor the sustainability performance of our stores. To mainstream environmentally sustainable thinking in our store operations, we included the use of environmentally sustainable interior materials as one of the important performance indicators.

From the second half of 2015, we mandated all new Aritaum stores to use environmentally sustainable in-store interior materials. Specifically, to reduce the possibility of "Sick Building Syndrome", we only use the Korea Eco Label products for plaster boards, woodworking adhesives, and water paint. For energy efficiency, in 2016, we updated our manuals to mandate all Aritaum stores to use LED products, which use less energy. This requirement will be applied to all new stores and renovated ones.

In addition to using space in a more environmentally sustainable way, we are also expanding the use of compostable wrapping papers and packing bags to further reduce our environmental footprint and raise our customers’ environmental sustainability awareness. Three of the packing materials our Aritaum stores use are compostable wrapping papers and packing bags to further reduce our environmental footprint and raise our sustainability awareness among customers.

Innovations for Customers

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Responding to Climate Change

Amorepacific deeply values harmonious relations between nature and humanity. Fully recognizing the urgency and seriousness of global environmental challenges such as climate change, we are prioritizing environmental sustainability activities throughout our business strategies and operations to minimize our environmental footprints.

Amorepacific applies rigorous environmental sustainability standards to the entire lifecycle of our products (from research and development to disposal of products) to minimize our environmental footprints. Towards this, we develop production technology requiring the minimum use of energy, optimize energy efficiency, and promote eco-driving to reduce greenhouse gas (GHG) emissions. To increase customer awareness of our eco-friendly lifestyle, Amorepacific focuses on increasing the number of products certified for carbon footprints and embarked on a public campaign on recycling cosmetic bottles.

<table>
<thead>
<tr>
<th>Strategies</th>
<th>2016 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Support business partners’ low carbon production mechanism</td>
<td>• Development of the low-temperature emulsion polymerization technology and used in 37 products</td>
</tr>
<tr>
<td>• Improve energy efficiency across production process</td>
<td>• Reduction of GHG with 76 cases of improvement of energy efficiency: 465 tCO2eq</td>
</tr>
<tr>
<td>• Use renewable energy</td>
<td>• Use of renewable energy: 136,546kwh generated through solar power</td>
</tr>
<tr>
<td>• Encourage the implementation of eco-driving practices by contracted logistics and transportation companies</td>
<td>• Conversion to LED lights: 20% (Beauty Campus Seoul)</td>
</tr>
<tr>
<td>• Measure product carbon footprints</td>
<td>• Improvement of fuel efficiency – 5% increased (compared with 2012)</td>
</tr>
<tr>
<td>• Expand the certification of low carbon production</td>
<td>• Number of carbon footprints certified products: 8</td>
</tr>
<tr>
<td>• Undertake consumer campaigns on sustainable consumption</td>
<td>• Consumer campaigns: LANEGIE ‘Refill Me’ and primera ‘Love The Earth’</td>
</tr>
<tr>
<td>• Continue the used bottle recycling campaign</td>
<td>• Collected 123 tons of used bottle for recycling</td>
</tr>
</tbody>
</table>

Amorepacific focused on reducing the emission of CO2 using improved technology that can be applied during the production stage. Since 2014, our R&D Center, in collaboration with the Supply Chain Management (SCM), successfully developed and applied the low-temperature emulsion technology to reduce the energy use when producing lotions and creams which use the emulsion. The existing technology mixed oil with water at high temperature and cooled the emulsified material. To improve the efficiency of the existing technology, we tested three other types of processes: a) low temperature emulsion which uses cold water when mixing with hot oil; b) emulsifying oil in water at high temperature, and cooling the mixture with cold water; c) emulsifying at room temperature.

We identified optimal emulsifying technologies for each product type, which applies innovative solutions to readdress the processing temperature and mixture combination. By applying this technology, we produced 37 products and reduced the emission of CO2. In 2017, we plan to expand the use of this technology in all production facilities and will continue to accelerate the development of technology that can contribute to the reduction of CO2 emission throughout our production process.

Amorepacific undertook an array of activities to increase energy efficiency across all of our facilities and offices. In 2016, with a total of 76 specific activities, such as improving the fuel efficiency of boilers, we were able to reduce a total of 465 tCO2 eq and KRW 530 million. Additionally, we share a notable energy reduction case through our internal cross-functional task force on climate change.

<table>
<thead>
<tr>
<th>Year</th>
<th>Greenhouse Gas Emission Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>465 tCO2eq</td>
</tr>
<tr>
<td>2017</td>
<td>KRW 530 mn</td>
</tr>
</tbody>
</table>

The reduction in energy use by each technology to achieve the required temperature:

1. Simple Low-Temperature
   - Reduction of energy use
   - Reduction of energy efficiency
   - Cost Saving

2. Multi-Stage Low-Temperature
   - Reduction of energy use
   - Reduction of energy efficiency
   - Cost Saving

3. Room Temperature
   - Reduction of energy use
   - Reduction of energy efficiency
   - Cost Saving
Water Stewardship and Waste Management

By recognizing water shortage and natural resource depletion as urgent global challenges, Amorepacific is undertaking various efforts to reduce water consumption throughout our production cycle. We have worked consistently to reuse and recycle wastewater from our production facilities to improve water efficiency and to contribute to the circular economy.

<table>
<thead>
<tr>
<th>Recycling and Reusing Water</th>
<th>2016 Reducing Water Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling of Water</td>
<td>Use or Rain Water</td>
</tr>
<tr>
<td>28,000 tons</td>
<td>35,000 tons</td>
</tr>
<tr>
<td>27KRW mn saved</td>
<td>72KRW mn saved</td>
</tr>
</tbody>
</table>

We are reducing water consumption by introducing wastewater recycling system in our production facilities. At our Beauty Campus Osan, we retrofit the wastewater discharged from the water treatment facilities of the plants. In 2016, using our wastewater recycling system, we reduced approximately 1,300 tons of water and plan to increase the amount of recycled water by gradually improving our recycling capability. We saved approximately 28,000 tons of water by reusing the condensed water produced during the condensation process and the recycling wastewater.

Optimizing Water Use
At our Mass Cosmetic Production site, recognizing that condensate water was being contaminated by the latent water vapor of the heating and cooling system, we introduced a water quality management system to monitor the contamination. With this, we were able to reduce the severity of water contamination and optimized water consumption. In addition, we will introduce technology that extracts heat to minimize the condensate formed.

Waste Management
By reducing the amount of waste across our facilities and increasing the recyclability of waste, Amorepacific contributes to the building of the circular economy. At our Mass Cosmetic Production site, we improved the technology and process of wastewater treatment and reduced the amount of sewage sludge – the residual material produced as a by-product during industrial wastewater – by about 5%. To identify more effective ways to reuse and reuse wastewater, we analyzed the types and traits of waste produced in each production site.
Conservation of Biodiversity

Biodiversity is fundamental to healthy human life. However, with short-term focused development, the loss of biodiversity is alarming. As the cosmetic industry, of which Amorepacific is part, uses large amounts of biological resources for ingredients, we have been undertaking a range of activities to preserve biodiversity and to share the profits gained through those activities.

Restoring and Proliferating Korean Indigenous Rare Soybeans

Soybeans that originated from the Manchurian and Korean Peninsula have been essential elements in Korean diets throughout its history. Yet, as industrial agricultural practices focused on commercially competitive soybeans, the diversity of cultivated beans deteriorated. To contribute to restoring the biodiversity of soybeans, and identify unique properties that can be commercially used for the cosmetic industry, we did research on restoring and nurturing rare native beans. In 2016, Amorepacific researched the distinctive properties and effects of Korean Nanjakong (flat beans), Pumankong (green soybean), and green kernel black beans and succeeded in materializing their unique properties as ingredients for our cosmetic products. The products incorporating these rare soybeans include prima Wild Seed Firming Cream, Proliferating Korean Soybeans, and Restoring and Resources for ingredients, we have been undertaking a range of activities to preserve biodiversity and to share the profits gained through those activities.

Build Greenhouse for Endangered Species

As part of our joint research efforts with Chollipo Arboretum in Korea, we built a special biodiversity greenhouse dedicated to preserving endangered native plants. Completed in June 2016, this greenhouse is being used to preserve and proliferate endangered Korean plants such as Prickly Waterlily, Korean Water Crowfoot, Dwarf-woodland Korean iris and Abeliophyllum Distichum Nakai. In the coming years, we will identify environments where these plants can grow without human interventions and introduce them into their natural habitats.

Support for the Publication of ‘Magnolia Book’ and Research on the Proliferation of Camellia

In late 2013, Chollipo Arboretum and Amorepacific created a ‘Magnolia Book’, which contains detailed information on over 600 types of magnolias that Chollipo Arboretum cultivates, and this book will be published in 2017. In addition, we learned that the cold tolerant, Korean native camellias, which are grown on a northwest island in Korea, are being threatened by habitat destruction. To preserve its unique quality of cold tolerance, we began research on this camellia and succeeded in propagating about 600 of them. In 2017, we will replant these camellias in their natural habitat.
Growing Together with Our Employees

Amorepacific seeks to provide an optimal, creative work environment in which all of our employees can fulfill their potentials. We respect the rights of individual employees, foster talented individuals with various abilities, and provide competitive and reasonable compensation based upon performance. All of our efforts related to human capital management contribute to creating a corporate culture based on trust.

Human Capital Management

Our human capital management strategy is based upon the AP WAY, which reflects our vision for changing the world through beauty. AP WAY outlines three pillars of our business philosophy (i.e., service to humanity, respect for individuals, and the creation of the future) and elaborates five key values which seek to guide our action (i.e., openness, integrity, innovation, proximity, and challenge). Our human capital management strategy upholds the AP WAY, fostering conscientious and action-oriented ‘creative beauty masters’.

Key Objectives of Human Capital Management

- Enhancing the capacity of our employees
- Improving the organizational culture
- Strengthening the leadership capacity of senior management
- Strengthening the capacity of the corporate culture
- Education for fostering creative masters

Role of Human Capital Management

- Promoting and internalizing corporate values
- Supporting organizational development to strengthen corporate core competencies
- Systematic support for employee’s gradual professional development
- Offering human resource development (HRD) solutions for high performance

Key Performance Outcomes

- Changing management of organizational culture
  - Implementing corporate value practices – AP WAY 2016
  - Establishing the Code of Conduct and anti-corruption management plans
- Talent Management Programs
  - Developing Amorepacific’s unique training methods and curriculum
  - Developing the strategy to strengthen the agility and adaptability of employees/employees’ teams for key work
- Global Talent Management
  - Offering standard manuals on customer engagement for each brand
  - Offering in-house training
  - Training for beauty partners in China, Hong Kong, and Singapore
  - Education on leadership development
  - Educating on strategic decision making, digital intelligence, and emotional intelligence
- Strengthening the capacity of beauty partners
  - Training on management capacity building for supervisors working with beauty partners
  - Strengthening the quality of professional certification programs and process
  - Establishing the mentorship of outstanding supervisors and senior managers for leading the next generation of supervisors (e.g., Sampyeong Park, Health University, Seoul University, and Shanghai University)

Corporate Value Practices

| Management Capacity Building for Supervisors Working with Beauty Partners |
|---------------------------------|------------------|
| 6 courses, 12 sessions | 3,207 participants |
| 91 sessions | 246 participants |

Happy Workplace

To foster a creative and happy workplace, the Amorepacific operates various programs.

This program is designed to provide team leaders with an opportunity to share their gratitude with their team members. The team leaders will each identify a specific team member who they wish to acknowledge, send that team member a card and a gift, and offer that team member a day-off to spend with his or her family.

This symbolic tree of wishes is created in a special biennial program in which employees can submit a list of special wishes that they would like their companies to address. We offered this program twice in 2016, and selected the 50 wishes we addressed.

We support in-house clubs to encourage our employees to enjoy various recreational and cultural activities. These clubs encourage less hierarchical and casual networking opportunities for employees, and they are designed to increase employee job satisfaction. In 2016, the total number of in-house clubs increased to 18 from 4 in 2015 with the addition of new clubs such as board games, yoga, LEGO, and flower house clubs.

Happy Workplace Programs

In-House Clubs

Gratitude and Compliment Relays

Hope Tree Programs

Special Lecture Series

This program was launched to provide our employees with an opportunity to participate in intellectually stimulating lectures at the workplace. We offer lectures that can strengthen our employees’ exposure to humanity and invite their feedback to provide the most popular and relevant lectures. In 2016, we offered 4-special lectures, including the one with Tai-ho Kim, a famous Korean TV producer who made the most successful comedy program in Korea and the other with Chun-ho Park, Korea’s first baseball player to compete in the U.S. major league.
Amorepacific provides equal opportunities to all its employees according to their competencies and qualifications and in accordance with the Code of Ethics. For evaluations and rewards are given based on job performance, while discrimination in the processes of recruitment, job assignment, and promotion due to gender, place of birth, nationality, race, religion, disability, or educational background is strictly forbidden. We also comply with the rules and regulations of all countries where we operate and make the utmost effort to prevent any egregious human rights violations, and are actively supporting working mothers and people with disabilities.

Respect for Diversity

Amorepacific has not had conflicts or disputes between the labor union and management for the past 25 years because of the trust we have built through regular communication. As of the end of 2016, the number of employees in the labor union was 2,993, with 51.7% of the employees holding memberships. Employees are also free to join or leave the labor union at any time. A collective agreement is concluded once every two years, and it is applicable to all of the employees. Furthermore, in addition to the regular labor-management council and its meetings, we are actively communicating through various other informal communication channels to share business strategies and address any areas of concerns. The labor-management council operates at each production site, and every quarter, they consult on the matters necessary to promote employee health and welfare, resolve their difficulties, and ensure a harmonious balance between career and family life. The management in each business sector and the executives of the labor union meet regularly for bilateral communication.

To foster the mutually beneficial labor and management culture, we have convened regular workshops where executives from the executives of the labor union meet regularly for bilateral communication. To promote harmony between career and family, Amorepacific has created programs to support expecting parents, such as parental leave for work and life balance, offered reduced working hours during the child’s critical development stages, and created programs to support working mothers. These initiatives aim to provide employees with a healthy work-life balance, ensuring that every employee can pursue their career goals while managing their family responsibilities. Amorepacific values the importance of a balanced work-life environment and strives to create a harmonious workplace where employees can thrive personally and professionally.

To support expecting mothers and mothers in postpartum recovery, we started a special program. This program informs the various entitlements we offer to pregnant women such as reduced working hours, maternity leave, hospital visits during working hours, and the elimination of overtime work. We also address the physical concerns of pregnant employees by replacing their chairs with ones better designed for women in pregnancy, offering foot stools, and providing extra blankets. This program also educates other employees about the importance of maternity leave and supporting expecting parents. As a result, the use of maternity leave by expecting mothers has increased. Expecting mothers have expressed appreciation for the systematic support they received from their colleagues, and indicated the usefulness of the materials we supplied in relieving their physical discomfort. Finally, we have strongly encouraged parental leave for work and life balance, offered reduced working hours during the child’s critical development stages, and created programs to support working mothers. These initiatives aim to provide employees with a healthy work-life balance, ensuring that every employee can pursue their career goals while managing their family responsibilities. Amorepacific values the importance of a balanced work-life environment and strives to create a harmonious workplace where employees can thrive personally and professionally.

To support expecting mothers, Amorepacific has taken several measures to address the unique challenges faced by pregnant employees. The company provides a range of entitlements such as paid maternity leave, reduced working hours, and accommodations for expecting mothers. These initiatives not only support the health and well-being of pregnant employees but also help in maintaining a productive and inclusive work environment. Amorepacific’s commitment to maternity support is evident in the increased use of maternity leave by expecting mothers. This reflects the company’s focus on fostering a work-life balance that enables employees to balance their professional and personal responsibilities.

programs to support expecting mothers

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Programs to Support Expecting Mothers

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Inclusive Growth

Amorepacific has not had conflicts or disputes between the labor union and management for the past 25 years because of the trust we have built through regular communication. As of the end of 2016, the number of employees in the labor union was 2,993, with 51.7% of the employees holding memberships. Employees are also free to join or leave the labor union at any time. A collective agreement is concluded once every two years, and it is applicable to all of the employees. Furthermore, in addition to the regular labor-management council and its meetings, we are actively communicating through various other informal communication channels to share business strategies and address any areas of concerns. The labor-management council operates at each production site, and every quarter, they consult on the matters necessary to promote employee health and welfare, resolve their difficulties, and ensure a harmonious balance between career and family life. The management in each business sector and the executives of the labor union meet regularly for bilateral communication. To foster the mutually beneficial labor and management culture, we have convened regular workshops where executives from the management and labor union leaders can participate jointly.

Move towards Inclusive Growth,

"After diagnosis with disability, I felt that hope for a better future was far from me."

Soo-hyun Lee (pseudonym) who worked as a private English instructor was diagnosed with disability seven years ago due to cerebal hemorrage. In addition to physical pain, she experienced financial difficulty as it was difficult to find a suitable employment opportunity. With her new job at Amorepacific, she has finally found the pathway for a better future.

Because of prejudice and social stigma which affects recruiters’ neutrality in making hiring decisions, people with disability in Korea are often faced with difficulty in finding suitable employment opportunities despite their willingness and capabilities. The widespread prejudice is extremely discouraging to people with disability. In an effort to provide people with disabilities with employment opportunities, Amorepacific established a subsidiary “WeDream”. In October 2016, WeDream was certified as people with disability friendly work environment by the Korea Employment Agency for the Disabled. WeDream employees are responsible for packaging our products as part of our Beauty Campus Osan’s distribution support center, and we will continue to expand a range of tasks that our employees will undertake while considering the severity and types of disability of our employees.

Lee told us that her work with WeDream gave her a new sense of hope and pride as a valuable member of society. Through WeDream, Amorepacific is committed to providing opportunities where people with disability can engage in quality work to pursue our vision of “A MORE Beautiful World” through the Inclusive growth efforts.

WeDream

WeDream is a subsidiary of Amorepacific, which is dedicated to providing job opportunities for people with disabilities. It was established in 2016 in response to increasing social awareness of disability. WeDream aims to break the barriers that prevent people with disabilities from fully participating in society.

Inclusive growth efforts.

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Inclusive growth efforts.
Health and Safety of Employees

Amorepacific considers employees’ safety and health as one of the top management priorities because healthy employees are fundamental to running an ethical and competitive company. For all of our employees, we implement a number of programs that reinforce our SHE policies and related operational procedures. In 2016, we extended the implementation of our SHE policies and procedures to all of our subsidiaries and further strengthened the safety standards of all of our stores.

### SHE Management Process

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<th>Group-Wide SHE Management Structure</th>
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Effective implementation of the SHE policies and procedures requires active internal communications and strong buy-in from the top management. SHE issues are regularly reviewed at the board’s Sustainable Management Committee, our highest decision making body, and are addressed at the Group SHE Sub-Committee, a decision making body among senior management. In addition, SHE issues are regularly discussed at the Supply Chain Management Committee, and an in-house SHE working group is convened to foster communication among working-level staff members.

| R&D Center |
| SCM |
| Headquarters and Local Offices |

### Programs for Employees

- **Health and Wellness Programs for Employees**

  **Health and Wellness**

  - For our employees’ wellness, we offer various programs. In 2016, 101 employees were voluntarily participated in an “Annual Check-Up Follow-Up Program” to support their efforts to reduce the health risks identified during the annual check-up. This program was developed in collaboration with medical institutes, and we will expand the coverage of this program and promote its benefits to our employees.

  - **Follow-Up and Support of Employees with Health Risks**

    - We offer various programs for employees who need support. For example, we have developed a “Health Fund and Stop Smoking Fund” to help employees reduce weight and body fat and a stop smoking fund for employees who wish to quit smoking.

    - **Health Fund and Stop Smoking Fund**

      - In 2016, we partnered with the public health clinic to run a health fund for employees who need to undergo check-ups. The fund provides support for employees who need to undergo check-ups.

      - **Trainings on Cardiopulmonary Resuscitation (CPR)**

        - We offered a series of trainings based upon the AP SHE Procedures to the supervisors and managers responsible for store operations. In 2017, we will strengthen the risk management process that helps prevent and manage fires and will develop related policies and operational procedures.

      - **Fulfilling Global Corporate Citizenship**

        - We have established the Committee on Store Safety and Health in 2016. To systematically manage the SHE risks that can occur in our stores, we established the Committee on Store Safety and Health in 2016. The Committee focuses on key areas of safety and health issues for customers and other stakeholders visiting the stores with SHE managers across the group and representatives from our partner companies to develop recommendations for further improvement.

        - **Store Safety Risk Assessment and Emergency Response Capacity Building**

          - To identify the safety and health risks in our stores, we reviewed their compliance on 35 areas of SHE items. In 2016, we partnered with the Korea Electrical Safety Corporation to conduct a detailed risk assessment of potential high-risk fire hazards in 146 stores. As a result, we identified a total of 627 areas for further improvement and are working to address these risks.

          - **Improving the Group’s SHE Standards**

            - In 2014, Amorepacific introduced the Group’s SHE Standards to comply with the laws and regulations of countries where we operate, as well as to meet the global SHE standards. In 2016, we updated the SHE standards to further optimize our SHE processes. The revised standards include a total of 31 subjects according with Plan-Do-Check Act (PDCA) framework, a set of guidelines with which all Amorepacific Group’s facilities and business partners must comply.

            - **Further Refining the Group’s SHE Audit Standards**

              - We also further refined our SHE audit process to continue to monitor and evaluate our SHE performance according to the revised SHE standards and operational processes. The revised SHE Audit Standards include a total of 436 items that will be audited to regularly monitor and assess our global compliance with SHE standards, and it mandates the review of our production facilities, distribution centers, research institutes, retail stores, and offices. For efficient implementation, we provided a training program to develop in-house SHE auditors and foster communication among working-level staff members.

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        - **Health Fund and Stop Smoking Fund**

          - Amorepacific operates a program that supports the well-being of our employees. Similar to the last year, we partnered with a public health clinic to run a health fund for employees who need to undergo check-ups and a stop smoking fund for employees who wish to quit smoking.

        - **launching a Standing Work Program to Prevent Musculoskeletal Disorders**

          - In 2016, we launched the program officially and invited 100 employees who indicated the experience of musculoskeletal disorder related symptoms to participate. It is hoped that this program will lead to improved performance and health of our employees.

        - **Revising the Group’s SHE Standards**

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Growing Together with Our Business Partners

Amorepacific has been undertaking a series of activities based upon our partner strategies and centered on financial support, human resources capacity building, and the support of technological competencies and profit increases. We are committed to fostering the culture of fair business relationships that benefit all of our business partners.

MUTUAL GROWTH WITH BUSINESS PARTNERS

Financial Support
- Supporting the Financial Health and Sustainability of Our Business Partners
  We provide loans to our suppliers at low interest rates using our KRW 20 billion Win-Win Partnership Fund that provide direct assistance to partner companies and our KRW 4 billion mutual growth Fund that we jointly developed with the Industry Bank of Korea (IBK). Furthermore, we run a KRW 600 million mutual growth investment Fund to provide financial assistance to enhance our business partners’ capacity. In April 2016, we revised our payment policy to ensure that within ten days of the receipt of an invoice, we completely pay, in cash, to all the small and medium-sized enterprises with whom we have a mutual growth compact. By using the mutual growth partnership loan and cash payment monitoring system, we extend an inclusively beneficial payment system, offering prompt payment, to small enterprises in the 2nd and 3rd tier supply chain.

Human Resources Capacity Building Support
- Support Business Partners’ Participation in Overseas Training
  Amorepacific provides financial support to suppliers’ participation in overseas training to enhance their competitiveness. Annually, we support the overseas trips of these partner companies. In the past, they travelled to Japan to learn about the Toyota Production System (TPS) and Japanese innovation strategies. In 2016, we supported these partners’ trip to Germany to study the German Government’s Industry 4.0 Strategy. Through these trips, partners were able to reflect on business strategies they can apply to meet the needs of customers in the digital era.

- Support the Welfare of Employees of our Business Partners
  We are providing assistance to enhance the welfare programs that benefit our best performing suppliers’ employees. In September 2016, we introduced a program that provides in-kind support to those who lost their family members.

Support for Technological Innovation
- Business Partners Study Group on Innovation
  Amorepacific supports the establishment of a community of learning among business partners in the same industry to foster innovation. We offer professional consulting service to address business challenges in the areas of pricing, production, product quality management, distribution, production technology, and management of equipment. In 2016, a total of 8 business partners engaged in a Study Group on Innovation, which identified areas of improvement and potential solutions, including the Quality Assurance (QA) process, 5 Business Management Processes (i.e., organization, arrangement, cleaning, cleanliness, and habitation) and production site management.

Open Communication

- Convening the Mutual Growth General Assembly with Business Partners
  Annually, we convene two meetings with the management of our business partners in an attempt to enhance communication. The Mutual Growth with SCM Partners General Assemblies are convened at the start of every year, and the Win-Win Seminars are held at the end of every year. At the Mutual Growth General Assembly held in March 2016, we recognized the best performing business partners with awards and entered into the Mutual Growth Compact with 65 small and medium-size enterprises that work with us. At the Win-Win Seminar in December 2016, we shared the best practices on innovation among business partners in the same industry, reviewed the 2016 performance records, and discussed our 2017 procurement strategies.

- Meetings with Second-Tier Suppliers
  We convene regular meetings with second-tier suppliers to strengthen our collaboration with second-tier suppliers and promote a culture of Mutual growth in Korea’s business ecosystem. In 2016, we supported seven strategically significant second-tier suppliers to together share our vision and strategies on procurement, solicit supplier concerns, and discuss ways to further enhance our efforts on inclusive growth.

- Mutual Growth Newsletter Series
  Starting in 2016, Amorepacific began to send regular newsletters to our suppliers to share relevant information on our company and key activities and to encourage our company’s various Mutual growth programs.

- Door-to-Door Sales Associates and Managers
  In 2013, we launched the “Door-to-Door Sales Associates and Managers” program, consisting of five senior executives of Amorepacific and 17 elected managers who oversee door-to-door sales agents. These managers participate in quarterly meetings regularly to provide advice on our overall sales policies and discuss the practical challenges facing door-to-door sales agents. Our management representatives integrate various opinions that were conveyed to them into our business strategies to strengthen our sales activities. In 2016, two meetings were held in April and December.

- Sharing the Patent to Strengthen SME Competitiveness
  In collaboration with Jagi, Techno Park and Jagi University, Amorepacific shared the patents we own with SMEs without charge to enhance their competitiveness and accelerate the commercialization of patented technology. This effort was designed to share the benefits of our research with broader society, and we gave a total of 8 patents to 6 SMEs who responded to our October 2016 offer. We will actively support the commercialization of these patents by providing technology consulting to SMEs.

- Strengthening Brand Value
  In 2016, we launched the “Door-to-Door Sales Partnerships Council,” consisting of five senior executives of Amorepacific and 17 elected managers who oversee door-to-door sales agents. These managers participate in quarterly meetings regularly to provide advice on our overall sales policies and discuss the practical challenges facing door-to-door sales agents. Our management representatives integrate various opinions that were conveyed to them into our business strategies to strengthen our sales activities. In 2016, two meetings were held in April and December.
Good Jobs Strategy for Beauty Partners

In 2016, we focused on implementing activities that enhance our business partners’ competitiveness and strengthen the motivation of beauty partners. Specifically, we made an effort to enhance the competitiveness of beauty partners by offering a series of training programs, and we helped improve beauty partners’ motivation and satisfaction through financial incentives, improvements to the work environment, and wellness programs.

Professional Development Trainings

| 6th Annual APBU Ehwa-A amorepacific Academy |
In collaboration with the Ehwa Women’s University’s Continuing Education Center, we offer our beauty partners an opportunity to strengthen their professional expertise. In 2016, 60 beauty partners completed the Ehwa-Amorepacific Beauty University (APBU) Executive Education program by taking courses on female leadership, coaching, communication, and other beauty industry-related skills.

| Trainings for Global Make-Up Artists and Trainers |
Amorepacific offers trainings to strengthen the skills of global make-up artists and make-up trainers. The programs include specialized courses entitled “Introduction to 20th Century Make-Up Trends” and “High-Level Professional Make-Up Techniques”, and workshops teaching make-up styles and applied techniques of K-Pop and K-Drama celebrities led by K-Beauty Make-Up Artists.

Improving Welfare

| AMORE Counselor Benefit Society |
AMORE Counselor Benefit Society was a voluntary association established in 1982 to promote the pride and welfare of counselors (sales associates). Annually, we provide KRW 2 billion to 38,000 counselors working in Korea for medical expenses, tuition for children, weddings for children, funeral service expenses, and emergency disaster funds.

The AMORE Counselor Benefit Society is run by the Management Committee consisting of 15 counselors elected from 31 sales teams and a Chief Executive Officer. The Committee convenes twice a year to review the annual budget, discuss the group’s sales strategies, and share concerns within the field along with ideas for further improvement.

Fostering the Good Work Place

| Mind Care Program |
We are making an effort to proactively respond to the emotional demands of our sales associates at work. The programs we offer to address beauty partners’ stress levels include the “Delivery Dreamer”, a program designed to listen to the concerns of beauty partners and offer counseling and monthly workshops on stress management. We will continue to focus on addressing the emotional well-being of our partners and develop a mechanism that can support them in stores.
New CSR Vision

A MORE Beautiful World

At Amorepacific, we believe that every woman has the innate passion and capacity in nurturing better and more beautiful lives for herself, her families, her communities and the world. We trust the strength of women in creating a more beautiful world. All of our efforts to help women thrive and embrace their strength of caring for others. Amorepacific’s important purpose is to beauty women’s lives. Our vision aims to contribute to “A MORE Beautiful World” where every woman can live her best life as she desires.

Beautiful Women’s Lives

With a single flower blooming for the world, Amorepacific promotes its CSR vision and undertakes various global programs to realize women’s dreams for the world, share happiness with more people and cultivate beauty around the world.

To create A MORE Beautiful World, Amorepacific manages various programs that aim to create positive impacts on the society focused on three core initiatives: Women, Nurturing Culture, and Natural Ecosystem.

Corporate Social Contribution

Makeup Your Life

Beginning in 2008, Makeup Your Life campaign is designed to support female cancer patients by using makeup and skincare advice and hair-styling. This campaign focuses on helping these patients overcome various psychological challenges during their treatment and recovery by discovering their inner beauty and fostering positive self-waters. In 2016, our 857 AMORE counselors engaged with 1,049 cancer patients through a total of 35 hospital events. For those who were unable to visit the hospital, we offered志愿服务 service for 4 one-on-one sessions. One of the visits was collaborated with Kyung Hee University HealthCare System and Amos Professional.

Number of Cancer Patients Recipients (since 2008): 12,360
Number of Volunteers (since 2008): 4,347

Pink Ribbon Campaign

In 2000, Amorepacific founded the Korea Breast Cancer Foundation, for the first time in Korea, and has promoted the Pink Ribbon Campaign to raise awareness of breast health. This campaign, which began in 2001, has attracted approximately 570,000 people over the past 16 years. In 2016, we launched a year-long ‘Promise to Love My Heart’ slogan to reach out to more people about the importance of breast health. A signature program of this campaign is the Pink Ribbon Love Marathon, which began in 2001, and attracted over 299,000 people and raised KRW 3.2 billion to support the Korean Breast Cancer Foundation over the last 15 years. In addition, we offered a Pink Tour education program focusing on breast-health information and cancer-prevention knowledge, and ran a Pink Generation program citizen-ambassadors share the key message of the campaign to their peers.

Number of Participants (since 2001): 12,360
Number of Volunteers (since 2008): 4,347

Category

Corporate Overview

CEO Message
Brand Portfolio
Business Overview
Vision
AP WAY
Financial Performance
Governance
Ethical Management
Risk Management
Materiality Analysis
Stakeholder Communication

2016 Highlights

Expanding Global Business Activities
Strengthening Brand Value
Leading Digital Beauty and Innovation
Fulfilling Global Corporate Citizenship
Strengthening Sustainability of Partners
Response to Product Quality and Safety Issues

2016 Sustainability Performance

2016 Performance for Sustainability Management Structure

Sustainability Focus Area
Sustainability Commitments
Sustainability Vision
Governance
Risk Management
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Financial Performance
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Vision
Brand with Purpose
Beautiful Women
Beautiful Ecosystem
Beautiful Culture
Corporate Social Contribution
Beautiful Sharing in Kind
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Employee Sharing Activities

2020 Sustainability Commitments

Sustainability Vision
Sustainability Focus Area
Sustainability Commitments

Appendix

Independent Assurance Statement
Verification Statement
GRI G4 Index
About This Report
Amorepacific undertook a range of activities to improve the quality of public participation in our signature environment campaign – GREENCYCLE, which began as a recycling program of used cosmetic containers. In 2016, with the newly established empty cosmetic containers recycle process, we produced 3,000 jumping ropes with recycled containers, and donated them to children’s centers in the cities of Jeju and Ocean in Korea. In addition, we displayed and sold 300 accessories such as rings, bracelets, and necklaces made with recycled containers. We also demonstrated how these used cosmetic containers can be upcycled by showcasing the large tree made of these containers at Dongdaemun Design Plaza in Seoul. Additionally, we promoted the upcycling potential of used containers through an experience-oriented exhibition “Useless, but Useful”, guerrilla gardening, Seoul Street Art Festival, and Glass Flower Exhibition near Duksoo Palace, and presented creative recycled products such as pencil cases, using remainder of pouch. Through this creative environment campaign, we will continue to develop the innovative approach to green supply-chain management, and encourage stakeholders to participate in this campaign.

GREENCYCLE Campaign

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<td>572,077</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Participants in Education Session of Breast Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>243,357</td>
</tr>
</tbody>
</table>

Heemang (meaning “Hope” in English) Store is a start-up assistance program designed to support low-income single mother households and financed through the JANGWON Sung-whan Suh’s Beautiful World Endowment Fund of the Beautiful Foundation at our late former chairman, Sung-whan Suh’s will. The Fund provides low-income single mothers with a microcredit of KRW 40 million without requesting any collateral or guarantee to help them start their own business. To assure the sustainability of sharing, the loan repayments are reinvested as Heemang Seed Money towards funding other female entrepreneurs. Since we opened our first Beautiful World Fund Heemang Store (Mijeyeon) in July 2004, a total of 300 stores have been supported as of December 2016.

<table>
<thead>
<tr>
<th>Number of Heemang Stores (since 2004)</th>
</tr>
</thead>
<tbody>
<tr>
<td>300 stores</td>
</tr>
<tr>
<td>Repayment Rate of Heemang Store Loans</td>
</tr>
<tr>
<td>83%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Income of Store Owners</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.54 KRW mn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of People Who Received Screening Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>29,337</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Contribution to Research on Breast Cancer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.7 KRW mn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Number of Participants of Pink Ribbon Campaign (since 2001)</th>
</tr>
</thead>
<tbody>
<tr>
<td>572,077</td>
</tr>
</tbody>
</table>

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<tr>
<td>243,357</td>
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</table>
To support Korea’s up-and-coming young artists and enhance the accessibility of contemporary art to the general public, Amorepacific has been sponsoring our signature contemporary art project called apmap (Amorepacific Museum of Art Projects) since 2013. The fourth series of the apmap – “apmap 2016 yongsan – make link” was held at a Yongsan family park in Seoul and Amorepacific’s new headquarters, and attempted to convey the meaning of connection transcending time and space with two simultaneous exhibitions. These exhibitions sought to capture the zeitlichkeit (temporality) of Yongsan, central Seoul’s spatial reality by presenting its past, present, and future, and also conveyed the connectivity between urban areas, nature, and human beings that are present in this space. Especially, the exhibition in central Seoul attempted to foster the natural interaction between participants and arts. We will continue to promote Korean contemporary arts and enrich local communities through our apmap series.

Amorepacific encourages its employees to participate in volunteering activities to spread the value of sharing and make positive impact on society. In addition to volunteering activities, our employees regularly donate items to the BeautifullStore, participate in the matching gift program, in which an equal amount of the money donated by employees is contributed by the company, and make a small monthly donation from their salary. We also introduced the Sharing Mileage Program, which rewards employees for their voluntary service to help them easily access to volunteering.

### Employee Sharing Activities

<table>
<thead>
<tr>
<th>Volunteering Activities</th>
<th>Donation of Goods</th>
<th>Matching Gift</th>
<th>Salary Sharing</th>
</tr>
</thead>
</table>

As of 2016, Amorepacific designated the first Fridays of each month as A MORE Beautiful Day to support our employees and stakeholders to make a new culture that supports good deeds. Since its launch in September 2016, a total of 1,400 employees, participated in a monthly activity, and we will continue to promote the value of good deeds. Major activities include: soap making sessions to support children in developing countries who will benefit from sanitized handwashing, knitting sessions to make scarves for elderly people who live alone, making gift packs for prospect 1st graders from low income families, and baking cookies. In addition, our employees participated in special lectures with external experts on sharing, donated used clothes and products, and reduced the use of disposable products. With the campaign, we aim to internalize an attitude so that it can naturally permeate our daily lives and create A MORE beautiful day.

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Sharing for Society

**Brand with Purpose**

**Sulwhasoo**

**Sulwha Cultural Exhibition**

As part of Sulwhasoo’s unique cultural mécénat (patronage), an annual signature cultural event *“Sulwha Cultural Exhibition”* is convened to promote the true beauty of Korea and enhance its artistic value by reinterpreting the Korean traditional culture in a modern perspective. Our event encourages collaboration between traditional artists and contemporary creators and creates the unique art piece which conveys the beauty while transcending and meshing traditional boundaries between different artistic styles and techniques of the collaborating artists. The 2016 Sulwha Cultural Exhibition celebrates its 10th anniversary, and invited the installation artists, media artists, and other contemporary artists to share their artistic imagination to portray Korea’s most popular traditional folklore: The Two Love Stars, Altars and Vega. Especially, in collaboration with Gwan-chae Jeong, Korea’s 115th Important Intangible Cultural Heritage who has special skills in natural dyeing, we produced a few art products such as handkerchiefs and diaries, and invited our consumers to support cultural preservation with their purchase. Some part of the sales proceeds were donated to support traditional Korean cultural activities through the Korean Cultural Heritage Administration.

Recognizing the infinite possibility and preciousness of water, LANEIGE has carried out a range of social activities that address water stewardship and conservation in countries with water scarcity. Since 2010, we have supported the Waterful Sharing campaign, in partnership with Save the Children and UNICEF, which allows these organizations to provide water tanks, rain water harvesting systems, and support the ways to collect clean water for children living in water stress countries. Beginning in 2016, we upgraded all of our water-related activities into a global campaign called Refill Me, and launched it in 13 countries where our offices are located. We are embarking this campaign to encourage our customers and stakeholders to play a part in addressing the urgent global challenge of water scarcity. We sold approximately 80,000 eco-friendly and BPA free ‘Refill Me Bottles’ and communicate to our consumers and stakeholders to reduce pollution with disposable plastic waste and foster healthy habits of drinking water. We donate globally some part of the proceeds from the sale of these bottles to support the projects related to water conservation.

Since 2012, we have embarked on a special annual ‘Love the Earth’ campaign on the international Earth Day in April in support of the global efforts on sustainable development in line with primera’s brand value. Especially this campaign has supported to restore the wetlands since 2015 given the importance of wetlands. In 2016, we organized the special events for consumers where they can experience wetlands, and learned from San-ha Kim of the Biodiversity Foundation about the essential role of wetlands in maintaining the healthy ecosystem. Some part of the proceeds from the sales of our products during the campaign was donated to the Wetland Preservation Project of the Biodiversity Foundation. Furthermore, primera has been undertaking the Let’s Love campaign to improve the living conditions of female children and adolescents in low income families in Jamui, India. The portion of the proceeds from the sales of Mango Butter Comforting Body Lotion are used to donate a mango sapling to families in Jamui, and we purchase the mango seeds from these trees as part of our Beautiful Fair Trade agreement. This campaign contributes to economic growth of this community, and allows the girl in the community to have a better education. In the last three years, we donated a total of 3,200 saplings, and this is our signature campaign to create shared value which pursues business benefits and community development.
Public Foundations

Amorepacific established and performs various activities in 3 public foundations (AMOREPACIFIC Foundation, AMOREPACIFIC Welfare Foundation and Korea Breast Cancer Foundation) other than social contribution activities directly performed by the corporation. Each foundation supports social contribution activities in areas of academic culture research, women’s health and welfare.

AMOREPACIFIC Foundation

Established in 1973, AMOREPACIFIC Foundation supports various domestic and overseas research activities about Asian beauty, women, and culture to promote and disseminate knowledge. In 2016, we supported 30 projects to study of ‘women and culture’ and contributed to explore and promote the promising young researchers as well as to share these knowledge with the public. Also with the project of “Asian Beauty Series”, a funding program for a publication focused on Asian beauty, our books delivering insights on beauty to public were published. These books include: “In India, Beauty is akin to god” by Loe, Oishock, “East Asian Traditional Interior Design and Beauty” by Park, Sunhee, “Heavenly Beauty on Earth” by Kang, Heejung, “Immortal Story of Beauty” by Yu, Kangha. To the started in 2012, we have supported to deepen our intellectual understanding on various issues related to Asian beauty by offering a series of lectures on India, East Asia Traditional Interior Design, and Asia’s Religious Arts and Folklores.

AMOREPACIFIC Welfare Foundation

The AMOREPACIFIC Welfare Foundation focuses on supporting the self-reliance and fulfillment of underprivileged women. Since 2005, the Foundation has made financial assistance to the renovation projects of women’s centers to improve the lives of women. By upgrading the existing program in 2016 to emphasize the balance between life and space, we helped a total of 175 women’s centers and non-for-profit organizations improve their space. In addition, we supported these organizations utilize the renovated spaces to fulfill our core mission of empowering marginalized women in society and improving their quality of life as well as to serve as a public sphere of local communities. The AMOREPACIFIC Welfare Foundation strives to be a compass for a beautiful world where every woman can thrive and fulfill her full potential as she desires.

Korea Breast Cancer Foundation

Established in 2000, the Korean Breast Cancer Foundation is carrying out various social projects related to breast health, including the Pink Ribbon Campaign, breast health education, medical support for breast-cancer patients and financial support for academic research. In 2016, to celebrate the foundation’s 16th anniversary, we had a special activity ‘Pink Ribbon Healing Camp’ in which recovering cancer patients and those who were fully recovered from breast cancer met and interacted. We will continue to promote the beautiful and healthy lives of women as a social hub of breast health, raising awareness of breast cancer and supporting its treatment.

Social Contribution Expenses

<table>
<thead>
<tr>
<th>Campaign</th>
<th>Amount of Expenses (KRW mn)</th>
<th>Ratio Compared to Sales (%)</th>
<th>Ratio Compared to Pre-tax Profit (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Makeup Your Life</td>
<td>1,424</td>
<td>0.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Park Ribbon</td>
<td>284</td>
<td>3.7</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Employees’ Sharing Activities

<table>
<thead>
<tr>
<th>Program</th>
<th>Number of Participants</th>
<th>Average Hours of Volunteer</th>
</tr>
</thead>
</table>

Public Foundation Expenses (KRW mn)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AMOREPACIFIC Foundation</td>
<td>537</td>
<td>499</td>
<td>764</td>
<td>490</td>
<td>477</td>
</tr>
<tr>
<td>AMOREPACIFIC Welfare Foundation</td>
<td>573</td>
<td>593</td>
<td>573</td>
<td>1,710</td>
<td>2,402</td>
</tr>
<tr>
<td>Korean Breast Cancer Foundation</td>
<td>750</td>
<td>706</td>
<td>706</td>
<td>706</td>
<td>706</td>
</tr>
</tbody>
</table>

Note: 2016 expenditure of each foundation are based on their third-party audit reports.

2014 Highlights

- Expanding Global Business Activities
- Strengthening Brand Value
- Leading Digital Beauty and Innovation
- Fulfilling Global Corporate Citizenship
- Strengthening Sustainability of Partners
- Response to Product Quality and Safety Issues

2016 Sustainability Performance

- 2016 Performance for Sustainability Management Structure
  - Sustainability Commitments
  - Sustainability Focus Area
  - Sustainability Management Structure

Appendix

- Independent Assurance Statement
- Verification Statement
- GRI G4 Index
- About This Report
innisfree

innisfree, the natural brand launched in 2000, is dedicated to spreading beauty with the healing energy of the pristine island of Jeju. As a global sustainability brand, innisfree consistently strives to keep its five promises: use natural ingredients, follow good consumption practices, engage in eco-friendly campaigns, utilize green design, and support safe, healthy, and natural customer experiences.

Key Sustainability Activities

### Green Promise – Our Promise to All of Our Customers and the Nature

To create a healthier and more sustainable world, innisfree sets our annual sustainability performance indicators called “Green Promise” to share our progress in the areas of consumer engagement, sustainable sourcing, and corporate contributions. Through the Green Promise indicators, we are communicating with all of our stakeholders about our environmental footprint.

#### 2016 Green Promise Key Performance Outcomes

<table>
<thead>
<tr>
<th>PROMISE 1</th>
<th>PROMISE 2</th>
<th>PROMISE 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment to Planting More Than 10,000 Trees Every Year with Forest Campaign</td>
<td>Commitment to Sourcing More Than 70% of Our Ingredients from Nature (excluding makeup products)</td>
<td>Commitment to Donating More Than 1% of Our Yearly Net Sales Profits</td>
</tr>
<tr>
<td>Trees Planted</td>
<td>Percent of Average Natural Ingredients</td>
<td>Total Contribution</td>
</tr>
<tr>
<td>14,000</td>
<td>78.6%</td>
<td>KRW 3,580mn (express 3.3% of yearly net sales profits)</td>
</tr>
</tbody>
</table>

#### Changing the World through Daily Green Lifestyles

<table>
<thead>
<tr>
<th>PLAYGREEN Campaign</th>
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<tbody>
<tr>
<td>To make green lifestyles more accessible and easy, we initiated a three-phase eco-friendly “PLAYGREEN” campaign. In the first phase, we invite our consumers to simply upload photos of them embracing the green lifestyle by using the innisfree mobile application, PLAYGREEN. For second phase, we invite our customers to various environmental themed lectures every quarter. The third phase is our annual PLAYGREEN Festival, where all of our customers who embrace the green lifestyle come together to enjoy fun outdoor activities in nature. In addition to having the festival at its initial location in Korea, we held our 1st one in Shanghai, China so our Chinese customers could also participate in this special event. Going forward, our vision is to continue expanding our campaign globally, especially by strengthening the digital contents to engage more customers from around the world. In addition to increasing our customers’ awareness of green lifestyles, we hope to position PLAYGREEN as our signature global eco-campaign.</td>
</tr>
</tbody>
</table>

### Joyful Sharing: for Our Neighbors and the Nature

<table>
<thead>
<tr>
<th>Innisfree Forest Campaign</th>
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<tbody>
<tr>
<td>To preserve forests, we began a Forest Campaign in 2012. In Korea, we are undertaking activities designed to protect Gotjawal (Jeju’s forest) by turning the private lands in this area into public properties using a part of the proceeds from the sales of our forest product lines. We also plan to restore the waste disposal site in Sungsan, Jeju Island and make it into an eco-forest. Additionally, we engage in activities to protect environmentally vulnerable regions outside of Korea. Every year, with our customers, we plant trees in inner Mongolia, which experiences extreme desertification. In 2016, we planted 1,000 maple trees in Thailand to preserve marine eco-systems. Going forward, we will continue expanding our efforts on forest preservation with diverse activities where our customers could participate.</td>
</tr>
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<table>
<thead>
<tr>
<th>Green Bicycle Campaign</th>
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</thead>
<tbody>
<tr>
<td>We are introducing Green Bicycle, another environmental campaign in global cities. We organized a Green Bicycle Tour in Beijing to promote the reduction of greenhouse gas emissions in urban areas through the widespread use of bicycles. With the slogan of “Low Carbon Transportation, Ride a Bike, Save My City”, bicycle tours were staged in Chengdu, Kunming, and Nanjing, and at each tour 100 residents traveled around the city on bicycles. Going forward, we will organize this campaign both in major metropolitan cities and other medium-sized cities in China to share the value of green living as well as to position us as a global brand spearheading environmental protection.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Eco Hankie Campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Eco Hankie is a major environmental effort launched in 2010 to encourage the habit of using a handkerchief instead of tissues with the slogan “Use a Hankie, Save the Earth!” Through this campaign, we aim to convey to our customers that we can save trees, protect forests, and contribute to reducing the impacts of global warming by reducing the use of paper tissues. Every year, we present handkerchiefs with a new design, and in 2016, we presented a set of eco handkerchiefs with the design inspired by beautiful ocean scenery from Jeju and images of the pearl diving women of Jeju. We also hosted a special movie screening called Hankie Cinema for which, our customers could use their handkerchiefs as entrance tickets.</td>
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Green Christmas DIY KIT
Watch the video here.

Innisfree Museum Foundation
Established in 2015 with the purpose of adding values to Jeju Island, Innisfree Museum Foundation seeks to preserve Jeju’s authentic beauty while promoting sustainable growth. The foundation plans to raise awareness on Jeju Oreum (volcanic cone) and its ecological value by publishing “Oreum Book” and undertaking the activities that strengthen the brand value of Jeju Island, including an art and culture competition on Jeju Island and providing financial support for young Jeju farmers.

Green Christmas Campaign
With the slogan of “Giving Warmth to Our Neighbors through Our Joyful Sharing”, innisfree’s Green Christmas campaign celebrated its seventh year in 2016. This campaign aims to promote a sharing Christmas culture rather than a materially extravagant celebration of Christmas. Not only can people enjoy themselves by participating in the campaign, but their participation also helps those who are in need. Annually, we also present current culture-focused DIY products so our customers can experience the pleasure of creation and experience the warmth of sharing. In 2016, we introduced a Green Christmas DIY Music Box titled “Touching Your Hearts and Spreading Happiness”. A portion of its proceeds was donated to the Save the Children, which supports the medical care and education of children with hearing disability. In 2016, we had the Green Christmas campaign in seven countries.

Clean Jeju Campaign
innisfree employees, franchise owners, and our customers joined force to undertake voluntary activities that contribute to the preservation of the Jeju environment. In 2016, over 200 volunteers participated in the campaign and it focused specifically on cleaning Jeju Olle, one of the most popular trails on the Island. In addition, 150 employees and university students replaced the rubber mat used to pave two other hiking trails located in famous Oreum on the island. The rubber mat was replaced with more environmentally friendly mats made of coconut palm trees.

Developing Sustainable Products
innisfree is focusing on the development of sustainable products to meet our customers’ growing demands and demonstrate our leadership in global, natural cosmetic products. In 2016, to improve our positive social and environmental footprints, we introduced a total of 199 new sustainable products including: Beautiful Fair Trade products, Green Technology Certification products, which fresh green tea leaves manufacturing technology applied to and products with recycled packaging. By continued focus on the sustainability of our products, we will further reinforce our authentic brand value centered around environmental sustainability.

Innisfree Signature Sustainable Products

Certified Green Technology Product
The Green Tea Seed Serum
This serum is created by extracting the hydrating properties of orange, green leaves. Compared to using dried green tea leaves, this technology reduces CO2 emission by 50%. It also uses natural preservatives and recycled plant-based technology. In 2014, it was certified by the Korean Ministry for Food, Agriculture, Forestry and Fisheries as a “Green Technology Product”.

Beautiful Fair Trade Product
Bija Trouble Spot Essence
innisfree entered into fair trade agreement with Jeju Bija (Bija is one of the Jeju Island’s (an uncontaminated and pristine village) for its Bija, which is known for its excellent skin protective properties. The Bija seed we use are produced in an environmentally sustainable manner and our contract provides a new source of income to local farmers.

Happy Work Place for Our Employees
Six Sense Day – Promoting Work-Life Balance
To encourage our employees to enjoy the work-life balance, innisfree introduced the ‘six sense day’ program. At 5:30 pm on every Wednesday, employees are advised to leave work at 6 pm through internal broadcasting. Advising employees to leave at that time is done to discourage employees from working too long and as an encouragement for them to spend more time doing activities they enjoy outside of work. The performance of each team on the team of six sense day is monitored regularly to ensure that employees across the company enjoy the work-life balance.

Health Fund for Employee Wellness
In 2016, we introduced the Health Fund to support our employees’ health and wellness. Through the fund, we offer various financial incentives such as bonuses, sporting goods, and resort vouchers to those who volunteered to improve their own health (e.g. reducing body fat and increasing muscle) through exercise and diets.

Green Beer Party for Happy Work Place
To promote communication and collaboration among employees and encourage horizontal corporate culture while increasing employee satisfaction, we offer a quarterly beer party. This gathering is a voluntary after-work activity in which 20-30 employees share their talents and play board games to get to know each other.

Mutual Growth
Supporting the Dream of Beauty Partners – Dream Store.
The Dream Store Program provides a chance for Green-Us (beauty partners) to own and operate their own innisfree store. This is a professional development program that not only provides store ownership opportunities, but also creates a platform to realize the dream of Green-Us. Participants in this program were selected after they went through the three-month program. The first Dream Store was opened in 2014, and as of December 2016, a total of 12 stores were opened.
Great Place to Work

ETUDE House is a makeup brand helping women fulfill their dream of becoming more beautiful and having magical days. With the launch in 2005, we promote the fun and easy makeup culture and offer trendy products infused with ETUDE House’s lovely aesthetics. Currently, it is enjoying tremendous popularity as the top 6 beauty makeup brand, not just in Korea, but all over Asia, including China, Japan, Thailand, and Singapore.

To promote our employees’ happiness and wellness, as well as increase our employees’ job satisfaction, ETUDE has been introducing various human resource development programs, such as the family-friendly workplace and work-life balance initiatives. In addition, we have been implementing several programs to ensure that our employees can pursue both parenting and professional growth. In May 2016, we invited the children of our employees, so they could observe their parents’ workplace. This program was called “Mom, Dad, where are you going?”

Additionally, to support a family-friendly environment along with a healthy work-life balance, we offer gift packs to expecting mothers, introduced the Happy Clean Day to encourage employees to leave the workplace on time, and produced a video in which our employees and management promoted the use of vacation days. To further support our employees’ balanced and healthy lives, we offer a series of wellness programs that received very positive reviews from our employees. These programs include support for quitting cigarettes, a program to exercise called “Show Me the Health Body”, and “Emotional Healing Camp” to support stress management and self-help. Through these efforts we were recognized as a “Family Friendly Workplace” by the Korean Ministry of Women and Family. With more creative and family-friendly programs, we will continue to strengthen the quality of our workplace.

CSR Activities to Support People’s Dreams

Volunteer Programs
- Talent Sharing of Professional Makeup Artists

ETUDE has been offering makeup talent sharing programs since 2014. In 2016, we expanded the coverage of our recipients. In March, we offered our makeup service to foreign women who are married to Korean men, and in July, we further expanded our coverage to women with disabilities.

- Gifts Drive - Thanks Dreaming Day

Launched in 2016, Thanks Dreaming Day is a gift drive program that invites participation from all of our employees. For example, on Korea’s thanksgiving day, our employees were invited to pack and deliver the gifts to low income families with single parents and elderly people without family members.

| Cheering for the Dreams of Young People - DREAM

After conducting in-house surveys on our new CSR focus, we identified youth empowerment as our key focus area, and named the initiative DREAM. Beginning in 2017, we will run the DREAM Scholarship Program. This program will support economically disadvantaged young students in the pursuit of their dreams. It will also convene special inspirational lecture programs for young people to further support their ability to reach their goals.
About Our Company

eSpoir is a leading Asian professional make-up brand which offers a transformative experience to customers who want to make a bold change and find their new look. We are always trying to convey the value of our products more effectively by combining unique colors, textures, and shades with the creative techniques of professional make-up artists.

Customer Satisfaction Activity

Consulting Service on Color Match

eSpoir has been running a special program called “Foundation Coordinating Service” through which our professional makeup artists assist our customers to identify the most appropriate color pallet and texture to express oneself naturally. Interested customers make a reservation via their mobile smart phones, and received consulting service from professional makeup artists. We have received positive responses from our customers as a result of our differentiated and professional makeup know-how.

Promoting K-Beauty through Global Makeup Classes

Together with the Seoul Tourism Organization, eSpoir has offered a monthly Korean Wave Star Makeup Experience program for international tourists visiting Korea. We also showcased our makeup techniques and tips at various international events such as China International Travel Mart in Shanghai and International Travel Expo, Ho Chi Minh City and demonstrated our know-how on trendy K-beauty makeup techniques. These activities helped highlight our brand’s unique identity and our high quality products to customers around the world.

Launching Innovative Products and Demonstrating Our Leadership

In 2016, eSpoir launched the Nowear Signature series, which adds innovative color formulas and shades to its regular Nowear lipsticks. The Nowear signature series, which we developed with professional makeup artists, boasts new light glow with texture and fascinating authentic red color patterns, and demonstrates our leadership as a new makeup trendsetter. eSpoir will continue to offer cutting-edge products and set the trends of cosmetic markets.

Key Sustainability Activities

Mutual Growth

| Education Center for Hair Designer Training |
We have been running education centers to provide training for hair designers on hair-styling techniques and the rapidly changing hair trends. We expanded the number of 6 education centers nationwide to 40, so as to increase the educational opportunities of hair designers. We are attempting to meet the desires of hair designers for strengthening their professional competence through hands-on training with experts. AMOS professional will continue to strengthen our curriculum to provide quality education services to hair designers.

| Team AMOS Program for Hair Designer Training |
Team AMOS is a training and mentoring program for young hair designers. Participants in the Team AMOS program not only hone hair design and style techniques, but also refine their understanding of hair products, latest trends, and the business management of hair salons. After completing the one-year training program, participants are invited to join the Hair Creative Group where they can support product development or can opt out to work as professional instructors at one of our education centers. It was in its 12th year of operation in 2016, and Team AMOS participants showcased various creative arts at the 2016 Salon Spirit Journey.

Our CSR Activities for Women and Local Communities

| Donation to the Beautiful Foundation |
Since 2010, by using our core competency, we have been supporting female breadwinners to open their own hair salons together with the Beautiful Foundation. For this program, we donate hair products, make financial contributions, and support their professional development. In 2016, we sponsored 14 women who are single parents to complete the professional hairstyling training program.

| Talent Donation of Professional Hair Stylists |
Our signature CSR program “Hair artist on the go” is facilitating thetalent donation of our professional hairstylists. In 2016, our professional hairstylists showcased to citizens and tourists various hair styling techniques at the “MORE Beautiful Day” event in central Seoul which celebrated the 71st Anniversary of Amorepacific. We also joined forces with Amorepacific Group’s signature CSR campaign, Makeup Your Life by providing hairstyling for cancer patients who wear wigs.
AESTURA is a medical beauty brand offering innovative beauty solutions to hospitals and clinics. With the premium brand CLEVIEL and the dermal cosmetic brand AESTURA, we are prioritizing to position these as Asia’s hidden champion brands to accelerate our growth.

Key Sustainability Activities

Implementing a Voluntary Compliance Program (CP) on Ethical and Fair Business Relations

July 2014, AESTURA introduced a voluntary compliance program on ethical and fair business relationships. We es-established the CP secretariat, produced the guidelines on this program, and distributed it to all of our employees. Every month, we shared with our employees about the CP resolution cases to prevent future incidents. In 2016, we offered trainings about CP to our sales employees.

AESTURA Seminar Series

AESTURA has been running a research and advisory study group in partnership with dermatologists at major university hospitals in Korea. In 2016, 35 professionals from major university hospital dermatology departments participated in six study groups. Each group focused on special themes, including skin diseases, product quality analysis, new medical beauty solutions, and medicine-resistant skin diseases. The knowledge gained from these groups help us improve our products and meet the needs of our customers.

Aesthetic Academy

In order for aesthetic products to be most effective, it is critically important to have the precise application based on in-depth understanding of these products. We are therefore running “AESTURA Aesthetic Academy”, an online and in-person education programs for doctors on our application based on in-depth understanding of those products. We are therefore running a research and advisory study group in partnership with dermatologists at major university hospitals in Korea. In 2016, 35 professionals from major university hospital dermatology departments participated in six study groups. Each group focused on special themes, including skin diseases, product quality analysis, new medical beauty solutions, and medicine-resistant skin diseases. The knowledge gained from these groups help us improve our products and meet the needs of our customers.

Employees Voluntary Activity – Social Contributions

Aiming to spread the value of sharing and to exert positive influence on society, AESTURA has been implementing social contribution programs for our employees. Each team has a designated leader, who organizes the team’s volunteering activities, and we provide financial assistance and training to these teams to promote a culture of sharing and voluntarism. In 2016, in addition to making in-kind donation of our products, our employees donated coal briquette to low-income families.

Osulloc Farm

Osulloc Farm is a premium tea company which integrates all tea-related processes including cultivation, producing, harvesting, and sales, and strives to popularize the traditional culture and create beauty with plants grown in healthy soil. Osulloc Farm makes enormous efforts in harvesting the best tea leaves grown in our four organic plantations in Jeju Island and Gyeonggi through technological farming method. By incorporating modern technology into traditional tea-making knowledge, Osulloc Farm is recognized as a high quality premium tea brand in various global markets including Japan, U.S., and European countries.

Key Sustainability Activities

Customer Satisfaction Activities

Osulloc Farm became the first tea company which received a rigorous hazard analysis critical control point (HACCP) certification on all of its production facilities from the Korean Ministry of Food and Drug Safety in 2002. In addition to strictly complying with the HACCP requirements, our products meet Global Food Safety Initiative (GFSI)’s FSSC 22000 (Food Safety System Certification 22000) benchmark standards. FSSC 22000 is an internationally recognized food safety certification system for food manufacturers, based on ISO 22000 – Food Safety Management and ISO/TS 22002: 1. Pre-Requisite Programmes on Food Safety. By continuing to upgrade our robust food safety management system, we are making the utmost efforts on quality control to meet the requirement of our customers around the world.

Mutual Growth

Osulloc Farm seeks to provide safe and healthy food products to all of our customers by working closely with farmers and food processors. In 2016, the Korean Government introduced the Preventive Control Management Plan to assure the safety of all food products produced and processed by companies and farms that are currently exempt from the mandatory HACCP certification. As a member of the Private Sector Advisory Group of this Plan, Osulloc Farm provided food safety management and prevention control trainings to small food processing companies registered in the Gwangju City Branch of the Ministry of Food and Drug Safety. Osulloc Farm will continue to work closely with small companies by offering consulting service and providing capacity building programs.

Sharing Our Water Resources with Local Communities

Osulloc Farm decided to support the Jeju Eastern Region Fire Department on water resource sharing, and convened a workshop on our collaboration in June, 2016. This agreement provides greater access to water reservoir of Jeju residents in the Eastern district, and allows our company to contribute to local communities around our tea plantations. In 2017, we plan to sign a memorandum of understanding with the Jeju Western Region Fire Department and the Seogwipo Fire Department to further strengthen our contribution to local communities.

Employees Volunteering Activities

Osulloc Farm builds mutually beneficial relationships with farms in Jeju Island, many of which often experience a shortage of labor. In 2016, our employees volunteered to support the harvesting work of four citrus orchards near our worksite. We will continue to work closely with our local communities while providing meaningful volunteering opportunities to our employees.
2020 Sustainability Commitments

A MORE Beautiful World
A MORE Beautiful World

Amorepacific Group seeks to become a Great Company that makes the world more beautiful and healthy through the wisdom of Asian beauty practices, and we are making strides towards achieving our goal of becoming one of the global top 3 and Asia’s number 1 beauty company by 2025. As an engaged global corporate citizen, Amorepacific Group has strengthened its corporate sustainability vision to actively support the global movement of sustainable development. This reflects our commitment to fulfill our social and environmental responsibilities, which have expanded through an increasing global presence. Amorepacific Group’s new corporate sustainability vision is our promise to our customers and society. It is our firm commitment and great ambition to contribute to a more beautiful and sustainable future for future generations. The Amorepacific Group’s corporate sustainability vision and three focus areas, adopted in 2016, were developed with the input of over 2,695 key stakeholders including our consumers, employees, business partners (including suppliers, beauty partners, and retail partners), shareholders, and NGO representatives. Our corporate sustainability vision also reflects the views of over 100 external and internal specialists representing management, academia, expert organizations, and business associations whose views were gathered through a series of consultative meetings.

Sustainability Focus Areas

Amorepacific Group’s 2020 Sustainability Commitments focus on three key strategic areas: sustainable lifestyles, inclusive growth, and environmental protection. Our unique approach assists various stakeholders in learning about and embracing sustainable lifestyles, promoting inclusive economic and social development and preserving the environment for future generations.

Sustainable Lifestyle
- We are pursuing activities aimed at raising awareness of sustainable lifestyles, consumer choices supporting sustainability, and social and environmental issues to advance sustainable development.
- We desire to assist various stakeholders to embrace and implement sustainable lifestyles.

Inclusive Growth
- As a responsible, global corporate citizen, we aim to advance the development of all stakeholders, particularly our employees, business partners, and local communities, to become a sustainable company which enables inclusive growth.

Circular Economy
- We will improve resource efficiency.
- We will accelerate the use of renewable energy sources.
- We will fully integrate circular economic principles into all corporate operational activities and processes, ultimately contributing to environmental conservation for the next generation.
2020 Sustainability Commitments

To achieve our Sustainability vision by 2020, Amorepacific Group plans to undertake a range of activities based upon our three focus areas and eight commitments. We seek to improve the quality of our customers’ lives, advance inclusive social development, and enhance sustainability of natural resources and the ecosystem.

Sustainability Vision
A MORE Beautiful World

- Sustainable Lifestyle
  1. Incorporate at least one benefit for environment or society into more than 40 percent of our new products.
  2. Integrate environmental and social consideration into the design and operation of our stores and disclose our improvement.
  3. Enhance our customers’ awareness of environmentally and socially sustainable lifestyles.

Inclusive Growth
4. Create a great place to work by improving employees’ health and welfare.
5. Contribute to inclusive growth by actively supporting our business partners’ development and growth.

20 by 20
6. ’20 by 20’ Support the health, wellbeing, and economic empowerment of 200,000 women to beautify their lives.

Circular Economy
7. Reduce our CO2 emissions by 30% per tonne of production from a 2015 baseline.
8. Improve resource efficiency by promoting reuse and recycle.

‘20 by 20’
- Support the health, wellbeing, and economic empowerment of 200,000 women to beautify their lives.
- Make our innovation for customers more inclusive.
- Support women’s economic empowerment.
- Advance inclusive social development.
- Share from society.
- Support global civil society development.
- Make our corporate citizenship more inclusive.
- Improve the quality of life in the local communities.

2016 Sustainability Performance

- 2016 Performance for Sustainability
- Sustainability Management Structure
- Amorepacific
- innisfree
- ETUDE
- eSpoir
- AMOS Professional
- AESTURA
- Osulloc Farm
- Independent Assurance Statement
- Verification Statement
- GHG Inventory
- GRI G4 Index
- Corporate Overview
- CEO Message
- Brand Portfolio
- Business Overview
- Vision
- AP WAY
- Financial Performance
- Governance
- Ethical Management
- Risk Management
- Materiality Analysis
- Stakeholder Communication
- 2016 Highlights
- Expanding Global Business Activities
- Strengthening Brand Value
- Leading Digital Beauty and Innovation
- Fulfilling Global Corporate Citizenship
- Strengthening Sustainability of Partners
- Response to Product Quality and Safety Issues
- 2020 Sustainability Commitments
- Sustainability Vision
- Sustainability Focus Area
- Sustainability Commitments
- Appendix
- Independent Assurance Statement
- Verification Statement
- GHG Inventory
- GRI G4 Index
- About This Report
Incorporate at least one benefit for environment or society into more than 40 percent of our new products.

The reason we act
Our consumption patterns are closely linked to various social and environmental issues such as pollution, depletion of natural resources, and the increasing inequality facing our society. Popularizing sustainable consumption which prioritizes the integration of social and environmental sustainability can be an important step to addressing these issues. As a consumer product company, Amorepacific Group believes that it is our responsibility to integrate sustainability more deeply into our products and promote sustainable consumption that benefit all stakeholders of our society.

The basis this commitment made
Since 2011, we have been running the Amorepacific Promise initiative – our internal certification standards for sustainable products focusing on environmental sustainability, empowerment of local community, and customer confidence. In 2017, we had a total of 311 products that met the Amorepacific Promise criteria, and in 2016, we were able to offer a total of 591 products that met that criteria denoting our high internal sustainability standards.

The way to achieve

Our store environment will reflect the needs of our stakeholders including beauty partners and those with disability.
Our Commitment

Enhance our customers’ awareness of environmentally and socially sustainable lifestyles.

The reason we act
We believe that companies and their brands can play a key role in encouraging consumers to participate in value-based consumption and can create positive social and environmental impact by providing a creative and inspiring platform to further their commitment to advancing sustainable development. Through sustainability focused brand activities, companies can not only communicate their own unique values and sustainability philosophies but also serve as a catalyst to mobilize consumers around ethical and value-based consumption that benefits our society and environment.

The basis this commitment made
Through various brand campaigns focusing on sustainable lifestyles, we have communicated the importance of environmental, social, and ethical issues in choosing their products and throughout the consumption of those products.

Brand | Key Activities
--- | ---
LENSUIGE | Refill Me Campaign
- By inviting our customers to use Refill Me Bottles, this campaign allows them to contribute a portion of proceeds to water conservation activities as well as to incentivize their actions.
innisfree | PLAYGREEN Campaign
- This campaign focuses on green lifestyles provides an opportunity for our customers to learn about various ways to practice sustainable lifestyles.
- The activities include an annual PLAYGREEN Festival and the Eco-Handler Campaigns.
primera | Love the Earth Campaign
- This campaign promotes the biodiversity value of wetlands, and donated a portion of the proceeds from the sales of the campaign-related products to the Korean Biodiversity Foundation.
- Let’s Love Campaigns
- The proceeds from the sales of the products that used mango fruit sourced from India’s Jamui are donated back to the Jamui society. The donation was used to purchase new mango trees for families with female children.

The way to achieve

- We will firmly integrate sustainability into our brands and products through continuous research on sustainable consumption and by assessing the sustainability of our products and brands.
- We will undertake more research on the lifestyles and sustainable consumption of our consumers and will identify opportunities to increase the value and sustainability of our products.
- We will develop an assessment system for product and brand sustainability.
- By strengthening social responsibility activities for each brand, we will offer opportunities for our consumers to participate in sustainable consumption.
- We will enhance brand-specific activities to increase consumer awareness of sustainable lifestyles.
- We will contribute to creating social and environmental values in global markets.

Our Commitment

Create a great place to work by improving employees’ health and welfare.

The reason we act
We believe that engaged, motivated, and committed employees are directly linked to increased satisfaction and confidence among our customers and other stakeholders. As our business becomes more global, we are attracting customers and stakeholders from various cultural backgrounds. For our continuous innovation and sustainable growth, we believe it is essential that our workplace respect and support everyone by fostering a tolerant workplace culture that celebrates diversity.

The basis this commitment made
We have been implementing initiatives that support a work-life balance through various employee support and great workplace programs. With our maturity program and flexible work arrangement, we strive to create a good workplace for female employees. We have also increased the number of women in senior management by 26% as of 2016. Through our intentional focus on recruiting and supporting talented women. As of 2016, 97% of our workplace in our overseas branches was locally hired, and we are making an effort to increase talent recruitment within our operating markets. In 2016, through WeDream, our subsidiary certified as people with disability friendly work environment by the Korean Employment Agency for the Disabled, we employed 30 people with disabilities.

The way to achieve

- We will improve the job satisfaction rate of our employees.
- We will continue to improve our employees’ job satisfaction level by diversifying employee benefits and entitlements, strengthening work independence and autonomy, and offering space for creativity and innovation.
- We will improve our support for women in leadership and increase the global diversity of our workplace.
- To improve diversity in our workplace, we will foster female leaders, increase the number of locally hired professionals, and nurture talent globally.
- We will further strengthen health and health programs both in Korea and other global locations.

1) To be assessed based on employee responses obtained through our work satisfaction survey.
Our Commitment

Contribute to inclusive growth by actively supporting our business partners’ development and growth.

The reason we act

By fostering inclusive growth and sustainability of all of business partners throughout our value chain, Amorepacific Group hopes to contribute to decreasing inequality, promoting long-term economic growth, and strengthening social cohesion. By offering quality work and economic opportunities to our beauty partners and business partners (suppliers and contractors), we are contributing to a mutually beneficial and positive cycle of inclusive growth.

The basis this commitment made

In an effort to improve business partners’ sustainability performance, we introduced the Amorepacific suppliers Sustainability Guidelines and assessed our major partners’ sustainable management practices. In 2015, we introduced the benefit sharing joint research initiative, and by December 2016, we completed a total of 26 projects with various business partners. We have been operating the Mutual Growth Fund with KRW 24.6 billion. We launched the Good Jobs Strategy in collaboration with our beauty partner managers to improve the working conditions of beauty partners. Areas of improvement included compensation, entitlements, benefits, and the professional development of beauty partners.

The way to achieve

<table>
<thead>
<tr>
<th>We will support our business partners’ capacity for corporate sustainability.</th>
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<tbody>
<tr>
<td>To improve our partners’ sustainability performance, we will increase the percentage of business partners who are able to meet ‘good performance’ sustainability targets to more than 80 per cent (this is an increase from 56% in 2016) by assessing business partners’ sustainability and providing necessary support to strengthen their capacity. We will double the number of the benefit sharing projects and provide financial contributions to strengthen business partners’ core competencies and promote our business partners’ innovation and sustainable growth.</td>
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<table>
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<tr>
<th>We will provide quality work to our beauty partners.</th>
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<tbody>
<tr>
<td>In collaboration with beauty partner managers, our company will continue supporting the improvement of beauty partners’ core competencies through education and certification programs and will also support the improvement of their working conditions.</td>
</tr>
</tbody>
</table>

Our Commitment

‘20 by 20’ | Support the health, wellbeing, and economic empowerment of 200,000 women to beautify their lives.

The reason we act

As a company that has grown alongside women, Amorepacific has taken a keen interest in the lives and dreams of women, and strives to cultivate women’s independence and gender equality through economic empowerment and support women’s health and well-being through reducing the mortality rate of female cancer and improving the lives of female cancer patients.

The basis this commitment made

Amorepacific is a company that has been growing alongside women. Therefore, out of our three core initiatives (women, natural ecosystem, and nurturing culture), to beauty and support women’s lives is our main priority. As one of our main activities, Amorepacific’s K-Face, Along with the Korea Breast Cancer Foundation, is carrying out a Pink Ribbon Campaign to promote the importance of breast cancer prevention and self-examination. Begun in 2001, it had over 570,000 participants by the end of 2016. Amorepacific continues to fund The Korea Breast Cancer Foundation to provide breast cancer education and fund breast cancer surgeries for low-income women through designated contributions. We are supporting Heemang(meaning ‘Hope’ in English) Store campaign through a partnership with The Beautiful Foundation. Heemang Store provides microcredit of up to KRW 40 million without qualification, warranty or credit ratings. Heemang Store provides microcredit of up to KRW 40 million without qualification, warranty or credit ratings. Heemang Store established its first store in 2004, and as of 2016 has 300 stores opened.

The way to achieve

<table>
<thead>
<tr>
<th>Annually support 49,000 women to improve their health and well-being.</th>
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<tr>
<td>With integrated support programs, we can contribute to not only women’s physical health, but also in pursuing their true well-being. We perform various activities from a lifestyle perspective related to breast health in order to achieve those goals; We want to make sure women can live a healthy and happy everyday life through raising awareness in young women in their twenties and thirties, educating women in their thirties and forties to protect themselves through self-examinations and breast health, supporting women in their forties and fifties with costly examinations and surgery fees, as well as supporting much needed psychological recovery programs where most participants are breast cancer patients in their fifties.</td>
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</table>

<table>
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<tr>
<th>Annually support 1,000 women to enhance their economic empowerment.</th>
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<tbody>
<tr>
<td>We are supporting adolescents who dream of becoming makeup artists through makeup technique education and mentoring. In addition, not only do we give substantial financial support to women in their forties, but we support them to have a greater influence on society by forming the foundation of becoming independent. We also strive for women to confidently live as a member of society by recovering their self-esteem, and to realize true gender equality, both economically and socially.</td>
</tr>
</tbody>
</table>
Our Commitment 1
Reduce our CO₂ emissions by 30% per tonne of production from a 2015 baseline.¹)

The reason we act
The international community adopted the Paris Agreement on Global Climate Change in December 2015 in an effort to reduce the impacts of climate change. As we enter into a new climate era that emphasizes a low carbon economy, various countries are introducing regulations to mitigate climate change and are encouraging the active contribution of companies. As a responsible corporate citizen, we hope to achieve carbon free status by undertaking the following activities: reducing CO₂ emission from our corporate activities, increasing the use of renewable energies, expanding our CO₂ emission management scope to all of our value chains, and engaging in the activities that will offset the GHG emissions.

The way to achieve

- We will further increase energy efficiency and expand the use of renewable energy. In our new corporate headquarters, approximately 7% of our energy use (3.5MW) will come from renewable sources such as solar power and geothermal energy. In the Beauty Campus Osan, Mass Cosmetic Production Site, and Beauty Campus Shanghai, about 2% of energy use will be from solar panels.

- We will develop long-term strategies to realize a carbon-free status.

¹) Applicable sites: Amorepacific production sites (Beauty Campus Osan, Mass Cosmetic Production Site, Sulloc Tea Production Site, and Beauty Campus Shanghai)

Our Commitment 2
Improve resource efficiency by promoting reuse and recycle.

The reason we act
Increased waste as a result of mass production and unsustainable consumption have been detrimental to the environment, and this increases the need to promote the circular economy. Through the circular use of resources, Amorepacific Group hopes to reduce our impacts on the environment as well as to improve resource efficiencies.

The way to achieve

We will reduce the amount of water use per tonne of production by 22% in Korea and 41% in China from a 2015 baseline.¹) We will undertake a range of innovative activities such as recycling of waste water, increasing rain water use and developing a cleaning technology that requires the minimum use of water.

We will improve the resource efficiency of our packaging materials. In addition to decreasing the waste water produced in beauty facilities, we will work on innovative packaging solutions by integrating resource-efficient packaging design and recycle and upcycle friendly packaging design to reduce packaging waste. These innovations may include:

- Expanding bioplastics
- Expanding recycled packaging materials
- Reducing packaging volume and weight
- Improving the recycling technology for used cosmetic containers

¹) Applicable sites: Amorepacific production sites (Beauty Campus Osan, Mass Cosmetic Production Site, Sulloc Tea Production Site, and Beauty Campus Shanghai), Unit of production (per tonne of production)
2020 Sustainability Commitments and Sustainable Development Goals

Amorepacific Group incorporates the Sustainable Development Goals (SDGs), which was adopted by the United Nations on Sep, 2015 into our 2020 Sustainability Commitments. The SDGs outlines 17 goals and 169 sub-targets in all areas of sustainable development, including poverty, public health, education, gender equality, environmental conservation, job creation, inequality, and peaceful societies and rule of law. Through the 2020 Sustainability Commitments, we will implement various programs that can contribute to advancing the SDGs and join force with the international community to address pressing global challenges.

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2017 Targets

**Sustainable Lifestyle**

Integration of Positive Impact on Environment or Society into New Products

- Incorporating more than one aspect of environmental/social sustainability into 24% of new products

**Operating Sustainable Store**

Improving In-Store Environmental Sustainability

- New and Renovated Arirang and ETUDE House Stores in Korea will use 100% of LED lighting
- Using environmentally sustainable materials to produce shopping bags and buffer packaging
- In the new innisfree Green Cycle Store, more than 70% of interior materials will be from upcycled, used cosmetic bottles

**Promoting Value Based Consumption and Consumer Empowerment**

Expanding each brand’s social responsibility activities globally

- [Sulwhasoo] With the Beauty from Your Culture campaign, reach 5,000 customers from Korea and other markets
- [LANEIGE] Running the Refill Me campaign in 9 countries for water-waste-related fundraising

**Inclusive Growth**

Fostering Great Place to Work

- Improving Working Conditions
  - Introducing the innovation space in new corporate headquarters
  - Updating the benefits, wellness and wellness programs for employees

**Strengthening Mutually Beneficial Partnerships**

Further strengthening the sustainability performance and growth of suppliers

- Ensuring that the sub-targets of ‘good’ sustainability performance in major suppliers increases by 63%
- Continued implementation of the Good Jobs Strategy for beauty partners
- Offering opportunities for professional development to beauty partners

**Strengthening Our Positive Impact to Society**

Implementing a women’s health and wellbeing program for 49,000 women

- Supporting projects related to the awareness of cancer affecting women, cancer prevention, financial assistance for cancer treatment and diagnosis, and psychological counseling for recovering cancer patients
- Implementing a women’s empowerment program for 1,000 women
  - Offering professional makeup trainings and mentoring
  - Giving financial support to low-income, single mothers for start-up activities

**Circular Economy**

Going Carbon Free

- Reducing CO2 emission per tonne of production by 7% compared to 2015 (1)
  - Introducing renewable energy in our Mass Cosmetic Production Site and Beauty Campus Shanghai

Innovation on Resource Efficiency

- Reducing Water Use per tonne of production by 7% in Korea and 28% in China compared to 2015 (1)
  - Using bioplastic for containers in at least 70 products
  - Developing recycling technology for cosmetic containers

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1) Applicable sites: Amorepacific production sites (Beauty Campus Osan, Mass Cosmetic Production Site, Sulloc Tea Production Site, and Beauty Campus Shanghai)
INDEPENDENT ASSURANCE STATEMENT

DNV GL BUSINESS ASSURANCE
NO.: PRJC-558803-2017-09-108-F

Introduction
Amorepacific Group ("APG") commissioned DNV GL Business Assurance Korea Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2016 (the "Report"). The directors of APG have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of APG in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

The engagement excludes the sustainability management, performance and reporting practices of APG's associated companies, subsidiaries, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcements disclosed at the website of Korea Financial Supervisory Service (http://dart.fss.or.kr) as well as APG's website (www.amorepacific.com). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification.

Scope of assurance
The scope of assurance included a review of sustainability activities and performance data over the reporting period 1st January to 31st December 2016. This included:
- Evaluation of the principles for defining the sustainability report content in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0.
- Evaluation of the process for determining material aspects for reporting and the management approach to material issues and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

Basis of our opinion
We performed our work using DNV GL’s assurance methodology VeriSustainTM, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The audit was carried out in February and April 2017. The site visits were made to APG Head Office and Factories. We undertook the following activities as part of the assurance process:
- Challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- Interviewed representatives from the various departments;
- Conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system and associated reporting systems as they relate to selected content and performance data;
- Reviewed the outcomes of stakeholder consultation report and the materiality assessment report;
- Site visit and test of data-gathering process;
- Domestic: Beauty Campus in Osan, R&D Center in Yongin and L&D Center (Yongin Campus)
- Overseas: Amorepacific China office and Shanghai Beauty Campus in China

Limitations
The engagement excludes the sustainability management, performance and reporting practices of APG’s associated companies, subsidiaries, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcements disclosed at the website of Korea Financial Supervisory Service (http://dart.fss.or.kr) as well as APG’s website (www.amorepacific.com). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

1) The Verification protocol is available upon request in DNV GL’s website (www.dnvgl.com/assurance/reporting/verification.html)
On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe the adherence to the Principles for defining report content in GRI G4. The verification team has observed that there is general awareness of sustainability context across all different levels of the organization. Furthermore, opinions with regards to the adherence to the following Principles are made below:

**Stakeholder Inclusiveness**
APG has identified internal and external stakeholder groups such as Customers, Employees, Business Partners, and Local community, Governments, External experts including professors and consumer group, Shareholders. APG engages with the stakeholders at the company and business unit levels through various channels. The examples of approaches to engagement with selected stakeholders are described in the Report. In the future, APG should engage stakeholders in the region where APG has a presence, more directly the reasonable expectations and interests of stakeholders and report corresponding actions taken in the Report.

**Sustainability Context**
APG has stated the ‘2025 Vision’ and 2020 sustainability goals and objectives. In addition, APG is helping readers understanding how 2020 sustainability goals are linked to UN SDGs (Sustainable Development Goals). The reasons for selecting 2020 sustainability management goals and plans to achieve them are also described in the report. In particular, APG has presented various performance indicators with which the performance and goals of sustainability can be monitored.

**Materiality**
APG has conducted the materiality assessment to prepare the Report. 35 issue pools were used on internal and external stakeholder survey to rate the material issues. 7 material issues are prioritized accordingly. APG takes into account the consistent way of selecting material issues so that the decision made by the management and daily operation is fully aligned with strategic sustainability management. The audit team has reviewed the materiality assessment process and confirmed relevant material issues prioritized from the process are addressed in the Report.

**Completeness**
The Report has covered the sustainability strategy, management approach and sustainability performance of APG for the reporting period. The reporting boundary has been set to include all affiliates in APG. Amorepacific, a major affiliate, includes not only domestic sites but also some performances of overseas corporation. We recommend you to gradually expand your reporting boundary on overseas performances.

**Report quality: Accuracy and Reliability**
The audit team has sampled data and tested accuracy. Based on the test, the intentional error or misstatement is not noted from the data and information disclosed in the Report. Data sources were able to demonstrate the origin and interpretation of the data in a reliable manner. The data was identifiable and traceable.

**Competence and Independence**
DNV GL Business Assurance is part of DNV GL Group and a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. Our environmental and social assessment specialists are present in over 100 countries. The assurance work was performed by independent team which meets DNV GL’s competence requirements. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. The assurance has complied with DNV GL’s Code of Conduct during the engagement.

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**Conclusion**

DNV GL Business Assurance Korea Ltd. (“DNV GL”) was commissioned by Amorepacific Group to verify the Amorepacific Group’s Greenhouse Gas Inventory Report for the calendar year 2016 (“the report”) based upon a reasonable level of assurance. Amorepacific Group is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol: 2004 and the principle set out in ISO 14064-1:2006. Our responsibility in performing the work is to the management of Amorepacific Group only and in accordance with terms of reference with Amorepacific Group. DNV GL agreed by disclaimer any liability or responsibility for any decision, whether investment or otherwise, based upon this assurance statement.

**Scope of Assurance**
The emissions data covered by our examination comprise Direct emissions (Scope 1 emissions), Energy indirect emissions (Scope 2 emissions) and Other indirect emissions (Scope 3 emissions) from Amorepacific Group boundary of the report.

- **Organizational boundary for Amorepacific**: HQ/Sale offices, Sites (Daejeon and Jincheon) (and others),
- **Distribution centers**: Gyeonggi, Geongju, Gyeongui, Daejeon, Busan, Suwon, Incheon, Jecheon and Daejeon.
- **R&D/HRD**, Local Businesses and 67 Community, Daejeon and Daegu (and others), Delivery and transportation by contract.

**Verification Approach**

The verification has been conducted by DNV GL from 13th February through 31st March 2017 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2006. We planned and performed our work so as to obtain all information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in CO2 equivalent.

- We have reviewed the emission data, emission calculation results, emission factors, and other parameters.
- We have reviewed and verified the process to generate, aggregate and report the emissions data.

**Conclusions**

Based on the above verification core elements, it is DNV GL opinion that the data and the information reported in the GHG inventory are free of errors, omissions and misrepresentations providing a fair and balanced quantification, in compliance to the above reported verification criteria.

The GHG Emissions of Amorepacific Group for the year 2016 were confirmed as below:

### Greenhouse Gas Emissions of Amorepacific Group from Yr 2016

<table>
<thead>
<tr>
<th>GHG Emission Category</th>
<th>Direct Emission (Scope 1)</th>
<th>Energy Indirect Emission (Scope 2)</th>
<th>Total Emission (Scope 1+2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amorepacific</td>
<td>6,304</td>
<td>47.79</td>
<td>6,352</td>
</tr>
<tr>
<td>PACIFIC PACRANCE</td>
<td>414</td>
<td>4,709</td>
<td>5,123</td>
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<tr>
<td>ASTUVIA</td>
<td>1,467</td>
<td>3,986</td>
<td>5,153</td>
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<tr>
<td>POSTUSON</td>
<td>664</td>
<td>2,500</td>
<td>3,065</td>
</tr>
<tr>
<td>Coffee Farm</td>
<td>2,117</td>
<td>799</td>
<td>2,916</td>
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<tr>
<td>Amorepacific Shanghai</td>
<td>787</td>
<td>4,927</td>
<td>5,714</td>
</tr>
<tr>
<td>Total</td>
<td>11,751</td>
<td>45,371</td>
<td>57,122</td>
</tr>
</tbody>
</table>

In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the system with ± 1 tCO2.

All emissions are based on the original verification criteria.

This Assurance statement is valid as of the date of the assurance (31st March 2017). Please note that the Assurance statement would be invalid if any material discrepancy which may impact in the Greenhouse Gas Emissions of Amorepacific Group is subsequently brought to our attention.

In the event of any discrepancy or contradiction in this statement between English version and Korean version, Korean version shall be given precedence.

DNV GL BUSINESS ASSURANCE
NO: AS_PRC-558901-2017-CCS-KOR

April 2017
Seoul, Korea

In-Kyun Ahn
Country Manager
DNV GL Business Assurance Korea Ltd.

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NO: AS_PRC-558901-2017-CCS-KOR

April 2017
Seoul, Korea

In-Kyun Ahn
Country Manager
DNV GL Business Assurance Korea Ltd.
GRI G4 Index

1. General Standard Disclosure

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators</th>
<th>ISO 26000 Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>About This Report</td>
<td>113</td>
</tr>
<tr>
<td>4</td>
<td>CEO Message</td>
<td>1-2</td>
</tr>
<tr>
<td>3</td>
<td>Brand Portfolio</td>
<td>3-11</td>
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<td>Business Overview</td>
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2. Specific Standard Disclosure

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Environmental

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<td>GHG Inventory and Carbon Footprint</td>
<td>55, 60</td>
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<tr>
<td>27</td>
<td>Resource Efficiency and Product Sustainability</td>
<td>55, 60</td>
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<td>28</td>
<td>Waste</td>
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Corporate Overview

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<td>40</td>
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<td>39</td>
<td>Brand Portfolio</td>
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2016 Sustainability Performance

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2016 Highlights

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### Social

#### Labor practices and decent work

<table>
<thead>
<tr>
<th>Description</th>
<th>GA</th>
<th>GRI G4 Index</th>
<th>ISO 26000</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>G4-LA2</td>
<td>6.3.5, 6.4.1</td>
<td>42-43</td>
<td></td>
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<tr>
<td>Allocation of special benefits and a bonus, if any, that are significant in locating of operation</td>
<td>G4-LA3</td>
<td>6.3.3, 6.3.6, 6.4.1</td>
<td>42-43</td>
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#### Occupational Health and Safety

<table>
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<th>GA</th>
<th>GRI G4 Index</th>
<th>ISO 26000</th>
<th>Page</th>
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<tbody>
<tr>
<td>Percentage of total workforce represented in formal joint management-employee health committees, if any</td>
<td>G4-LA4</td>
<td>6.3.5, 6.3.6, 6.4.1</td>
<td>42-43</td>
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#### Training and Education

<table>
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<th>Page</th>
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<tr>
<td>Average hours of training per employee by gender and by education category</td>
<td>G4-LA9</td>
<td>6.3.6, 6.4.1</td>
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<tr>
<td>Programs and skills management and learning that support the retained employment and career advancement of employees</td>
<td>G4-LA10</td>
<td>6.3.6, 6.4.1</td>
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#### Equality and Equal Opportunity

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<tr>
<td>Composition of governance boards and breakdown of employees by employee category, including gender, age group, minority group membership, and other indicators of diversity by gender and by employee category</td>
<td>G4-LA12</td>
<td>6.3.6, 6.4.1</td>
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#### Supplier Assessment for Labor Practices

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<td>Significant actual and potential wage impacts for labor practices in the supply chain and for trade unions</td>
<td>G4-LA14</td>
<td>6.3.6, 6.4.1</td>
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#### Human Rights

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<tr>
<td>Total number and percentage of significant investment agreements and contracts that include human rights clauses or that safeguard human rights in all aspects of operation</td>
<td>G4-HR1</td>
<td>6.3.4, 6.3.6, 6.4.1</td>
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### Product Responsibility

#### Customer Health and Safety

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<tr>
<td>Percentage of significant product and service categories for which health and safety impacts are assessed for improvement</td>
<td>G4-PR1</td>
<td>6.3.4, 6.3.6, 6.4.1</td>
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#### Global ESG Risk Management System

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<tr>
<td>Significant actual and potential impacts on society and the environment for products and services during their lifecycle, by type of impact</td>
<td>G4-PR4</td>
<td>6.3.4, 6.3.6, 6.4.1</td>
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#### Product and Service Labeling

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<tr>
<td>Significant actual and potential impacts on society and the environment for products on which information about the substance or ingredients is required by the organization's product labeling requirements for product and service information label and labeling, and by percentage of significant product and service categories subject to such information requirements</td>
<td>G4-PR5</td>
<td>6.3.4, 6.3.6, 6.4.1</td>
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#### Marketing Communications

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<tr>
<td>Sale of branded or disposed products</td>
<td>G4-PR6</td>
<td>6.3.4, 6.3.6, 6.4.1</td>
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**Notes:**

- **GA:** GRI Sustainability Management Index
- **GRI G4:** Global Reporting Initiative Sustainability Management Index
- **ISO 26000:** International Organization for Standardization 26000: Guidance on Social Responsibility
Purpose
This report was created to disclose Amorepacific’s sustainability management activities to stakeholders and to collect various opinions to reflect them in management. The scope of the Amorepacific Sustainability Report, which has been issued annually since 2009, was expanded in 2016 to be issued as Amorepacific Group Sustainability Report with the aim to communicate with a broader audience.

Scope
This report provides information on the sustainability management activities and performances of Amorepacific Group. In the case of Amorepacific, the domestic production sites and offices (headquarters in Seoul, R&D Center, HR Development Center, Regional BL, and production sites for beauty care, mass cosmetics and steamed green tea products) were mainly under review, while the performances of the overseas subsidiaries were included in only some of the cases.

Period Covered
This report covers Amorepacific Group’s activities from January 1, 2016 to December 31, 2016. Data from 2014 and 2015 were included for comparative purposes. Information obtained until March 2017 was reflected in some of the data.

Report Verification
In order to enhance the accuracy and reliability of the report, the content was verified by an independent verification institution, DNV GL.

Standards Followed
The 2016 Amorepacific Group Sustainability Report has been prepared in accordance with the G4 Core Guidelines of the Global Reporting Initiative (GRI), the main agenda of ISO 26000 and the internal report preparation standards.