A MORE
Beautiful World

2017
Amorepacific Group
Sustainability Report
CEO Message

“Amorepacific Group will continue its journey toward becoming a ‘Great Brand Company’ that is building a beautiful future for humanity by communicating with society with an open-heart.”

Dear valued stakeholders,

For the past seven decades, Amorepacific Group has dedicated itself to communicating with the world through “Asian Beauty.” Despite fierce competition and uncertainties in the business environment, we have maintained our focus on our customers, while spearheading the great journey toward creating a more beautiful and healthy world by developing innovative products, presenting inspiring customer experiences, and leading digital innovation.

As a responsible global corporate citizen, we are strongly committed to building A MORE Beautiful World where our customers, the environment and society can grow in harmony with each other. More than a decade ago, we published the first sustainability report in the Korean beauty industry, pledging our responsibilities and duties as a corporate citizen. We have undertaken a wide range of innovative activities based on three focus areas and eight commitments in order to achieve our “2020 Sustainability Commitments”. Furthermore, we have endorsed and actively carried out the ten principles of the UN Global Compact (UNGC) in the areas of human rights, labor, the environment and anti-corruption.

Now, the Amorepacific Group continues its journey toward becoming a “Great Brand Company” at its new headquarters in Yongsan, Seoul, which embraces its history of being the first and the best based on our founder’s philosophy of “contributing to humanity through beauty and health” and the perseverance with which it has weathered various obstacles and hardships. With an open heart, we will communicate with society and “Act Now”, helping to create a sustainable future for humanity.

Our decade-long journey toward sustainability represents our enduring pursuit of creating “A MORE Beautiful World” for humanity.

Amorepacific Group’s ten-year journey of sustainability management is the representation of our long-time commitment and devotion to creating “A MORE Beautiful World” with society.

First of all, we will help our customers build a sustainable lifestyle by closely studying the environmental and social impact of their consumption activities.

By raising awareness of the environmental and social impact of consumption, Amorepacific Group wants to create a sustainable lifestyle throughout society. From product planning to production, sales and disposal, we want our products to exert a positive influence on the environment and society. To that end, we will establish principles and strategies to develop sustainable products. Moreover, we will enhance sustainability in our offline stores and all other points where we connect with our customers, while providing our stakeholders with various opportunities to participate in sustainable consumption.

Second, we will pursue inclusive growth with our employees, business partners and local communities.

Amorepacific Group makes diverse efforts to grow together with all social and economic actors that compose the corporate ecosystem. We will pursue inclusive growth by creating an efficient work environment where our employees can find the balance between work and life, and by strengthening the capacity of our business partners. We will also carry out activities to improve the quality of education and a culture of gender equality while supporting women’s health and well-being, economic empowerment, and independence to build a society in which all women and their families can enjoy a truly beautiful and healthy life.

Third, we will build a circular economy by enhancing resource efficiency throughout all processes in our corporate activities.

Amorepacific Group seeks to contribute to protecting nature for both current and future generations. Through the circular use of resources and enhanced resource efficiency, we will continue our efforts to reduce the environmental burden handed down to the next generation. In particular, we will reduce greenhouse gas emissions by introducing renewable energy into our production sites, with the ultimate goal of reaching a “Carbon Free” status.

The grand dream of building a beautiful future for humanity cannot be achieved by the efforts of only a few individuals. Amorepacific Group will devote itself to creating A MORE Beautiful World, yielding to no obstacle and closely working together with all our stakeholders.

We ask for your continued support and interest as we continue our journey.

Thank you.

May, 2018

Suh Kyung-bae, Chairman & CEO of Amorepacific Group
# Amorepacific Group Sustainability Report

## A MORE Beautiful World

### 2017

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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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1  2  3  4  5
Amorepacific Group has shared the value of Asian Beauty embracing the wisdom of nature and humans with customers all over the world. We will devote ourselves to becoming a Great Brand Company changing the world with beauty through relentless innovation.
Ready to experience sparkling beauty with LANEIGE? With dedication and expertise in moisture research, LANEIGE has discovered the secrets of sparkling beauty from water and completed the water recipe for individual skin types. Developed to address the different skin concerns of women losing their vitality due to stress and hazardous environment, LANEIGE water will be a solution that awakens your skin’s potentials. Now, LANEIGE is here for your sparkling beauty and confident charm.

www.laneige.com
**Mamonde**

Presenting the 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 derived from flowers. Quickly becoming a global masstige brand, Mamonde delivers the strength of blooming flowers to women across Asia.

www.mamonde.com

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**innisfree**

Natural Benefits from JEJU

We offer innovative beauty solutions powered by the finest natural ingredients found on Korea’s pristine Jeju Island. Thanks to its volcanic origins, this fertile oasis has a unique ecosystem with abundant resources to nurture beautiful skin. With the wonders of nature at the heart of innisfree, we take great care to preserve and protect the environment in all that we do.

www.innisfree.com

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**ETUDE HOUSE**

Life is sweet. Make Today Sweeter!

Born as Korea’s first make-up brand, ETUDE House is the friend of all women dreaming of sweet lives. Enjoy the pink energy of ETUDE House and let the sweet imagination of being beautiful become a reality.

www.etudehouse.com

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**HERA**

Exceptional Beauty from SEOUL

www.hera.com

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**IOPE**

Functional Brand to Make Vibrant and Beautiful Skin

www.iope.com

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**primera**

Sprout Energy for the Prime Moments of Skin Vitality

www.primera.co.kr

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**AMOREPACIFIC**

Artisan Beauty Brand pursuing Timeless Beauty from Asian Botanicals and Advanced Technology

www.amorepacific.com

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**VITALBEAUTIE**

Health Functional Food Brand Offering Solutions for a Healthy and Beautiful Life

www.vitalbeautie.com
Korean Natural Beauty Brand Delivering the Benefits and Comfort of Nature to Your Skin
www.hanyul.co.kr

A Happy Moment with Nature
www.happybath.com

Restoring the Skin’s Natural Strength through Advanced Science Derived from Asian Ingredients

My First Healthy Shampoo, FRESH pop

Icon of Fast Beauty
www.aritaum.com

Customized Prescription for My Teeth
www.median433.co.kr

Dental Care from Nature

Valuable Relaxation Provided by Tea from Jeju
www.osulloc.com

Prestige Marine Cosmetics Conveying the Vitality of the Seas to Your Skin
www.lirikos.com

A Hair Care and Styling Brand Leading Hair Trends
www.msaewansa.co.kr

Fashion Inspired, Professional Touched
www.amospertecional.com

Life Beauty Device Brand
www.makeonbeauty.co.kr

Caring for Skin, Caring for Mind
www.aestura.com

French High Perfumery House Inspired by Emotion
www.annickgoutal.com

Professional Make-up Brand
www.espoir.com

Professional Make-up Brand
www.espoir.com

Professional Make-up Brand
www.espoir.com
Global Network

Sales (KRW bn)
Employees (Number of Persons)

1) Location of Headquarters and Subsidiaries
2) Countries with Brand Launched

<table>
<thead>
<tr>
<th>Location</th>
<th>Sales (KRW bn)</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe and others</td>
<td>34.5</td>
<td>125</td>
</tr>
<tr>
<td>Korea</td>
<td>4,104.8</td>
<td>7,703</td>
</tr>
<tr>
<td>Asia</td>
<td>1,832.7</td>
<td>4,385</td>
</tr>
<tr>
<td>North America</td>
<td>57.1</td>
<td>135</td>
</tr>
</tbody>
</table>

1) The Republic of Korea
2) Sales figures are based on the 2017 consolidated financial statement of Amorepacific Group.

6,029.1 bn employees
Corporate Vision

Amorepacific Group undertakes various innovative activities to achieve our “Vision 2025” of becoming a Great Brand Company. With this vision, we focus on expanding global market, developing innovative products, implementing digital innovation in order to make the world a better and healthier place through Asian Beauty. Furthermore, we continue to accelerate our efforts in attaining sustainability by minimizing our environmental footprint as well as maintaining mutually beneficial partnerships.

GLOBAL

· Accelerate Global Growth Based on a Four-pillar Strategy (Korea, China, ASEAN and North America)
· Explore New Global Markets (Middle East, Europe and Australia)
· Attain Qualitative Growth
· Innovate Production and Work Process
· Strengthen Harmonious Relationships with Stakeholders

GREAT

· Strengthen Brand Identities and Values, and Developing Engine Products for Each Brand
· Enhance the Capacity of Our Retail and Digital Sales
· Strengthen Our Global Brand Portfolio

BRAND

Amorepacific Group seeks to become a Great Brand Company through innovative products and digital innovation for a better customer experience that will surprise the world.

AP WAY

As the times have changed, Amorepacific Group has developed its own set of corporate values enshrined in the AP WAY, that define why we exist as a company, how we discern right from wrong, and what we should do to fulfill our vocation and realize our values. We will pursue our dream of changing the world through beauty by understanding and observing the AP WAY in our endeavors.

“The reason we exist”
We Change the World through Beauty.

“The standards by which we judge right or wrong”
Openness, Integrity, Innovation, Proximity, Challenge

“The code of conduct to fulfill our vocation and realize our values”

Our Story
7. The customer decides
8. Think more, question more
9. Do it now, do it right
10. Strive to discover the new

Our Values

AP WAY Activities

<table>
<thead>
<tr>
<th>My Way Workshop</th>
<th>AP Minds Play</th>
<th>AP Minds Awards</th>
<th>AP Minds Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companywide workshop for recalling the corporate philosophy and the meaning of AP Minds</td>
<td>Action-oriented activities led by team leaders to practice the AP Minds and corporate values at work site</td>
<td>Program for finding exemplary employees putting the AP Minds in practice and sharing their stories</td>
<td>Production and distribution of AP Minds videos and posters to enhance employees’ understanding</td>
</tr>
</tbody>
</table>

AP WAY

Openness, Integrity, Innovation, Proximity, Challenge
In 2017, the Korean economy achieved 3% growth supported by an increase in exports as the global economy underwent a recovery. On the other hand, competition intensified in the cosmetic industry due to changes in consumer and retail environment as well as uncertainties both at home and abroad. Despite these circumstances, Amorepacific Group sought to reinforce its business values and competitiveness based on the business principles of “developing innovative products”, “enhancing customer experience” and “strengthening digital leadership”. Furthermore, Amorepacific Group made continuous efforts to fulfill its goal of becoming a Great Brand Company that makes the world more beautiful through Asian Beauty by accelerating its global expansion. In 2017, total revenue declined by 10.0% yoy to KRW 6,029 billion and operating profit decreased by 32.4% yoy to KRW 732 billion.

Amorepacific Group Financial Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (KRW bn)</th>
<th>Operating Profit (KRW bn)</th>
<th>Net Profit (KRW bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6,661.2</td>
<td>913.6</td>
<td>673.9</td>
</tr>
<tr>
<td>2016</td>
<td>6,697.6</td>
<td>1,082.8</td>
<td>815.5</td>
</tr>
<tr>
<td>2017</td>
<td>6,029.1</td>
<td>731.5</td>
<td>489.5</td>
</tr>
</tbody>
</table>

Amorepacific Financial Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (KRW bn)</th>
<th>Operating Profit (KRW bn)</th>
<th>Net Profit (KRW bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>4,766.6</td>
<td>772.9</td>
<td>584.8</td>
</tr>
<tr>
<td>2016</td>
<td>5,645.4</td>
<td>848.7</td>
<td>645.7</td>
</tr>
<tr>
<td>2017</td>
<td>5,123.8</td>
<td>596.4</td>
<td>398.0</td>
</tr>
</tbody>
</table>

Domestic Business Activities

Major subsidiaries saw slowdown in sales and profit growth due to steep decline in number of foreign tourists. Nevertheless, Amorepacific Group heightened its efforts to strengthen fundamentals for mid-to-long term growth by diversifying product and distribution channel portfolio, enhancing digital competitiveness, and offering differentiated customer experience.

Amorepacific

Amorepacific Group’s major subsidiary, Amorepacific, made efforts to create additional demand in the domestic market and provide differentiated customer experiences. The Luxury Business Unit (Sulwhasoo, HERA, primera, VITALBEAUTIE, etc.) strengthened its product competitiveness through numerous new product launches and diversified point of sales by entering digital platform and multi-brand channels. The Premium Business Unit (LANEIGE, IOPE, Mamonde, HANYUL, etc.) responded to diverse customers’ needs by expanding its product categories within make-up and launching a new derma line while enhancing its service and brand retail environment to improve customer experience and convenience. The Daily Beauty Business Unit (Byo, mise-en-scene, Happy Bath, etc.) focused on the premiumization of its hair and body care category as well as launched a new natural denture care brand “Pleasia” which contains naturally derived ingredients. Osulloc secured the foundation for quality growth by expanding its Jeju heritage-based premium products and strengthening its retail competency of both online and offline channels.

innisfree

innisfree offered fun brand experience to customers by introducing VR zone to vividly experience brand concept and expanding “Green Lounge” with more experiential contents. Also, innisfree strengthened its core brand identity as a natural brand by opening brand concept store “Gong Byeong Gung Gan” made from recycled materials and hosting brand activities like “PLAYGREEN Festival” to celebrate green life.

ETUDE

ETUDE opened its flagship store inspired by the brand philosophy of “Sweet Dream” and offered fun make-up experience through color experiential services. In addition, ETUDE enhanced its brand appeal and strengthened its communication with young millennial consumers through its continuous launch of trendy new products (“Dear Darling Water Gel Tint”, “Play Color Eyes Wine Party”, “Soon Jung line”, etc.) and introduction of the “Color Picking” service which analyzes lip colors shown in photos sent in by customers.

eSpoir

eSpoir increased its revenue through steady sales of key products within online and travel retail channel. eSpoir solidified its position as a professional make-up brand by showcasing differentiated make-up looks through the brand campaign “Signature 7 Looks” and opening Korea’s first “Make Up Pub concept store” inspired by lounge pubs.

AESTURA

AESTURA increased revenue through stronger sales of inner-beauty products and representative products of medical beauty brand AESTURA. In marking the 10th anniversary of the launch of its Atobarrier products, AESTURA strived to enhance its brand recognition by recruiting prosumers and strengthening customer communication. As a professional medical beauty company, AESTURA is seeking sustainable growth by strengthening internal capability and competitiveness.

AMOS Professional

AMOS Professional saw revenue growth through stronger sales from its premium hair care brand AMOS Professional. AESTURA also positioned itself as a trend leading professional hair care brand by showcasing seasonal hair fashion and color looks.
Amorepacific Group’s overseas businesses maintained solid growth centered on its five global champion brands (Sulwhasoo, LANEIGE, Mamonde, innisfree, ETUDE House). While Amorepacific Group has been accelerating expansion mainly within China, ASEAN and North American market, it is actively exploring new opportunities within new markets such as Western Europe and the Middle East. Sulwhasoo

Sulwhasoo reinforced its position as a global beauty brand through strong growth within key countries in Asia. It also expanded points of sales by diversifying distribution channels from department stores and roadshops to digital platforms. Sulwhasoo also opened its first store in a major department store in Paris, successfully delivering the brand philosophy of Asian wisdom to European consumers and laying the foundation for entry in Europe’s skin care market.

LANEIGE

LANEIGE strengthened its brand identity as “Sparkling Beauty” by launching differentiated new products and promoting its global marketing campaign “Beauty Road”. LANEIGE also began to widely expand its business in regions other than Asia by reconstructing its distribution channels in North America.

Mamonde

Mamonde enhanced its brand identity by launching exclusive products which reflect local Chinese customers’ needs. Mamonde also diversified its distribution channels within ASEAN countries through entry into department stores and online malls. In Singapore, Mamonde sought to better communicate with its customers by opening its first global flagship store “Mamonde Boutique”, providing customers its flower brand story experience.

innisfree

innisfree strengthened its nature-related brand concept while expanding its Asia business and newly entering the US market. The brand opened its 400th store in China thanks to its popularity among millennial consumers and accelerated its store expansion in key ASEAN countries while opening its first store in Indonesia. innisfree also opened a flagship store in Union Square, New York, taking its first successful step in the North American market.

ETUDE House

ETUDE House accelerated its global expansion by continuously opening new stores in key Asian countries. ETUDE House also enhanced its communication with young Asian consumers by expanding e-commerce platform and strengthening its online marketing.

Overseas Sales

1,924.3 KRW bn

Proportion of Overseas Sales

31.9%

Overseas Sales by Region (in KRW bn)

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>1,111.2</td>
<td>1,636.2</td>
<td>1,832.7</td>
</tr>
<tr>
<td>North America</td>
<td>41.4</td>
<td>53.8</td>
<td>57.1</td>
</tr>
<tr>
<td>Europe and Others</td>
<td>52.0</td>
<td>110.0</td>
<td>34.5</td>
</tr>
</tbody>
</table>

R&D Innovation

Amorepacific Group has developed customized sheet mask production equipment using 3D printing technology. Existing mask sheets were limited due to their inability to suit different facial features and skin imperfections in different facial areas. Accordingly, we developed equipment that automatically designs mask sheets that fit each individual customer’s face considering the location of his/her eyes, nose and mouth, as well as the areas of the forehead, cheeks and chin, based on photos taken by smart phones. The equipment produces customizable sheet masks by having a 3D printer extrude hydrogel-containing substances suitable to each person’s skin condition, and customers can immediately purchase custom-made sheet masks in stores. In addition, sheet masks could not be produced with existing 3D printing technology because it used materials with the hardness of plastics. Our newly-developed equipment, on the other hand, brings together skin-friendly materials and the 3D bioprinting technology of the Korea Institute of Industrial Technology, enabling the use of 3D printing technology in producing sheet masks.

Amorepacific’s R&D Performance

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
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<tbody>
<tr>
<td>Number of Published Academic Papers</td>
<td>52</td>
<td>51</td>
<td>54</td>
</tr>
<tr>
<td>Ratio of R&amp;D Expenditure to Sales(%)</td>
<td>2.28</td>
<td>2.12</td>
<td>2.31</td>
</tr>
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</table>

Research on Alternatives to Animal Testing

Amorepacific Group has discerned the negative global trend for animal testing on cosmetics and since 1997 have continued research and academic activities for animal alternative test. In 2008, we stopped animal testing on cosmetic ingredients and finished products. In addition, we declared a ban on unnecessary testing on animals for cosmetics in 2013 and has prohibited all kinds of animal testing on cosmetics unless inevitably required or obliged by the laws and regulations of other countries. Moreover, we have spread the principle in our partners. Currently, we have developed and introduced alternative testing for skin irritation, skin sensitization, phototoxicity, skin absorption, eye irritation, vaginal mucosal irritation, oral mucosal irritation and endocrine disruption in order to evaluate the safety of our products and their raw ingredients.

Furthermore, we have conducted research projects of alternatives for animal testing in cooperation with Korea Ministry of Food and Drug Safety, academic and industrial circles and abroad research groups. As a leading group for animal alternative test for cosmetics, we are making our efforts to spread out our knowhow for animal alternative testing to cosmetic industries and CROs (“Contract Research Organizations”) through the workshop and other activities.

Protecting Intellectual Property Rights

Amorepacific Group showcases innovative technologies through continuous research and development. To protect these valuable technologies through patents, we apply various strategies from the initial stages of research and development. In 2017, we succeeded in 1,368 cases of patent applications and registrations by establishing guidelines and structures on inventions to secure broad rights of patents, devising technology customized protection strategies, and managing patent applications efficiently.

Amorepacific Group’s Patent Application and Registration (in cases)

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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</thead>
<tbody>
<tr>
<td>Number of Patent Applications and Registrations</td>
<td>949</td>
<td>1,099</td>
<td>1,368</td>
</tr>
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Amorepacific’s Patent Application and Registration (in cases)

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>Korea</td>
<td>129</td>
<td>360</td>
<td>357</td>
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<tr>
<td>Registration</td>
<td>145</td>
<td>148</td>
<td>265</td>
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<tr>
<td>Overseas</td>
<td>296</td>
<td>466</td>
<td>495</td>
</tr>
<tr>
<td>Registration</td>
<td>105</td>
<td>118</td>
<td>183</td>
</tr>
</tbody>
</table>
Major Management Activities of Subsidiaries

AMOREPACIFIC

Since its establishment in 1945, Amorepacific has devoted itself to becoming the “Asian Beauty Creator” with the mission of spreading the essence of Asian beauty to the rest of the world. Determined to win customer trust through technology and quality, it established Korea’s first cosmetics research institute and has created new beauty embracing Asian wisdom with its passion and unremitting investment in heritage ingredients and dermatological research. Based on extensive research and technology accumulated throughout its history spanning seven decades, Amorepacific has created global brands including Sulwhasoo, HERA, LANEIGE and Mamonde, quickly becoming one of the most loved and trusted companies not only in Asia but in the world.

2017 Highlight

Accelerating Global Outreach

In 2017, Amorepacific strengthened its foothold in Asia while accelerating its expansion into new markets including North America and Europe. HERA and LANEIGE opened pop-up stores in Shanghai, China, offering opportunities for local customers to experience unbranded brand values and products. Mamonde opened its first global flagship store in Singapore, signaling its successful launch in the new market. LANEIGE made its official debut in Sephora U.S. as a global brand, while Sulwhasoo opened its store at Galeries Lafayette in Paris, accelerating its growth in France and establishing a foothold for the brand’s expansion into the European market. In 2018, Amorepacific will strengthen its brand portfolio in the global market by launching mise-en-soie in China and Mamonde in North America, while expanding its expansion into new markets.

Leading Digital Beauty

Amorepacific carried out various digital innovation activities to satisfy both millennial consumers who are always looking for new experiences and omni-channel consumers who easily traverse the online and offline worlds in their daily lives. ARITAUM strengthened its O2O (Online to Offline) services by simultaneously launching the “Beauty Delivery” and “Beauty Takeout” service, showcasing a smart shopping system integrating online and offline. Amorepacific also reinforced data-based personalized services on the Amorepacific Mall and launched “Beauty Tailor”, an application diagnosing the skin condition of each customer and recommending products and services suited to their individual needs.

Providing Unique Customer Experiences

Multiple brands of Amorepacific opened their own flagship stores in an effort to better convey their brand philosophies and core values to customers. Mamonde opened its flagship store “Mamonde Boutique” based on the concept of the “Journey of Flowers”, offering visitors the opportunity to experience the energy and strength of flowers. In ARITAUM’s flagship store, customer experience goes beyond beauty to fashion and living through state-of-the-art digital devices that fill the store.

At the same time, Amorepacific developed innovative technologies to provide unique customer experiences. The “Amorepacific Tech-up Plus”, a program to support startups and foster talents in innovative technologies, selected its first five teams, while the company held the “Tech-up Plus Demonstration Day” where the participants shared their achievements in beauty tech and services. In addition, Amorepacific employees from various fields came together for the “Advanced Product Development Program” to share creative ideas for developing innovative new products.

innisfree

innisfree is a natural brand dedicated to conveying the purity and cleanliness of nature through its products and spreading a green lifestyle to its customers. Since its official launch in 2000, the brand has grown into a sustainable brand based on the five commitments of natural ingredients, good consumption practices, eco-friendly campaigns, green designs and natural customer experiences.

2017 Highlight

Expanding into the Global Market through Debut in the U.S.

In 2017, innisfree accelerated its growth in the global markets, impressing local customers worldwide. In February, it celebrated its launch in Indonesia, solidifying its position as a natural beauty brand in the ASEAN market. In September, it made its debut in the U.S., laying the groundwork for further expansion in the North American market. In 2018, innisfree will strengthen its brand recognition as the global No. 1 natural brand by continuing a solid performance in the existing markets while expanding its global portfolio to Japan and Australia.

Strengthening Customer-oriented Brand Campaigns

innisfree has undertaken various initiatives to convey the brand’s genuineness to its customers. The brand opened its concept store “Gong Byeong Gong Gan”, built with over 70% of finishing materials made from recycled bottles, in an effort to provide customers the unique experience of upcycling frostyhand. The “Gong Byeong Gong Gan” is an eco-friendly store where customers can engage in the virtuous cycle of nature and the brand philosophy, and learn how to appreciate the value of nature and resources.

As of 2017, innisfree has planted over 35,000 trees through its “innisfree Forest Campaign”, playing its part in addressing the global challenge of deforestation. The brand will continue to carry out various customer-participatory activities in 2018 to convey its brand philosophy and authenticity.

Innovating the Offline Customer Experience

innisfree has introduced various new contents for customers looking for new experiences. For instance, the “Green Lounge” allows customers to feel and try experience innisfree products. Also, with this space, innisfree is conducting test and learn for laying the foundation of future self stores that provide experiential service space. In addition, the brand installed five “Media Vending Machines” in densely populated areas near universities and terminals, as a new platform proposing customized products targeted at those districts. innisfree will expand its experiential merchandising services in 2018 to maximize in-store customer experience and convenience.

Strengthening Customer-oriented Brand Campaigns

innisfree has undertaken various initiatives to convey the brand’s genuineness to its customers. The brand opened its concept store “Gong Byeong Gong Gan”, built with over 70% of finishing materials made from recycled bottles, in an effort to provide customers the unique experience of upcycling frostyhand. The “Gong Byeong Gong Gan” is an eco-friendly store where customers can engage in the virtuous cycle of nature and the brand philosophy, and learn how to appreciate the value of nature and resources.

As of 2017, innisfree has planted over 35,000 trees through its “innisfree Forest Campaign”, playing its part in addressing the global challenge of deforestation. The brand will continue to carry out various customer-participatory activities in 2018 to convey its brand philosophy and authenticity.

Innovating the Offline Customer Experience

innisfree has introduced various new contents for customers looking for new experiences. For instance, the “Green Lounge” allows customers to feel and try experience innisfree products. Also, with this space, innisfree is conducting test and learn for laying the foundation of future self stores that provide experiential service space. In addition, the brand installed five “Media Vending Machines” in densely populated areas near universities and terminals, as a new platform proposing customized products targeted at those districts. innisfree will expand its experiential merchandising services in 2018 to maximize in-store customer experience and convenience.
eSpoir seeks to become a leader in Asian makeup as a professional make-up brand. With a wide spectrum of optimal colors and innovative products for Asian skin tones and textures, it offers a transformative experience to customers who want to make a bold change to find their new look by combining unique colors, textures, and shades with the innovative techniques of professional make-up artists.

### 2017 Highlight

**Launching the "eSpoir Makeup Pub Concept Store"**

In November 2017, eSpoir launched the "eSpoir Makeup Pub Concept Store", inspired by trendy lounge pubs with the theme of "Lively, Free, Exciting and Enjoyable". The first of its kind in Korea, the eSpoir Makeup Pub targets the millennial generation that pursues fun and exciting makeup experiences. In addition to that, it provides premium products with exclusive services only available at eSpoir Makeup Pub.

**Expanding the Door Drop Service to Enhance Customer Satisfaction**

Recognizing the growing importance of on-demand (demand-centered system or strategy) services in the O2O online to offline age, eSpoir launched the O2O-based "Door Drop Service" in 2016. In 2017, it expanded the service scope, enabling customers to request and pick up products sold out in online channels at the offline store closest to them.

**ETUDE House**

ETUDE House is Korea’s first makeup brand launched in 2005, fulfilling women’s dream of becoming more beautiful and enjoying magical days. It leads the makeup trends and promotes a fun, playful makeup culture for young generations around the world. It enjoys tremendous popularity as the top K-beauty makeup brand not only in Korea but across many Asian countries, including China, Japan and Singapore.

### 2017 Highlight

#### Expanding into the Global Market

ETUDE House opened its first flagship store "Sunway Pyramid" in Malaysia and successfully launched a line of localized products. In Japan, it opened stores in "Shibuya 109", "Harajuku Takeshita" and other popular local landmarks, securing the brand’s stable growth in the country. In 2018, plans are underway for an expansion into the Middle East, in preparation for which the brand is focusing on developing color products for the skin tones of Middle Eastern consumers and local marketing strategies.

#### Providing Consumers with a Unique Brand Experience

In 2017, ETUDE House opened its flagship store to convey its brand philosophy of delivering positive energy through the brand and product experience ("Sweet Dream") under the slogan "Life is Sweet". The "Color Factory", where store visitors can receive personal color consulting from professional beauty partners and have their personal lipsticks made, has contributed to establishing itself as a leading makeup brand.

In April 2017, it introduced the ETUDE House signature makeup look bringing together the latest beauty trends and the brand values of "Lively, Playful, Trendy". Furthermore, the "Pink Play Concert", the brand’s signature cultural event held for the 7th time in 2017 was upgraded to a new form of beauty show combining makeup demonstrations, runway shows and a music concert where 3,500 participants were given a unique brand experience.

**Strengthening Digital Services**

In Sep. 2017, ETUDE House launched the "Color Picking" service, which analyzes lip colors from photos sent by customers and recommends similar colors and products, providing a colorful experience for digital-savvy millennial shoppers.

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**eSpoir**

ETUDE House Color Picking service

**ETUDE House Color Picking service**

**ETUDE House Color Factory**
AMOS professional is a specialist hair-styling product manufacturer for hair salons with its signature brand AMOS professional and the premium brand AYUNCHE. AMOS professional has maintained its No. 1 status in sales among Korean hair styling brands, leading the trends in the hair-styling market. Through various partnership and training programs, it supports the competitiveness and sustainability of Korean hair designers.

2017 Highlight
Launch of the New Educational Platform “AMOS Mobile Academy”
In 2017, AMOS Professional launched the “AMOS Mobile Academy” application, the first educational platform for hair designers developed by a professional hair care brand, with the goal of providing equal educational access and opportunities to hair designers.

The AMOS Mobile Academy is a mobile application providing various educational contents so that hair designers can learn anytime, anywhere. The contents provided on the app include basic sessions on hair dyes and perms, special techniques for cuts and color, business mind, salon marketing and the operation manual, and the customer satisfaction guide. AMOS Professional will continue to improve and update this new O2O educational platform so that it can develop into a place of communication and education for aspiring and professional hair designers.

“Hair ARTIST on the Go” Program
As part of the “Makeup ARTIST on the Go” program, AMOS Professional carried out its CSR program “Hair ARTIST on the Go” for students wishing to work in the haircare industry. The program involved career mentoring and presentations on how to become hair artists and overcome trials and errors.

AESTURA is a medical beauty brand offering derma care solutions to hospitals and clinics. In pursuit of healthy beauty and innovative products, AESTURA continues its research efforts and expands brand influence.

Centering on its derma care cosmetic brand AESTURA, the brand seeks to position itself as Asia’s hidden champion brand, accelerating its global outreach and strengthening sustainability efforts.

2017 Highlight
Tapping into the Chinese Market
AESTURA has taken the first step toward offering the best skincare solution to Chinese consumers. In October 2017, it signed a partnership agreement with Zhejiang Wansheng Pharmaceutical, a subsidiary of the fourth-largest dermatological drug maker in China. In November, it held academic and promotional events for the launch of its Atobarrier line of products at the 13th Annual Meeting of the Chinese Dermatologists Association (CDA) participated by over 12,000 dermatologists in China.

Strengthening R&D through Open Innovation
AESTURA has been running a research and advisory study group in partnership with dermatologists at major university hospitals in Korea. In 2017, research seminars and various research activities were undertaken in seven research areas including skin conditions, product quality analysis and improvement measures, new indication finding and the correct usage of products.

Osulloc Farm
Established in 1974, Osulloc Farm is a premium tea company specializing in tea cultivation, processing and sales, committed to handing down the traditional Korean tea culture and harvesting the best tea leaves grown in our soil. Osulloc Farm is both a leader in popularizing tea culture and a pioneer of the luxury green tea market with sulloc tea grown in the organic plantations in Jeju Island and Gangjin.

“Unlike many other countries that take pride in their own special teas, Korea sadly has none. I wish to establish a traditional Korean tea culture at any cost.”

The late Suh Sung-hwan, founder of Amorepacific

2017 Highlight
Enhancing Brand Value through High Value-added Products
‘Osulloc’ enhanced its brand value by expanding its line of high value-added products originating from Jeju. Osulloc Samdayeon Brick Tea won the gold prize at the Shizuoka World Green Tea Contest 2016, and the premium green tea Ujeon won first place at the North America Tea Championship 2016, elevating its status as a global luxury tea brand.

Introducing Halal Certification (JAKIM)
In 2017, Osulloc Farm introduced a halal certification system in response to the fast-growing Muslim market overseas. By having its exported green tea powder halal-certified, it began supplying to global companies in the second half of 2017 and plans to have more items halal-certified. Through these efforts, Osulloc Farm seeks to meet the various needs in the global market and diversify its markets.
Amorepacific Group moves toward the future on the footing of our 10-year history of sustainability management. By helping our stakeholders lead a sustainable lifestyle, growing together with other members of the business ecosystem and contributing to a circular economy for future generations, we continue our journey toward building A MORE Beautiful World.
2020 Sustainability Commitments

Through its 2020 Sustainability Commitments, Amorepacific Group seeks to help its stakeholders create a “sustainable lifestyle” in their everyday lives, achieve “inclusive growth” with economic and social communities, and contribute to the “circular economy” for future generations.

The 2020 Sustainability Commitments are closely linked to 2030 Sustainable Development Goals, SDGs, adopted by the United Nations General Assembly in 2015. Through the efforts to execute its 2020 Sustainability Commitments, Amorepacific Group seeks to help in solving the rising global issues and endeavor to create a more beautiful world for all.

### Sustainable Lifestyle

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>2017 Targets</th>
<th>2018 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Incorporate environmentally or socially friendly elements into new products</td>
<td>24%</td>
<td>36.5%</td>
</tr>
<tr>
<td>2</td>
<td>Use LED lighting in all new and renovated stores in Korea (ARITAUM, ETUDE House, innisfree)</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>3</td>
<td>Use sustainable materials to shipping bags and buffer packaging</td>
<td>Aritaum developed 4 types of FSC-certified shopping bags; innisfree and ETUDE House use plastic bags containing 25% bioplastics</td>
<td>Aritaum uses sustainable materials for its store packages; innisfree uses sustainable materials for its store VMGs (e.g. name tags, wallkies, etc.)</td>
</tr>
<tr>
<td>4</td>
<td>Open the innisfree’s Upcycling Store, “Green Sharing Group-Garage”</td>
<td>Use upcycled cosmetic bottles in over 70% of interior materials of store</td>
<td>Used recycled finishing materials made from 250,000 used containers for over 70% of store interior work</td>
</tr>
<tr>
<td>5</td>
<td>Create a great place to work</td>
<td>Created work space for horizontal communication; Restructure welfare and health programs</td>
<td>Operated AP-Severance Clinic; Promote diversity among employees</td>
</tr>
<tr>
<td>6</td>
<td>Enhance our customers’ awareness of environmentally and socially sustainable lifestyles.</td>
<td>Improved the sustainability assessment system for suppliers; Enhanced workers satisfaction</td>
<td>Improved the sustainability assessment system for suppliers; Support career development and capacity building</td>
</tr>
<tr>
<td>7</td>
<td>Reduce our CO₂ emissions by 30% per tonne of production from a 2015 baseline.</td>
<td>1% reduction</td>
<td>1% reduction</td>
</tr>
<tr>
<td>8</td>
<td>Reduce water use per tonne of production³</td>
<td>3% reduction in Korea and 29% in Mainland China</td>
<td>3% reduction in Korea and 33% in Mainland China</td>
</tr>
</tbody>
</table>

### Inclusive Growth

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>2017 Targets</th>
<th>2018 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Create a great place to work</td>
<td>Created an innovative space in new headquarters; Restructure welfare and health programs</td>
<td>Created work space for horizontal communication; Operated AP-Severance Clinic</td>
</tr>
<tr>
<td>2</td>
<td>Enhance workers satisfaction</td>
<td>Enhanced workers satisfaction</td>
<td>Support career development and capacity building</td>
</tr>
<tr>
<td>3</td>
<td>Number of beneficiaries of women’s health and well-being programs</td>
<td>Number of beneficiaries of women’s health and well-being programs</td>
<td>Number of beneficiaries of women’s health and well-being programs</td>
</tr>
<tr>
<td>4</td>
<td>Number of beneficiaries of women’s economic empowerment programs</td>
<td>1,000 women</td>
<td>1,280 women</td>
</tr>
<tr>
<td>5</td>
<td>Reduce CO₂ emissions per tonne of production³</td>
<td>7% reduction</td>
<td>7% increase¹</td>
</tr>
<tr>
<td>6</td>
<td>Apply renewable energy</td>
<td>Daily Beauty Production Site, Beauty Campus Shanghai</td>
<td>Daily Beauty Production Site (140kW)</td>
</tr>
<tr>
<td>7</td>
<td>Reduces water use per tonne of production³</td>
<td>7% reduction in Korea and 29% in Mainland China</td>
<td>7% reduction in Korea and 33% in Mainland China</td>
</tr>
</tbody>
</table>

### Circular Economy

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>2017 Targets</th>
<th>2018 Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Enhance workers satisfaction</td>
<td>Promote diversity among employees</td>
<td>Support career development and capacity building</td>
</tr>
<tr>
<td>2</td>
<td>Includes the leveraged sales of recycled products</td>
<td>Included sales of recycled products</td>
<td>Included sales of recycled products</td>
</tr>
<tr>
<td>3</td>
<td>Develop Sustainable Packaging</td>
<td>No. of products using Bio-based PET containers: approx. 70</td>
<td>No. of products using Bio-based PET containers: 68</td>
</tr>
<tr>
<td>4</td>
<td>Develop technology for producing recycled product packaging</td>
<td>Developed technology for producing recycled product packaging</td>
<td>Developed technology for producing recycled product packaging</td>
</tr>
</tbody>
</table>

¹ Compared to 2015 (Applicable Sites: Beauty Campus China, Daily Beauty Production Site, Osulloc Production Site, Beauty Campus Shanghai, Water: municipal water and industrial water) |
² Increase due to establishment of distribution centers and expansion of production infrastructure
Incorporate at least one benefit for environment or society into more than 40 percent of our new products.

Why we act
Sustainable consumption, and efforts to consider the social or environmental impact of consumption, has become an important social trend. Businesses are now required to cater to those demands by producing and supplying products that can facilitate a more sustainable lifestyle for consumers. As a consumer product company, Amorepacific Group seeks to minimize any negative impact that may be caused by the consumption of our products, while empowering consumers to play an active role in solving environmental and social issues through consumption.

Our approach
As part of our effort to develop sustainable products, we revised the Group’s guideline on sustainable products in 2017, defining 19 categories of sustainable products. Pursuant to the guideline, the departments in charge of R&D, marketing, design, and packaging development collaborate from the initial stages of product development to ensure the sustainability of our products. The Group’s guideline on sustainable products and identified 19 ways our products can deliver more positive social or environmental impacts.

Achievement Plan
We will expand research and investment in developing sustainable technologies and eco-friendly packaging materials. Through these efforts, we will minimize our environmental impact and strengthen the positive social impact of our products.

Ratio of new products with environmentally and socially-friendly properties 28.8%

Developing Products with Less Environmental Impact

Expanding the Use of Natural Ingredients

Amorepacific Group responds to the issue of depletion of non-renewable resources by increasing the use of renewable natural ingredients. In 2017, innisfree launched My Essential Body Soft Green Body Lotion containing 98% natural ingredients, reducing the environmental impact of its products and securing improved consumer safety at the same time. We will continue reducing the environmental impact of its products by strengthening R&D into securing more natural ingredients to replace chemical substances.

Sustainable Palm Oil and Palm (Kernel) Oil Derivatives

Amorepacific Group recognizes forest destruction by reckless expansion of palm oil plantations, extinction of species and greenhouse gas (GHG) emissions as serious environmental threats. Accordingly, we will continue our support for the Roundtable on Sustainable Palm Oil (RSPO) for the use of sustainable palm oil throughout the industry, while expanding the use of palm oil and palm kernel oil derivatives produced without causing the deforestation.

Annually, we use approximately 27,000 tonnes of palm-derived and palm kernel-derived ingredients as raw materials for fatty acids, glycerin and surfactants. In cooperation with our suppliers, we will continue to switch from the current palm or palm kernel-derived ingredients to RSPO-certified ingredients.

Expanding the Use of Sustainable Packaging Materials

From 2018, we will secure 100% RSPO certification through Book and Claim-certified purchase and use of RSPO-certified palm oil ingredients.

Amorepacific Group is increasing the use of sustainable paper and bio-based and recycled plastic materials to minimize the environmental impact of our packaging materials.

In the case of packaging papers, we use a variety of sustainable papers including papers made from plant by-products and forest management-certified papers. We intend to participate in protecting forest ecosystems by using papers made from trees grown in sustainably-managed forests. While Sulwhasoo, LANEIGE, Mamonde, HERA, primera, IOPE and HANYUL reduce the environmental impact of their products by using FSC Forest Stewardship Council-certified paper for product boxes, innisfree and LIRIKOS use tangerine and seaweed papers, respectively, made from a combination of wood pulp and discarded plant resources. Through these efforts, each brand contributes to increasing resource efficiency and reducing the use of new wood pulp.

At the same time, we are expanding the use of bioplastics derived from renewable biomass sources and recycled plastics to manufacture product containers. In 2017, plant-derived plastics were applied to innisfree body cleansers, toners, jocorns and diffusers and Happy Bath body wash products. Recycled plastics were used for ETUDE House eyeshadows and foundations and innisfree hand wash products.

Happy Bath “Tea Collection Body Wash” Achieves Water Footprint Certification

A product water footprint calculates the water use over the entire lifecycle of a product, from raw materials through production, transportation, use and disposal, and the impact of that process on water quality.

In 2017, eight items from Happy Bath Tea Collection Body Wash achieved Water Measured certification from Carbon Trust, a non-profit organization in the United Kingdom, for the first time in Korea as a body wash product.
To enhance its leadership as a global natural brand, innisfree seeks to reduce the environmental impact of its products. In 2017, 15 product items of its perfumed diffusers received eco-labels certified by the Korea Environmental Industry and Technology Institute (KEITI) in recognition of their effect on resource circulation and reduction of harmful substances.

Developing Products with More Social Impact

Using Raw Materials from Beautiful Fair Trade

Amorepacific Group pursues mutual growth with local communities by using raw materials purchased through Beautiful Fair Trade. In 2017, Sulwhasoo, Mamonde, innisfree, Hanyul and other brands developed products containing raw materials from Beautiful Fair Trade. By using reliable and high-quality raw materials, we ensure consumer safety while contributing to the development of local communities.

Developing Universal Design Containers

Amorepacific Group is expanding the application of universal design to our product containers so that anyone, regardless of their age or physical disability, can easily use our products. misesen-scene, for instance, indicates “shampoo” and “conditioner” in braille on its Real Perfume and Double Moisture lines of products, while Ryo makes it easier for consumers to distinguish shampoo and conditioner bottles by adding a protrusion to its Hambitmo (damage care) and Jayangyunmo (anti hair loss and scalp hair) shampoo bottles.

Developing Social Contribution Products

Amorepacific Group participates in solving social issues by joining our donation efforts with the sale of our products. For instance, HERA has contributed to improving the health of Korean women by launching the Pink Ribbon Limited Edition of HD Perfect Powder and Sensual Lip Serum Glow and donating part of its sales proceeds to the Korea Breast Cancer Foundation in 2017.

Minimizing Residual Product Content in Containers

Amorepacific Group prevents waste of resources and environmental damage by minimizing product waste thrown away with used containers. In 2017, iljìyun Ceramide Ato Lotion and three other iljìyun items and misesen-scene Perfect Base Up Essence applied the dual structured containers with airless pump which can reduce residual content to less than 5%. Thanks to this achievement, consumers can have more content to use while reducing environmental damage caused by the products.

Obtaining Eco-labels

innisfree Perfumed Diffuser

Obtained Korea Environmental Industry and Technology Institute (KEITI) certified eco-labels. In 2017, 15 product items of its perfumed diffusers received eco-labels certified by the Korea Environmental Industry and Technology Institute (KEITI) in recognition of their effect on resource circulation and reduction of harmful substances.

Integrate environmental and social consideration into the design and operation of our stores and disclose our improvement.

Why we act

Our stores are the primary platform through which consumers experience our brands and products. They are also a platform to help our customers maintain a sustainable lifestyle. In order to ensure the sustainability of our stores, they must be designed and operated in a way that reduces environmental impact. We want our stakeholders, including customers and beauty partners, to feel that they are valued as individuals in our stores. Finally, we believe our stores are where we can propose and promote sustainable consumption for our customers.

Our approach

Amorepacific Group has established an internal guideline, setting forth ten measures to ensure the sustainability of our stores. Under the three key goals of promoting sustainable consumption, securing environmental convenience, and creating a user-friendly space for our stakeholders, the guideline explains how our stores should strengthen their sustainability. With the guideline, we have been expanding our stores’ contribution to the society as well as the environment.

Achievement Plan

We will continuously reduce the environmental impact of our stores by managing their construction, operation, and disposal stages. We will also create a user-friendly store environment that values our stakeholders. Furthermore, we will offer education and hold campaigns so that our customers can better understand and practice sustainable consumption.

Making Our Stores Eco-friendly

Installing High-efficiency LED Lighting

ARITAUM has made it mandatory for all new stores to use high-efficiency LED lighting. In accordance with this new policy, LED lighting was installed in 302 ARITAUM stores in 2017, with the target of reaching 640 stores by 2020.

ETUDE House replaced its ceiling and furniture lighting with LED lighting in 274 stores in 2017, with plans to complete the replacement process in 80% of its stores by 2020.

As of 2017, innisfree has switched to LED lighting in all of its stores and will maintain its policy.

Applying Eco-friendly Interior Materials

Amorepacific Group builds sustainable stores by applying eco-friendly interior materials in its major brand stores, including ARITAUM, innisfree, and ETUDE House. We make it mandatory for our stores to only use key interior materials, such as woodworking adhesives, water-based paint, and plaster boards, that have eco-labels and are certified by the Korea Environmental Industry and Technology Institute (KEITI). The use of eco-friendly interior materials is continuously monitored through strict on-site supervision.

LED lighting installation rate in new and renovated ARITAUM, innisfree and ETUDE House stores in Korea

100%

In 2017, ARITAUM, innisfree, and ETUDE House stores in Korea monitored through strict on-site supervision.
ETUDE provides sustainability management training to store managers to raise awareness of the brand's social and environmental responsibilities. ETUDE facilitate their understanding of sustainability management by discussing important social issues such as recent consumption trends, which associate consumption with environmental and social issues, as well as sharing Amorepacific Group's 2020 sustainability commitments and related activities. Store managers also learn about various measures they can take to improve the environmental and social impact of their stores. Through these efforts, ETUDE help store managers grow into valuable partners with whom we can build sustainable stores.

The interior designs of our innisfree stores are infused with vertical gardens of natural plants only with automatic water supply and drainage system, so that our customers can feel close to nature at any time of the year. The vertical gardens not only create a pleasant store environment but provide a refreshing experience for visitors by maintaining an optimal level of temperature and humidity.

The Gong Byeong Gong Gan is based on the concept of “fill up with beauty, one more time.” 70% of the interior finishing materials were made from empty bottles collected through the campaign. Recycled bottles were also used to build store furniture and other objects. Bottle crushers were placed inside the store, as well as monitors that show how many empty bottles have been collected in real time. This entire space is designed so that visitors can experience first-hand how upcycling works.

Amorepacific Group seek to reduce environmental impact by using eco-friendly materials for our store supplies. ARITAUM used FSC-certified paper in producing four types of new paper envelopes and shopping bags in 2017. By applying eco-friendly materials to more of its supplies, including tissue paper for gift wrapping, ARITAUM aims to produce 95% of its expendable items using eco-friendly materials by 2020. Beginning in 2018, ARITAUM will print the FSC certification mark on each expendable item, sharing its environmental protection efforts with customers and raising awareness of sustainable consumption.

innisfree expanded the use of tangerine paper made from 95% recycled pulp and 5% tangerine peel. Tangerine paper has been mainly used to produce product boxes, but innisfree applied this waste-reducing, forest-protecting eco-friendly paper to produce various kinds of papers used in its stores. In 2017, tangerine paper was used for promotional materials such as price tags, wobblers, etc., reducing the overall environmental impact of its stores.

Moreover, 100% of the plastic bags used at innisfree and ETUDE House contain 25% bioplastics in an effort to reduce the environmental impact caused by the use of plastic bags.

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ETUDE facilitate their understanding of sustainability management by discussing important social issues such as recent consumption trends, which associate consumption with environmental and social issues, as well as sharing Amorepacific Group’s 2020 sustainability commitments and related activities. Store managers also learn about various measures they can take to improve the environmental and social impact of their stores. Through these efforts, ETUDE help store managers grow into valuable partners with whom we can build sustainable stores.

We will continue to strongly encourage sustainability activities of our stores by holding meetings to share ideas on how to promote sustainability.

Amorepacific Group is the first Korean cosmetics company to introduce the mobile point-of-sale (mPOS) system in 2017 in major ARITAUM, ETUDE House, and esspoir stores in Seoul. By combining barcode reading sensors, credit card readers, and cameras, mPOS handles customer and product information, payments, and electronic receipts. Through the mPOS system, customers can receive in-store counseling and immediately pay for their purchases. We can also contribute to environmental protection as the mPOS system allows e-receipts to replace paper receipts.

In recognition of these achievements, our mPOS system received the Excellence Prize at the eASIA Awards 2017 hosted by the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) and the Asia-Pacific Council for Trade Facilitation and Electronic Business (MAPACT).
Enhance our customers’ awareness of environmentally and socially sustainable lifestyles.

Why we act
As a consumer product company, Amorepacific Group has the responsibility and obligation to minimize environmental impact and prevent resource depletion by improving production processes, also to facilitate more people to practice sustainable lifestyles. In addition to ensuring the sustainability of our products, we are obliged to provide an appropriate platform through which consumers can better understand and practice responsible consumption. Through our brand campaigns, we promote sustainable consumption and encourage consumers to play an active role in causing positive changes for the environment and society.

Our approach
Through specialized campaigns based on each of our brand philosophies and strategies, Amorepacific Group seeks to change consumer perceptions and encourage participation in sustainable consumption. In line with the global expansion of our brands, we are also expanding the scope of our campaign activities to various regions across the globe. In an effort to strengthen brand sustainability and competitiveness in the global market, Amorepacific Group has developed brand sustainability assessment factors reflecting consumers’ perception of sustainability. Upon review by experts in various fields including consumer research, brand development, and sustainability management, we defined the concept and features of brand sustainability, and derived 30 assessment items from six dimensions. Based on the selected items, we conducted a pilot brand sustainability assessment by consumers. This assessment revealed the need to: (a) pursue brand sustainability based on brand philosophy and values that coincide with customer values and (b) communicate related efforts to consumers more actively. We will further develop our brand sustainability assessments as we pursue sustainability at the strategic level.

Achievement Plan
We will carry out in-depth research on sustainable consumption and enhance the sustainability of our products and brands by conducting sustainability assessments and making improvements accordingly. We will also offer opportunities for our customers to participate in value consumption and gain a new perspective on sustainable consumption by strengthening brand campaign activities.

Strengthening Brand Sustainability

Developing Brand Sustainability Assessment factors
In an effort to strengthen brand sustainability and competitiveness in the global market, Amorepacific Group has developed brand sustainability assessment factors reflecting consumers’ perception of sustainability. Upon review by experts in various fields including consumer research, brand development, and sustainability management, we defined the concept and features of brand sustainability, and derived 30 assessment items from six dimensions.

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Brand Campaigns Promoting Sustainable Consumption

Beauty from Your Culture Campaign by Sulwhasoo
In 2017, Sulwhasoo expanded its traditional culture preservation activity “Sulwha Cultural Exhibition”, which has been going on for 11 years in Korea and expanding to the global market to spread brand’s sought value in traditional culture. In linkage to this exhibition, Beauty from Your Culture Campaign also began in Korea, Mainland China, Singapore and Malaysia during 2017. Sulwhasoo launched Beauty from Your Culture Limited Edition, consisting of its bestseller First Care Activating Serum EX, so that customers can participate in the cultural mécénat activities by purchasing the product.

All sales created from the limited edition purchase will be used to support the artisans of Korean tradition and cultural heritage preservation activities in Mainland China, Singapore and Malaysia.

Proceed in four countries
Korea, Mainland China, Singapore, Malaysia

Participation by over 50,000 customers

Refill Me Campaign by LANEIGE
LANEIGE holds the Refill Me Campaign, which donates part of its sales proceeds to promote water resource preservation and help people around the world to gain access to drinking water. In 2017, it launched the Water Sleeping Mask Refill Me Edition, a limited edition of its global bestselling product Water Sleeping Mask. By donating part of the sales proceeds to an NGO named Team and Team, LANEIGE helped install underground water pumps in three African villages.

The Refill Me Campaign is also held in other countries in which LANEIGE does business. In Mainland China, it donated part of its sales proceeds to World Wide Fund for Nature (WWF) which was used to protect trees and water surrounding Qinghai Lake. In Malaysia, LANEIGE worked together with the Global Peace Foundation, setting up 30 water purifiers in four local villages to provide clean water to villagers. Other efforts were made in Hong Kong (China), Taiwan, Singapore, Thailand and Indonesia as part of the Refill Me Campaign through cooperation with local NGOs.

LANEIGE will continue to expand the Refill Me Campaign with the aim of helping more people gain access to clean water and lead healthy lives.

2017 Refill Me Campaign
Financial Contributions from sales proceeds
KRW 218.8 mn
PLAYGREEN Campaign
In 2017, four countries including South Korea organized the PLAYGREEN Campaign. While PLAYGREEN Class took place in Chengdu and Shanghai, Mainland China and Malaysia, and Eco Hankie Cinema in Taiwan, on September, the 4th “PLAYGREEN Festival” was held in South Korea.
In the 4th PLAYGREEN Festival held in Seoul, participants experienced an eco-friendly lifestyle through various classes and activities under the theme of using handkerchiefs, and 10 million won of the proceeds from the campaign was donated to the innisfree Moeum Foundation to be used for its Forest Campaign.

Eco Hankie Campaign
Since 2010, innisfree has introduced eco-friendly handkerchiefs in stylish limited-edition designs each year, conveying the message that the simple act of reaching for a handkerchief over a tissue can help save a tree and protect our forests. In 2017, innisfree presented a set of handkerchiefs inspired by Bijarim, Saryeoni and Gotjawal Forests in Jeju island, South Korea and Inner Mongolia, Mainland China. innisfree will carry out various participatory campaign activities to encourage the use of handkerchiefs as a way of leading a green lifestyle.

Love the Earth Campaign
primera’s Love the Earth Campaign supports global efforts to protect wetlands. In 2017, primera cooperated with the Ramsar Regional Center-East Asia (RRC-EA), borrowing their expertise to more directly engage in wetlands protection activities. By donating part of the sales proceeds from campaign goods to RRC-EA, we also contributed to wetlands preservation activities in Korea. In October 2017, it held ‘wetland art project’, a mini exhibition of illustrations and sculptures by emerging artists who are inspired by the beauty of wetlands to raise public awareness of the importance of preserving the wetlands.

Let’s Love Campaign
Launched in 2013, the Let’s Love Campaign improves the living conditions of girls in Jamui, India, who have no access to education due to poverty and gender discrimination. Through Beautiful Fair Trade, primera uses mangoes grown in Jamui and donates 10 mango trees to families in Jamui using the proceeds from the sales of its Mango Butter products. In the last four years, a total of 4,700 mango saplings were donated. In 2017, mangoes grown from these trees were harvested for the first time, thus realizing a donation system based on the circular economy beyond an event. Celebrating its first harvest, primera made pop-up book videos in November 2017 to share about the importance of the Let’s Love Campaign to consumers.
Create a great place to work by improving employees’ health and welfare.

Why we act

We believe that fostering a workplace culture that celebrates diversity and providing each individual with an opportunity to show their potential is the driving force of our sustainable growth. We also recognize that providing a safe work environment for our employees and the support they need to lead healthy lives is fundamental to secure both job satisfaction and corporate competitiveness.

Our approach

Our welfare policies and Great Work Place (GWP) program helps employees manage a healthy work-life balance. Furthermore, we train women leaders and are hiring more local staff across the globe to promote diversity. In order to create a safe work environment, we implement seven principles of safety and health and a SHE: Safety, Health and Environment management system.

Achievement Plan

We will develop a variety of programs to improve our employees’ job satisfaction level, while reinforcing our safety and health programs applied in our domestic and overseas business sites including research centers, offices, plants, stores and distribution centers. We will foster women leadership and global talent through various programs.

Promoting Employees’ Health and Welfare

Strengthening Employee Health and Welfare Programs

In 2017, Amorepacific Group provided useful health information to our employees through various in-house media: once a month via Intranet and three times a month via in-house broadcasting. We also held CPR, Cardiopulmonary Resuscitation, and AED, Automated External Defibrillator training to give our employees the skills and confidence to respond in emergency situations. We intend to hold CPR/AED training more frequently. From 2018, we will work together with AP-Severance Clinic to share more information on health programs and services.

In addition, we have built a 1,101m² fitness center inside our new headquarters to promote our employees’ health and improve their concentration at work. We will introduce various fitness programs in the near future to enhance employee satisfaction with our fitness facilities.

Promoting Women Leadership and Diversity

Offering Women’s Leadership Cultivation Programs

As the importance of women leadership is gaining greater emphasis in today’s global business environment, Amorepacific Group has offered various women leadership programs. In 2017, we conducted “Balance Coaching” program for women executives to help them find balance in their capabilities as leaders and “On-boarding Coaching” program for new women executives to transition into their new roles and adjust to changes. In 2018, we will introduce an in-house mentoring system through which women leaders can share their experiences with future leaders.

Implemented Global Talent Program

Amorepacific Group has launched the “Hyecho” program, its global talent management program, since 2011. The goal of this program is to explore new markets and conduct consumer research within those markets. As of 2017, 167 employees have been sent to 26 countries.

In 2017, 18 people were sent to 13 cities in 7 countries, including Russia, Mexico and Iran. Based on their analysis of the local markets and proposal for localized marketing, the Group established its entry strategies. They also carried out an in-depth analysis of regional characteristics and beauty trends in Mainland China.

In 2018, we plan to introduce “Theme Hyecho,” who will explore new R&D and IT technologies, in addition to “City Hyecho” who will lay the groundwork to enter into new markets in Poland and Peru.

Amorepacific provides a friendly workplace to the disabled through its subsidiary, “WeDream.” In Beauty Campus Osan’s Distribution Support Unit, 32 WeDream employees with disabilities are responsible for packaging our products. The work space is arranged in a way that allows them to both engage in manual labor and use automatic machines, depending on the type of work and skill level. WeDream offers various welfare programs for those with disabilities to communicate with each other and build self-confidence so that they can stand on their own as members of society.

Operating WeDream, Standard Workplaces for the Disabled

Strengthening Safety and Health Management

Safety Leadership Tour Program

Based on its seven principles of safety and health, Amorepacific Group has newly introduced the “Safety Leadership Tour” program, which refers to a safety inspection under the leadership of the business site manager. The aim of a safety leadership tour is to create a safe work environment by strengthening safety and health management and building awareness among employees. The tour involves an inspection of the work environment, health, hygiene, training management, emergency response and supplier management based on our SHE standards and regulations. In 2017, we launched a pilot program in Beauty Campus Osan and R&D Center, and expect to apply the program to all business sites, the headquarters, and major stores in 2018.

Strengthening Safety and Health Standards in Stores

To ensure the safety of our customers and employees in our stores, we have established safety standards and rules that must be applied in store design and operations.

In accordance with these standards, our stores must be designed in a way that ensures the proper installation of firefighting facilities, electric equipment, and storage facilities, secure pedestrian safety, and allows for appropriate emergency response. Safety and health standards regarding store operation regulate specific items including electric equipment, firefighting facilities, pedestrian safety, movement/storage of goods, and first aid. Our stores are strictly managed in accordance with these standards, and they apply a checklist to efficiently inspect and improve safety and health-related matters.
New Headquarters: A Space for Creativity and Welfare

Flexible Work Environment
We provide a flexible work environment for our employees. In addition to open desks with no partitions, which is the basic working environment, we also provide casual meeting rooms for up to four people and a focus work space for individuals who need to work intensively on their own.

AP-Severance Clinic
Amorepacific Group offers the AP-Severance Clinic in cooperation with the Severance Hospital of Yonsei University Health System in an effort to provide various medical services to our employees. Services provided by the Family Practice Clinic include physician office visits, screening, treatment, vaccination, dietary consultation, medical exams and consultations, and overseas business trip support services. Physicians also provide consultation and screening of frequent health problems of office workers such as metabolic syndrome. The AP-Severance Clinic also runs a body remodeling center to help our employees deal with musculoskeletal disorders.

Communication and Connectivity: Building a Horizontal Workplace Culture
The work environment inside our new headquarters is based on the theme of “connectivity.” We created a communicative space by installing open desks with no partitions between colleagues, vertically placing departments that perform interrelated tasks and using internal staircases to facilitate communication. We also promote horizontal communication by connecting the work spaces for both executives and non-executive employees.

Internal staircases for free movement between the upper and lower floors

Flexible Work Environment

AP-Severance Clinic

Supporting the Growth and Innovation of Suppliers

Financial Support
Amorepacific provide loans to our suppliers at low interest rates using our KRW 20 billion Win-Win Partnership Fund, which provides direct assistance to suppliers, and our KRW 4 billion Mutual Growth Fund, which we jointly developed with the Industrial Bank of Korea (IBK). As of 2017, we also run a KRW 550 million Mutual Growth Investment Fund to enhance our suppliers’ capacity. In April 2016, we revised our payment policy to ensure that all payments to small and medium-sized suppliers, with whom we have a fair trade agreement, are made 100% in cash within ten days of receiving an invoice. 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 second and third tier supply chain. Inclusive Growth

Supporting Technological Innovation
Amorepacific operates the Business Partner Study Group on Innovation with the major suppliers to help our suppliers to handle various challenges in the areas of cost reduction, production, product quality, distribution, production technology and equipment management. We also support innovation initiatives and provide consulting to that end. In 2017, seven partners who had received low scores in the capacity evaluation participated in the Study Group, deriving major tasks regarding product quality, delivery and distribution, and undertaking voluntary steps for improvement. As a result, they received 10 more points (23% higher in score) in the 2017 capacity evaluation as compared to the previous year. Furthermore, we undertook 30 benefit sharing projects with our suppliers in 2017 by implementing an incentive based partnership mechanisms, while transferring four patents to small-and medium-sized enterprises at no cost through the “Patent Sharing Program” of the Amorepacific Jeju Center for Creative Economy and Innovation.

Why we act
It is our belief that fostering inclusive growth and the sustainability of all our business partners will have a positive impact on achieving long-term economic growth and other benefits for our society. By providing our business partners with opportunities of high-quality jobs and participation in economic activities, we hope to create a mutually beneficial (win-win) relationship and a positive cycle of inclusive growth.

Our approach
In an effort to build a sound business ecosystem, Amorepacific Group pursues the following three strategic tasks: establishing a fair trade relationship based on mutual trust, reinforcing the competitiveness of our suppliers for sustainable development by supporting their growth and innovation, and enhancing the sustainability of the overall supply chain. We have also established a “Good Jobs Strategy” for our beauty partners and offer various programs to provide decent working conditions.

Internal staircases for free movement between the upper and lower floors

Supporting the Growth and Innovation of Suppliers

Achievement Plan
We will increase the percentage of suppliers who are able to meet targets as assessed sustainability levels of “GOOD” to more than 80% by 2020 by assessing their sustainability and providing the necessary support to improve their capacity. We will double the number of benefit sharing projects with our suppliers (from 2016) and continue to provide financial aids. Furthermore, to help strengthen our beauty partners’ core competencies, we will provide training and certification programs and support the improvement of their working conditions.

Contributing to inclusive growth by actively supporting our business partners’ development and growth.
Since 2015, Amorepacific has provided both manpower and financial support for participating in exhibitions held overseas with the goal of securing a global market for 5-6 small and medium-sized suppliers.

In 2016, five suppliers participated in overseas exhibitions, as a result of which thirteen new export contracts were signed. In 2017, also five suppliers participated in overseas exhibitions, and we held the Global Smart Talent Training in cooperation with the Korea Small Business Institute prior to participating in overseas exhibitions.

Through our Consortium for HRD Ability Magnified Program, established to provide training courses to employees of small- and medium-sized suppliers and facilitating human resource management, we opened 33 training courses and provided cosmetics industry-related education to 1,538 employees of 341 suppliers.

Amorepacific seeks to respond to global climate change by working together with our suppliers. Participating in the Energy Partnership Program organized by the Korea Energy Agency, we have assessed the current status of energy use by our small and medium-sized suppliers and proposed measures to enhance energy efficiency and reduce GHG emissions.

In 2017, we undertook sustainability assessments of our critical suppliers and supported five suppliers for those who were found to be vulnerable in terms of environmental management. We identified 14 tasks to enhance their core competencies and improve environmental management. We will fund facility investments required for executing these tasks, through which we expect to reduce 411.54 tCO₂ annually.

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Osulloc Farm Achieves Mutual Growth by Growing Organic Ginseng

Recent issues regarding residual pesticides in ginseng and its place of origin have resulted in a decline in both consumer trust and the consumption of Korean ginseng. Against this background, Osulloc Farm has developed a new cultivation method for the production of organic ginseng and shared it with ginseng farms across the nation. To support the cultivation of organic ginseng, we provided consultation and demonstration sessions for farmers, while establishing a systematic purchasing process and strengthening pesticide detection tests.

Through these efforts, we regained consumer trust in ginseng as a raw ingredient, provided a stable market for ginseng farms, and reduced environmental impact by using an organic cultivation method. Osulloc Farm will strive to strengthen a cooperative structure which will enable farms, consumers, and Osulloc Farm to all grow together.

ARITAUM offers a variety of mind-care programs for its beauty partners to help prevent and release work-related stress and emotional demands. "Delivery Dreamers" is a program designed to listen to the concerns of beauty partners and offer counseling as they meet each month to discuss how to cope with stress. In 2017, ARITAUM introduced a new program named "Beauty Inside" with the goal of helping its beauty partners find stronger motivation for their work.

ETUDE also runs various mind-care programs to strengthen a sense of camaraderie between its beauty partners (Sweeties) and improve their job satisfaction through communication workshops, mind-healing programs, wellness programs (weight loss, massage, etc.) and personal development education.

Mind Care Program

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‘20 by 20’ commitment support the health, well-being, and economic empowerment of 200,000 women by 2020.

Why we act
Amorepacific Group seeks to grow with the local community while fulfilling its social responsibility as a global corporate citizen. As a company that has grown by serving women, we believe that making women’s lives more beautiful is the way to make a more beautiful world. We aim to beautify the lives of women by supporting their health, well-being and economic empowerment, so that they can live their best in a more beautiful world.

Our approach
Our aim is to beautify the lives of women by supporting the health, well-being, and economic empowerment of 200,000 women by 2020. To this end, we are enhancing the quality of women’s lives in various nations and regions including Korea, Mainland China, Singapore, Hong Kong (China), Taiwan, and Vietnam. In addition, we strive to fulfill our corporate social responsibility and share our vision with more people by participating in the United Nations’ Every Woman Every Child movement, which aims to intensify international action to ensure the health and well-being of women and children around the world.

Achievement Plan
Amorepacific Group will support the health and well-being of over 49,000 women and economic development of over 1,000 women each year with an annual budget of at least KRW 7 billion. In 2018, we will extend our activities into the ASEAN regions.

Supporting Women’s Health and Well-being

Contributed to reducing women’s cancer mortality and improving the lives of women’s cancer patients

Amorepacific Group carries out various activities to help more women enhance their health and happiness in their lives by reducing the women’s cancer mortality rate and improving the lives of women’s cancer patients.

For women in their 20s and 30s, we have been carrying out an awareness raising campaign to promote the importance of breast cancer prevention and self-exams. For women in their 30s and 40s, we offer the Pink Tour Program to provide education on self-examination for early detection of breast cancer and promote breast health. We provide financial support for women in their 40s and 50s to take breast cancer screenings and fund breast cancer surgeries, while offering psychological recovery programs for breast cancer patients in their 50s.

While our activities supporting women’s cancers have so far been limited to Korea, we are now expanding these efforts to reach women in other countries across the globe. By identifying which types of cancers have high incidence rates by region, we undertake activities to raise awareness of those cancers and support early detection through self-exams and medical screening.

Number of beneficiaries and expenditure (2017)

<table>
<thead>
<tr>
<th>No. of beneficiaries</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>143,722 persons</td>
<td>KRW 4.78 bn</td>
</tr>
</tbody>
</table>
Supporting Women’s Economic Empowerment

Amorepacific Group introduced a door-to-door cosmetics sales system in 1964, in a way to support women to achieve financial independence as the breadwinner of their families during the post-war period. Against this backdrop, we are currently engaged in various activities to help women stand on their own financially and achieve gender equality.

Amorepacific Group supports the employment of women in socially vulnerable groups. To this end, our Beautiful Life Campaign provides technical training and mentoring in support of job-seeking low-income women. Through these programs, 47% of all participants obtained professional certificates and 21% found employment or started their own businesses, having a positive influence on increasing women’s income overall.

We also support women’s financial and social independence through our Hope Store program, a start-up assistance program designed to support low-income single mother households. As of 2017, 334 stores (cumulative) have opened up and beneficiaries have reported that starting their own business has increased not only their household income but also gained enhanced self-confidence while providing psychological stability to their children as well.

“Makeup ARTIST on the Go” is another signature CSR program that supports girls who aspire to be make-up artists. Through the program, we provide professional training and scholarships, helping girls pursue their dream of becoming professional make-up artists.

Amorepacific Group will continue to support women achieve financial independence and the self-confidence to help them live their best lives as healthy and productive members of society.

Number of beneficiaries and expenditure (2017)

<table>
<thead>
<tr>
<th>No. of beneficiaries</th>
<th>KRW Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,683 persons</td>
<td>3.28 bn</td>
</tr>
</tbody>
</table>

‘20 by 20’ Commitment: Supporting 200,000 Women by 2020

The ‘20 by 20’ Commitment is our promise that we will beautify women’s lives by supporting the health, well-being, and economic empowerment of 200,000 women by 2020. Based on our experiences and activities in Korea, we are expanding our influence to other parts of the world in which our business sites are located. In addition to Korea, five of our global offices in Mainland China, Taiwan, Hong Kong (China), Vietnam, and Singapore also participated in the ‘20 by 20’ Commitment in 2017.

‘20 by 20’ Activities by overseas offices

Amorepacific Group actively supports the prevention and treatment of breast cancer and cervical cancer, two types of cancer showing high incidence rates among Chinese women. We offer free examinations pertaining to these two types of cancer for women in low-income regions and regions with high incidence rates in Mainland China. Furthermore, we promote awareness-raising and prevention activities, in addition to holding campaigns to emphasize the importance of early detection of these two types of cancers—breast cancer and cervical cancer.

In 2017, our global offices in Hong Kong (China), Taiwan, Vietnam, and Singapore joined in various activities to help women’s cancer patients recover from their diseases and return to their everyday lives. Our Hong Kong Office, in particular, supported campaign activities to raise public awareness of female hereditary cancers (e.g. breast cancer).

Global Performance (2017)

No. of beneficiaries

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of beneficiaries</th>
<th>KRW Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>46,463</td>
<td>5,988.4</td>
</tr>
<tr>
<td>Mainland China</td>
<td>58,726</td>
<td>1,913.0</td>
</tr>
<tr>
<td>Taiwan</td>
<td>101</td>
<td>99.5</td>
</tr>
<tr>
<td>Hong Kong (China)</td>
<td>24</td>
<td>21.6</td>
</tr>
<tr>
<td>Vietnam</td>
<td>46</td>
<td>32.4</td>
</tr>
<tr>
<td>Singapore</td>
<td>45</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Beneficiaries (persons) | Expenditure (KRW mn)
Reduce our CO₂ emissions by 30% per tonne of production from a 2015 baseline.

Why we act
Since the Paris Agreement entered into force in November 2016, the international community has been working toward the common goal of keeping the global temperature rise below 2°C above pre-industrial levels. The Agreement also requires businesses to respond to global climate change by reducing GHG emissions.

As a responsible global corporate citizen, Amorepacific Group seeks to achieve the carbon-free status of and GHG emissions by undertaking the following activities: through our process of applying renewable energy and improving energy efficiency, we managed to reduce GHG emissions throughout the entire business process and offset our carbon emissions by engaging in various corporate activities.

Our approach
We are expanding the use of renewable energy, including solar power, within our sites and enhancing energy efficiency by upgrading our facilities. We will also establish long-term goals and strategies to finally achieve carbon-free status.

Achievement Plan
In 2018, we will launch project to install solar panels in Daily Beauty production site, Beauty Campus Osan, and Beauty Campus Shanghai. By 2018, we aim to reduce the GHG emission intensity by 1% compared to 2015 by introducing more efficient facilities and increasing the energy efficiency.

Applying Renewable Energy
Amorepacific applies renewable energy to reduce GHG emissions caused by energy consumption in production sites. In 2018, we installed a 140kW solar power generation system at our Daily Beauty production site, and plan to install about 1MW solar power generation system in Beauty Campus Osan and Beauty Campus Shanghai. We will continue our efforts to explore how renewable energy can be further applied in our existing and new business sites based on our long-term plan to switch to renewable energy.

Reducing GHG Throughout Product Lifecycle
Amorepacific Group undertakes various strategic actions to minimize environmental impact throughout the lifecycle of its products from product development to disposal.

Reducing GHG in Our Production and Distribution Sites and Offices
Through various efforts in 2017 to increase energy consumption efficiency and improve heating and cooling systems, we reduced GHG emissions in our production and distribution sites and offices. At our distribution centers, we switched all lighting to LED bulbs and carried out activities to prevent energy loss and increase the energy efficiency of our heating and cooling systems.

Applying Energy Saving Process Technology
Since 2014, Amorepacific Group has developed and applied a energy saving process technology to reduce energy use when producing emulsion products such as lotions and creams. Energy saving process technology includes the following three technologies: a) low temperature emulsification process that uses cold water when mixing with hot oil, b) multi-stage emulsification process that emulsifies oil in water at high temperature while only exposing a minimum amount of mixture to high temperature, and c) emulsification process at room temperature without the need for heating or cooling. Compared to the existing emulsification process, our processes reduced energy use by 20%, 40%, and 100%, respectively. In 2017, we applied 43 products including Sulwhasoo, LANEIGE, and Mamonde in Beauty Campus Osan, Daily Beauty production site and Beauty Campus Shanghai.

Annual reduction of 60 tCO₂e of GHG
Reduction of KRW 20 mn
Annual reduction of 71 tCO₂e of GHG
Reduction of KRW 30 mn
Annual reduction of 7 tCO₂e of GHG
Reduction of KRW 10 mn

Applying Renewable Energy

New Headquarters
Daily Beauty Production Site
Beauty Campus Osan
Beauty Campus Shanghai

3,450 kW
140 kW
1,000 kW
50 kW

Solar power generation
Solar heat generation
Geothermal heat generation
Solar power generation
Solar power generation
Sustainable Light Bulb
Installation of a Natural Cooling System
Replacement with high-efficiency lights
Insulation
New Headquarters: Eco-friendly Building

The new headquarters of Amorepacific pursues eco-friendliness and efficient energy use. Certified as a ‘Highest grade in Green Standard for Energy and Environmental Design (G-SEED)’ and ‘First grade in Building Energy Efficiency Rating’, the new headquarters has been designed to reduce energy use by 37.6% against expected consumption through various energy-efficiency systems.

Enhancing Energy Efficiency

Our new headquarters recycles heat energy through air conditioning facilities that apply a waste heat recovery system. In addition, we installed facilities to enhance energy efficiency, such as high-efficiency certified transformers, high-efficiency motors, and power factor correction capacitors.

All lighting within the building uses energy-efficient LED bulbs, while applying the DALI (Digital Addressable Lightening Interface system), a digital lighting system that automatically adjusts lighting intensity by detecting the amount of natural light available, and a human detection sensor system, which controls lighting based on detection of human presence. Through these efforts, we have minimized any unnecessary power usage.

The ceiling of the lobby area is made with Skylight (glass ceiling) to allow as much natural light as possible into the building while the vertical pins installed along the curtain wall block out the sun’s rays.

Applying Renewable Energy

In our new headquarters, renewable energy is used in a variety of ways. The geothermal heat system uses the ground temperature to control our heating and air conditioning systems. The solar heat system stores the heat energy from solar power so that it can be used as an energy source, while the photovoltaic system generates electric power from sunlight. Through these measures, we generate approximately 7.2% of our energy with renewable energy.

Management of Water Resources and Waste

Amorepacific Group recognizes water shortages as a serious global problem. We conducted water risk assessment in physical, regulatory, and reputation perspective within our production sites using the Water Risk Assessment Tool developed by the World Wildlife Fund (WWF). We strive to improve water resource efficiency by reducing the amount of water use in production processes and increasing water recycling and reuse.

Waste generated in production sites is treated according to the 3R principle (Reduce, Reuse, Recycle) in an effort to minimize resource use and expand resource recycling. In particular, we try to find the optimal recycling measures for each type of waste by categorizing them by type and trait.

Our approach

As part of our efforts to ensure efficient use of water resources and to increase recycling and reuse, we have strived to improve the operational efficiency of water usage at our production sites, to recycle rainwater and wastewater and to reuse condensed water produced during the water ionization process.

We are also undertaking activities to reduce the amount of non-recyclable waste produced within our production sites and increase waste recycling.

Achievement Plan

By 2020, our goal is to reduce water use per tonne of production by 22% in Korea and 41% in Mainland China (from a 2015 baseline) by recycling wastewater and increasing rainwater storage facilities. We will also improve the resource efficiency of our packaging materials by applying eco-friendly materials and reducing the amount of packaging materials.

Why we act

Rising consumption from population growth and unsustainable consumption has led to natural resource depletion and increase of waste throughout the world. It is becoming increasingly important to switch from the current “linear economy,” in which resources are used to make products and then discarded after use, to a “circular economy,” in which resource use and disposal is minimized through reuse and recycling. Amorepacific Group seeks to contribute to building a circular economy by reducing environmental impact and improving resource efficiency through the circular use of resources.

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Achievement Plan

By 2020, our goal is to reduce water use per tonne of production by 22% in Korea and 41% in Mainland China (from a 2015 baseline) by recycling wastewater and increasing rainwater storage facilities. We will also improve the resource efficiency of our packaging materials by applying eco-friendly materials and reducing the amount of packaging materials.

Why we act

Rising consumption from population growth and unsustainable consumption has led to natural resource depletion and increase of waste throughout the world. It is becoming increasingly important to switch from the current “linear economy,” in which resources are used to make products and then discarded after use, to a “circular economy,” in which resource use and disposal is minimized through reuse and recycling. Amorepacific Group seeks to contribute to building a circular economy by reducing environmental impact and improving resource efficiency through the circular use of resources.

Our approach

As part of our efforts to ensure efficient use of water resources and to increase recycling and reuse, we have strived to improve the operational efficiency of water usage at our production sites, to recycle rainwater and wastewater and to reuse condensed water produced during the water ionization process. We are also undertaking activities to reduce the amount of non-recyclable waste produced within our production sites and increase waste recycling.

Management of Water Resources and Waste

Amorepacific Group recognizes water shortages as a serious global problem. We conducted water risk assessment in physical, regulatory, and reputation perspective within our production sites using the Water Risk Assessment Tool developed by the World Wildlife Fund (WWF). We strive to improve water resource efficiency by reducing the amount of water use in production processes and increasing water recycling and reuse.

Waste generated in production sites is treated according to the 3R principle (Reduce, Reuse, Recycle) in an effort to minimize resource use and expand resource recycling. In particular, we try to find the optimal recycling measures for each type of waste by categorizing them by type and trait.

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Recycling and Reuse of Water

Amorepacific reduces water use through wastewater recycling and the reuse systems within its production sites.

In 2017, we tripled our rainwater storage facilities in Beauty Campus Osan to increase rainwater use, through which it expects to reduce 20,000 tonnes of water, equivalent to approximately 10% of its annual water use. It also adopted a wastewater recycling system using membrane filtration, allowing recycling of first-treatment wastewater into landscaping and cleaning water.

Also, it expects to reduce annual water use by 6,000 tonnes by reusing condensed water produced during the water ionization process as first washing water in Beauty Campus Shanghai.

Pacificglas reduces water use by recycling effluent water from wastewater treatment facility. It ensures the safety of recycled water by establishing a first chlorination and second filtration system. Filtered recycled water is then used as landscaping and cleaning water. Through these efforts, it saved approximately 3,500 tonnes of water in 2017 and continues to expand recycling.

Amorepacific has optimized the cleaning process and adopted an automatic cleaning system for major facilities in order to enhance the efficiency of water use within its production sites. As a result, it reduced water use by 34% compared to the former manual cleaning system and cleaning time by 59%. Through various efforts to improve water efficiency, approximately 35,000 tonnes of surface water and underground water was reduced and KRW 100 million saved in Beauty Campus Osan in 2017.

Optimizing Use

Water Consumption Reduction Effect (Beauty Campus Osan)

<table>
<thead>
<tr>
<th>Water Use Reduction</th>
<th>Cost Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,000 tonnes</td>
<td>KRW 100 mn</td>
</tr>
</tbody>
</table>

Applying Eco-friendly Packaging Materials

Amorepacific Group applies bioplastics and recycled plastic materials to our products to reduce environmental impact from packaging materials.

Bioplastics, entirely or partly made from renewable biomass sources, are used for PET, LDPE plastic bottles and wet puffs. Bio-based PET bottles were applied to 68 items in 2017. Recycled plastics—specifically PCR (Post-Consumer Recycled) PP and PETG—are used by innisfree and ETUDE House.

Furthermore, we prepared guidelines for using eco-friendly plastics for different types of containers and shared it with the department in charge of packaging development to apply eco-friendly plastics more efficiently.

Applying Eco-friendly Packaging Materials

Amorepacific Group minimizes unnecessary product packaging for efficient resource use. In 2017, we reduced the weight of packaging materials used in Ryo Jayangyunmo Anti-Hair Loss Treatment by approximately 11.4% by reducing the number of parts for its safe touch cap.

The packaging weight of Mamonde Brightening Cover Powder Cushion and 14 other products was reduced by 21.2% by changing the cases’ structure. Reducing packaging weight has resulted in enhanced portability of the products and reduction of plastic use by 5.6 tonnes in 2017.

Furthermore, as part of our efforts to simplify the disposal process, shrinkable film was used on all packaging labels of Ryo Damage Care Shampoo and Conditioner, thereby reducing environmental impact caused by label production and facilitating separate disposal.

Reducing the use of packaging materials

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Furthermore, as part of our efforts to simplify the disposal process, shrinkable film was used on all packaging labels of Ryo Damage Care Shampoo and Conditioner, thereby reducing environmental impact caused by label production and facilitating separate disposal.
GREENCYCLE Campaign:
Creative Recycling of Resources

GREENCYCLE is Amorepacific Group’s eco-friendly CSR program designed to promote sustainable lifestyle that values life in coexistence with nature. Our main activities include not only recycling used cosmetics bottles collected from our brand shops, but also include “upcycling” various by-products produced through manufacturing processes into beautiful artworks. As part of the campaign, we have undertaken various challenges such as producing cosmetic packaging from used containers and plastic raw materials and upcycling by-products into vases, scented candles and art pieces through consumer participation. In April 2017, we promoted the GREENCYCLE Campaign in Cheonggye Plaza, sharing the importance of resource recycling and introducing upcycled art pieces to the citizens of Seoul. In December 2017, we worked together with Touch4Good, a Korean social enterprise that specializes in recycling, and succeeded in recycling used containers into plastic pellets.

Since the launch of the Campaign, we have collected 1,458 tonnes of containers as of 2017 as part of our efforts to contribute to the circular use of resources. We are also working to achieve higher efficiency of resource use through continued research on recycling and upcycling methods.

**Key Achievements of GREENCYCLE**

- **Used container collected**
  - 1,458 tonnes
- **Equivalent to planting**
  - 17,475 young pine trees

GREENCYCLE Campaign in Cheonggye Plaza
Our 10-Years Journey Toward A MORE Beautiful World

For the past ten years, Amorepacific Group has continued its journey of creating A MORE Beautiful World for our customers, the environment and society.

Since announcing the "Unlimited Liability" campaign for the environment in 1993, we established sustainability management strategies and operating systems in 2008 in an effort to systematically carry out our sustainability management activities, followed by publishing the first Sustainability Report in the beauty industry the following year.

Since then, we have actively promoted communications with our stakeholders and carried out various innovation activities to provide them with better values.

As we continue our journey, we will relentlessly take on new challenges to create A MORE Beautiful World with society.
Our 10-Years Journey of Sustainability Management: Highlights

Amorepacific Group has made positive changes in the business ecosystem by strengthening sustainability management in all of our business endeavors. Throughout the past decade, our efforts in sustainability management have helped our stakeholders switch to a sustainable lifestyle, facilitated inclusive growth with other members of the business ecosystem, and contributed to protecting the environment. Moving forward, we will actively explore and address new social and environmental challenges, dedicating ourselves to creating A MORE Beautiful World.

*Sustainability Management Highlights:

- **Increased 108 fold**
  - Number of Sustainable Products
  - 2008: 8
  - 2013: 340
  - 2017: 860

- **Increased 4.1 fold**
  - Number of Beneficiaries of Women’s Health & Well-being and Economic Empowerment Programs
  - 2008: 6.6%
  - 2013: 17.2%
  - 2017: 27.1%

- **Reduced by 43%**
  - GHG Emissions per Tonne of Production (tCO₂eq/KRW 100 mn)
  - 2008: 1.440
  - 2013: 1.006
  - 2017: 0.818

- **490,122**
  - Cumulative Generation from Renewable Energy (MWh)
  - 2011: 133
  - 2013: 627
  - 2017: 1,430

- **1,458.3**
  - Cumulative Amount of Used Container Collected from GREENCYCLE Campaign (Tonnes)
  - 2009: 2.9
  - 2013: 431.2
  - 2017: 1,458.3

Amorepacific Group has made positive changes in the business ecosystem by strengthening sustainability management in all of our business endeavors. Throughout the past decade, our efforts in sustainability management have helped our stakeholders switch to a sustainable lifestyle, facilitated inclusive growth with other members of the business ecosystem, and contributed to protecting the environment. Moving forward, we will actively explore and address new social and environmental challenges, dedicating ourselves to creating A MORE Beautiful World.
Amorepacific Group discloses information on environmental, social and governance (ESG) in a transparent and reliable manner based on its 2020 Sustainability Commitments. By participating in a variety of global sustainability initiatives, Amorepacific Group has been recognized for its sustainability performance through domestic and global evaluations including socially responsible investments (SRI).

**Major Awards and Recognitions**

- **Included in the DJSI Korea Index for 8 Consecutive Years**
  - The Dow Jones Sustainability Index (DJSI) is an SRI standards system evaluating the sustainability performance of companies by comprehensively assessing their economic, environmental and social aspects, jointly developed by the world’s largest provider of financial market indices, S&P Dow Jones Indices and RobecoSam, an investment specialist focused exclusively on Sustainability Investing. Amorepacific was included in the DJSI for eight consecutive years.

- **Included in the FTSE4Good Index for 7 Consecutive Years**
  - An important standard in sustainability investments, FTSE4Good Index companies have been jointly selected by the Financial Times and London Stock Exchange since 2001. To be included in the FTSE4Good Index, companies must satisfy ethical, social and environmental standards. Amorepacific has been included in the Index for seven consecutive years.

- **Recognized by CDP Korea as a Climate Change Response Carbon Management Sector Winners in the Consumer Staples Industry**
  - The Carbon Disclosure Project (CDP), operating in more than 30 countries, collects information on companies’ climate change activities and performances and uses it to evaluate investments by investment agencies, legislation of government policies and corporate benchmarking. Amorepacific was selected as a carbon management sector winner by CDP Korea for response to climate change.

- **Most Admired Companies in Korea 2018 All Star Company and 1st Place in Cosmetics Industry**
  - “KOREA’s Most Respected Companies” selects 30 All Star companies and the top company in each industry, in consideration of their innovation efforts, shareholders, employees, customer and social values.
  - Amorepacific was selected as an All Star Company as well as the top company in the cosmetics industry, proving its outstanding social value.

*All these awards and recognitions pertain to Amorepacific, a major subsidiary of the Amorepacific Group.*
Amorepacific Group strengthens sustainability management in all of our business endeavors, encouraging stakeholder engagement and communication based on trust, and seeks to build a strong foundation for sustainable growth.
Amorepacific Group implements a responsible management system for each business, centered on the deliberative corporate governance structure of its holding company. Our efforts allow us to professionalize and reinforce our core competency and expertise in beauty and healthcare businesses, which include cosmetics, personal care and healthcare products. In addition, our corporate governance structure contributes to generating sustainable values for all stakeholders, including strong shareholder returns and the disbursement of management risks.

Board of Directors (BOD): Composition and Authority

As the highest decision-making body, the Board of Directors (BOD) of Amorepacific Group consists of six registered members as of March 2018. The BOD of Amorepacific consists of seven registered members. Pursuant to the Commercial Act of Korea and the company’s Articles of Incorporation, all directors on both boards are obligated to faithfully exercise their fiduciary duties and fulfill their responsibilities as good managers to promote the interests of shareholders and other stakeholders.

Amorepacific Group BOD

(As of March 2018)

<table>
<thead>
<tr>
<th>Category</th>
<th>Name</th>
<th>Position/Affiliation</th>
<th>Major responsibility</th>
<th>Committee Activities</th>
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<tbody>
<tr>
<td>Executive Directors</td>
<td>Suh Jung-yi</td>
<td>CEO, President of the Amorepacific Group</td>
<td>Supervision of Management</td>
<td>Management Committee, Business Management Committee</td>
</tr>
<tr>
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<td>Rhee Dong-ki</td>
<td>President, President of the Amorepacific Group</td>
<td>Supervision of Management</td>
<td>Management Committee</td>
</tr>
<tr>
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<tr>
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<td>Professor &amp; Dean, Yonsei University Business School</td>
<td>Deputy Director of Finance Sanguinetti Institute of Management</td>
<td>Audit Committee</td>
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<tr>
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<td>Kim Seung-hwan</td>
<td>Executive Vice President of Amorepacific Group</td>
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Independence of BOD

In order to faithfully fulfill the responsibilities and roles of the BOD, Amorepacific Group and Amorepacific have four committees under the BOD: Audit Committee, Management Committee, Non-executive Director Recommendation Committee and Risk Management Committee. The Audit Committee consists of only non-executive directors to assure fairness and transparency of management.

Committees under BOD

(As of March 2018)

<table>
<thead>
<tr>
<th>Committee</th>
<th>Key Responsibilities and Activities</th>
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</thead>
<tbody>
<tr>
<td>Audit Committee</td>
<td>Performs audits on the company’s financial and business affairs in accordance with the laws and the Articles of Incorporation or the regulations of the BOD, and handles matters delegated by the BOD</td>
</tr>
<tr>
<td>Management Committee</td>
<td>Deliberates and resolves general managerial matters delegated by the BOD in accordance with the purpose of the Committee which is to promote expertise and efficiency in decision-making in management</td>
</tr>
<tr>
<td>Non-executive Director</td>
<td>Authority to recommend non-executive directors at the General Shareholders’ Meeting</td>
</tr>
<tr>
<td>Recommendation Committee</td>
<td>Risk Management Committee</td>
</tr>
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</table>
In 2017, Amorepacific Group convened five BOD meetings and decided on 11 items with 100% attendance rate for both executive and non-executive directors. Amorepacific also convened five BOD meetings and decided on 11 items in 2017 with 100% attendance rate for both executive and non-executive directors. Key resolutions made by the Board in 2017 were notified to shareholders and other stakeholders through official announcements of the Financial Supervisory Service and the Korea Exchange.

### Compensations of Amorepacific Directors

- **Amorepacific Group Directors**
  - Total Compensation (KRW mn): 5,590
  - Average Compensation (KRW mn): 932

- **Amorepacific Directors**
  - Total Compensation (KRW mn): 12,090
  - Average Compensation (KRW mn): 1,343

Amorepacific Group performs annual evaluation of the composition, functions, responsibilities and operation of the BOD and states the results in its Business Report. The evaluation results are reflected in establishing BOD operation plans and making the BOD a place for constructive discussion. For fair compensation, the HR Committee undertakes a thorough evaluation regarding the directors’ compensation cap, followed by the resolution of the BOD and final decision at the General Shareholders’ Meeting.

### Sustainability Management Committee

Amorepacific Group has set out three focus areas (sustainable lifestyle, inclusive growth, circular economy) and eight commitments of the 2020 Sustainability Goals. Each year, we draw and implement new tasks toward achieving these goals, while disclosing our sustainability management activities to all stakeholders transparently in order to share the values we pursue. To that end, the Sustainability Management Committee, the highest decision-making body, makes strategic decisions on sustainability management issues and monitors the implementation of core tasks. In 2017, the Committee was convened twice, enhancing the execution of sustainability management by reflecting key indexes on the performance evaluation of executives in charge.

### Performance Evaluation and Compensation

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### Shareholders

- Domestic Individual Investors: 62.9%
- Domestic Institutional Investors: 8.1%
- Foreign Investors: 17.0%
- Treasury stock: 8.1%
- Mega shareholder and affiliated parties: 20.9%

### Sustainability Management Committee

- Amorepacific Group Planning Division
  - Coordinator of sustainability management
  - Establishes Amorepacific Group’s sustainability management strategies and drawn relevant tasks
  - Operations working groups on sustainable packaging, sustainable stores, etc.

- Sustainability Management Team
  - Draws tasks for each job category as the implementing body of sustainability management
  - SHE: Safety, Health, Environment
**Stakeholder Engagement**

Amorepacific Group defines stakeholders as all parties, including customers, employees, shareholders, local communities and business partners, that directly and indirectly influence or are influenced by the company’s business activities. For each stakeholder group, we identify and reflect key issues in our business activities. We also gather their opinions and understand their expectations through various communication channels available on a permanent or regular basis. Furthermore, we draw key issues through the annual Dialogue with Stakeholders which are reported in our Sustainability Report transparently.

### Stakeholders Communication Channels

#### Customers
- Corporate or brand website, SNS
  - CGAP activities/CGAP Exhibition
  - Beauty-Schumer activities
  - On demand
  - On demand/ Once a year
  - On demand
  - Strengthen customer services
  - Reinsure product safety
  - Expand customer participation
  - Opened AI-based “Chatbot”
  - Shared customer complaint cases and took improvement measures through CGAP Exhibition
  - Expanded development of sustainable products

#### Employees
- Employee engagement survey
  - Once a year
- Regular labor-management meetings
  - Once per quarter
  - On demand/ Through the year
  - Create an environment for work-life balance
  - Expand opportunities for personal growth
  - Create a safe work environment
  - Ran in-house clubs (throughout the year)
  - Held employee communication programs (on demand)

#### Shareholders
- Annual General Shareholders’ Meeting
  - On demand
- Analyst Day
  - On demand
- Conference calls
  - Quarterly
- IR website
  - On demand
- Corporate or brand website, SNS
  - On demand
  - Quarterly
  - On demand
  - Strengthen fair corporate value
  - Enhance shareholder values
  - Promote corporate access
  - Quarterly and yearly earnings release
  - Share mid- to long-term business strategies
  - Present market trends and future outlook
  - Expand 1:1 meetings with shareholders and investors

#### Local Communities
- Corporate and brand social activities
  - On demand
- BOD meetings and websites of foundations
  - On demand
- CSR seminar
  - On demand
- Global CSR Roundtable
  - On demand
- A MORE Beautiful Day (Sharing Campaign)
  - Once a month
  - Support women’s health, well-being, economic empowerment
  - Support life in harmony with nature
  - Support discovery and sharing of cultural values
  - Increase the community engagement
  - The way to achieve 20 by 20’ commitment
  - Respond to local community opinion/survey request
  - Outcome of ‘20 by 20’ commitment
  - Outcome of 20 by 20’ commitment (makeup your Life, Pink Ribbon Campaign, Hope Store, Beautiful Life, Makeup ARTIST on the Go)
  - Report CSR plans and share performance
  - Improve awareness on SDGs and share global CSR strategies and status of overseas office
  - Discussed local communities’ concerns and issues
  - Enhanced a sense of global citizenship and encouraged a sharing culture

### Dialogue with Stakeholders

**Date:** February 8, 2018

**Participants:** Han Sang-man (Professor, Sungkyunkwan University), Kang Jung-hwa (President, Consumers Union of Korea), Yoon Myoung (Secretary General, Consumers Korea), Leeahn So-young (Secretary General, Korean Women’s Environmental Network), Cho Yoon-mi (President, C&I Consumer Research Institute), Park Jung-yong (Director General, Korea Consumer Agency)

1. **Understanding Chemophobia and Inspecting the Safety Process**

   Amorepacific Group should inspect and improve its safety process based on an accurate understanding of widespread consumer concerns over chemical substances, establish a platform for relevant divisions within the company and supplier networks to share information on product safety, and respond proactively to potential safety-related risks by organizing stakeholder consultative groups.

2. **Establishing Consumer Communication Strategies**

   Amorepacific Group should make an effort to disclose substantial information that consumers actually want to know, such as allergy precautions, fragrant substances and the explanation about safety of alternative substances and engage in genuine communication with consumers, including sharing research efforts and progress in improving chemical substance-related matters.

3. **Expanding Social Responsibilities as a Leading Company**

   Amorepacific Group should (a) go beyond meeting legal standards and actually resolve consumer anxiety as a leading cosmetics company and (b) make various efforts such as undertaking continuous research and voluntarily disclosing more information on substance safety of new and existing products as well as satisfying the level of communication demanded by consumers.
Ethical Management

Amorepacific Group conducts ethical management in an effort to spread its corporate ethics built on “integrity”, one of the core values of the AP WAY, to the overall business ecosystem.

Revision of Code of Ethics

Amorepacific Group revised its Code of Ethics, the standards of ethical conduct for all employees as well as a commitment to fully carry out its corporate ethics. The Code is organized around six principles of respect for customers and employees, business integrity, harmonious growth, protection of corporate assets and responsibilities as a corporate citizen, and sets out the standards of ethical conduct all employees are required to comply with in both their private and working lives.

Distribution of the Code of Ethics in English and Chinese

The newly revised Code of Ethics was translated into English and Chinese, in consideration of the social and cultural environments of each country, and distributed to our overseas offices. The translated Code of Ethics was made available on our English and Chinese websites, offering better access for employees as well as global customers to the Code and our ethical management efforts.

Ethical Management Activities

Amorepacific Group actively carried out compliance activities by improving relevant systems and developing guidelines as part of its ethical management efforts.

Establishing and Sharing the Guidelines for Ethical Marketing

Amorepacific Group has established and follows the Guidelines on Prior Inspection of Labelling and Advertising in an effort to carry out ethical and responsible marketing based on characteristics and effects of its products supported by scientific facts.

Preventing Conflicts of Interest

We make educational and promotional efforts to prevent conflicts of interest that may arise in a variety of situations, while providing guidance on specific issues by, for example, establishing the Standards of Operation of Field Sales Offices.

Understanding Employee Awareness on Ethical Management

We gathered employee opinions on ethical awareness and level of compliance based on the Code of Ethics to identify relevant issues for each organization and draw countermeasures.

Encouraging a Healthy Corporate Dinner Culture

To establish a healthy corporate dinner culture, we have held the “119 Corporate Dinner Culture Campaign” since 2012 and encourage all employees to follow the “119 Corporate Dinner Culture Action Guidelines”.

Finding and Rewarding Best Practice Cases in Compliance

We held an in-house contest on the theme of compliance and risk management, rewarding best practice cases and sharing various means to carry out ethical management.

Strengthening Education on the Code of Ethics

We provide online and offline education on the Code of Ethics to all employees, combining each item of the Code and relevant case studies in order to promote their understanding of the Code. In the first half of 2017, we used ethical fairy tales on the theme of respect for customers, business integrity and responsibilities as a corporate citizen to facilitate an understanding of the Code of Ethics for our employees. In the second half, employees learned about respect for employees, harmonious growth and protection of corporate assets to help them better practice ethical management.

Furthermore, we strengthened education on the Code of Ethics and relevant cases by adding a compliance module to each course offered at our Learning & Culture Center, in addition to holding compliance training attuned to each subsidiary and division.

Online Ethical Education for Employees in 2017

90% completion rate

82% completion rate

1st Half

2nd Half

Expanding Ethical Management in Suppliers

We promote the Code of Ethics in our suppliers and encourage reporting by utilizing the purchasing system, a channel for us to communicate and cooperate with our suppliers. When signing an electronic contract, the ethics pledge clearly states that suppliers are required to comply with the Code of Ethics of Amorepacific Group.

Reporting of Unethical Conduct by Stakeholder Group (2017, Unit: Cases)

<table>
<thead>
<tr>
<th>Clients</th>
<th>Suppliers</th>
<th>Employees</th>
<th>Customers</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>4</td>
<td>14</td>
<td>3</td>
<td>9</td>
<td>49</td>
</tr>
</tbody>
</table>

‘Great People Great Company’ Campaign and Communication

Amorepacific Group carried out various ethical management campaigns throughout the year under the slogan of “Great People Great Company”. Notable activities in 2017 include the 119 Corporate Dinner Culture Action Guidelines, the Creating a Good Congratulatory and Consolatory Culture Campaign, and the No Gift Campaign.
Risk Management

Establishing an Integrated Risk Management System

Risk Management

Amorepacific Group has an effective risk management system to respond to various risks such as fast-changing domestic and global political and economic conditions, fluctuating business environments, increased influence of social media including social networking services and blogs, and heightened expectations of stakeholder demands.

The Risk Management Team communicates with subcommittees on each issue, undertakes potential risk prevention activities and forms early responses to actual risks. To allow prompt decision-making and stable business operations, we formed a group-wide risk management committee consisting of C-level executives. For an effective and proactive approach to managing risks in our overseas offices, we are in the process of implementing a more advanced system of risk management, in order to address a gradual increase in the potential and impact of global risks.

Risk Management Committee

Compliance & Risk Management Division

CEO

CRO

Risk Management Team

Group Risk Management Control Tower

Subcommittees for Each Type of Risk

Compliance Team

Ethics/Compliance

Risk Management Activities

To effectively manage risks, Amorepacific Group categorizes risks identified through its risk management process into the following four categories, and separately manages factors that may potentially have a significant impact on the company’s reputation as well as ethical and legal matters.

Market Risk

Increased global regulations on safety and environment

Diversification of customer needs

Increased possibility of major disasters and natural calamities

Product Risk

Increased importance of managing product safety and harmful materials

Measures to prevent recurrence of customer risks

Supply Chain Risk

Increased importance of demand prediction and supply management in accordance with changes in the market environment

External influence on supply chain and creating a robust supply chain for stable supply of raw materials

Sales & Distribution Risk

Increased need for efficient management attuned to each country

Reactive risk changes in regulatory environments of each sales and distribution channel

Reputational Risk

Managing Potential Risks

Through regular analysis of internal and external environments and social changes, Amorepacific Group identifies long-term risks having an impact on its business and implements countermeasures to effectively respond to those risks.

Economic and Social Environments

Changes in the regulatory environment following the expansion of global businesses

Changes in the distribution and sales environment following the development of ICT

Increase in environmental risks due to climate change

Impact of Risks

Decline in brand reputation in the case of violation of local laws and regulations in foreign countries

Financial impact such as fines and penalties for violation of laws and regulations, and negative impact on market expansion

Decline or sales through existing offshore retail channels due to increase in online or mobile purchasing

Reputational risk due to a decline in brand reputation and agencies

Risk Prevention Activities

Establishing processes for reputation risk management in overseas offices

Conducting regular analysis of changes in local systems and regulations, and establishing response processes for each issue

Establishing processes for reputation risk management in overseas offices

Un创新existing mobile services with existing online and offline channels such as AR/VR/AR/DID services, door-to-door mobile ID

Strengthening mutual growth by supporting the business activities of field sales offices and agencies

Conducting research and development to secure alternatives for ingredients difficult to procure

Participating in efforts of the international community in preventing marine pollution by, for instance, establishing policies on microplastics

Developing and operating 5G (Business Continuity Planning) to maintain business continuity in case of disasters or calamities

Future Plans

Analyzing on an ongoing basis the effect of climate change on business activities and identifying potential risks

Strengthening voluntary efforts to comply with environment protection policies and more sustainable expectations

Strengthening corporate-level capability to respond to risks by examining support network in case of unexpected disasters and responding to updates on risk management manual process, etc.

Risk Management Process

The risk management system of Amorepacific Group operates based on the following keywords: “Detect”, “Respond” and “Prevent”. Based on an analysis of internal and external environments, we prioritize high-impact, high-potential risks and establish a detection system by which we can proactively respond to key risks by identifying their causes. In 2017, we upgraded the risk management and compliance system of our China Office to facilitate a proactive and effective risk response by our overseas offices. By upgrading the risk response systems of other overseas offices one-by-one, we will build a solid basis for their sustainable growth.

While risk managers in each business division monitor and report risks pertaining to their division, we have established a unified system enabling prompt decision-making and immediate response in the case of risks occurred.

Furthermore, we minimize the impact of risks by responding based on the risk scenarios and risk management policies, while preventing recurrence of those risks by analyzing their causes. The Risk Management Team provides training to the risk management system on a regular basis and carries out various campaigns to establish a healthy and effective risk management culture throughout the company.
Materiality Analysis

Amorepacific Group carried out a materiality analysis in order to gain an accurate understanding of stakeholder interests and business impact and use it to better achieve our sustainability goals. In compliance with the Global Reporting Initiative (GRI) Standards on reporting topics, the analysis included topics including perspectives of internal and external stakeholders including media, domestic and global economy, social changes and key issues in the cosmetics industry.

Materiality Analysis Process

- Identification of Sustainability Issues
- Configuring recently sustainability issues (Stakeholder-proposed issues, political issues and regulations, industry characteristics, etc.)
- Media analysis (Issues with regard to Amorepacific Group and the cosmetics industry)

International standards and SRI (Social Responsible Investing) assessment criteria review

Material Analysis

- Researching ESG issues in the cosmetics industry
- Analysis of Internal Strategies and Issues
- Stakeholder Interest
- Analysis of international standards

Stakeholder Impact

- Media analysis
- Analysis of economic, social and environmental issues from approximately 2,000 articles

Business Impact

We carried out an analysis of major sustainability reporting issues in the same industry and internal strategies to ascertain the relevance of each sustainability issue to the cosmetics industry in which Amorepacific Group carries out its businesses. Benchmarking of advanced domestic and foreign companies in the industry identified the following as core issues: response to climate change, promotion of resource circulation, strengthening of product sustainability, water resource management and respect for human rights. These issues have already been reflected in our sustainability management vision and officially announced as goals to be achieved by 2020, while we constantly review their implementation status and communicate them to external stakeholders through our sustainability reports.

Stakeholder Interest

To analyze the degree of interest in Amorepacific Group by the media, expert groups, external evaluators and other stakeholders, we performed media analysis and a review of international standards. Our analysis of 2,200 media articles on the Group published between January 1 and December 31, 2017 identified several key issues including CSR activities such as “20 by 20,” issues in the global market including China and digital beauty, which are outlined in this Sustainability Report. This Sustainability Report discusses issues exposed by the media as well as our activities in response to the demands of various sustainability assessment (investment) institutions. Furthermore, Amorepacific Group holds Dialogue with Stakeholders as an annual event as a channel for gathering stakeholder opinions on various issues.

Prioritizing Material Issues

Material Issues were prioritized in overall consideration of their business impact and stakeholder interests, based on which 12 material issues were identified.
Amorepacific Group strongly believes that the growth of our stakeholders is our own growth. We will build a happier tomorrow for all by providing better values to our customers, employees, business partners and members of society.
Human Capital

Employment Status
The total number of employees directly employed by Amorepacific Group in 2017 was 12,348, an increase of 4.1% from the previous year. The company maintained a similar number of domestic employees compared to the previous year, while strengthening human resources in overseas offices to explore new markets and diversify global businesses such as launching new brands in existing markets.

Both Amorepacific Group and Amorepacific maintain over 60% ratio of women employees within the age group of over 30 and under 50 accounting for the highest number of employees. We maintain a certain proportion of employees with disabilities through "special hiring of people with disabilities".

Recruitment and Turnover
Amorepacific Group solidifies the basis of its human resources and creates jobs through new hiring. In 2017, Amorepacific Group and Amorepacific hired 996 and 756 persons.

Turnover rate in 2017 was around 6% in both Amorepacific Group and Amorepacific, showing a slight increase from the previous year. Amorepacific Group will take various measures, including improving employee welfare and corporate culture, to increase employee satisfaction and reduce turnover rate.

Securing Women Leadership
Amorepacific Group is committed to securing women leadership in line with the characteristic of the cosmetics industry where the majority of consumers are women. Accordingly, we are creating a corporate culture in which all employees regardless of gender are considerate toward each other, and offer various programs for women employees to find a balance between work and life. The ratio of women employees at Amorepacific Group and Amorepacific is 63.8% and 68.5%, respectively, and the ratio of women managers is also on the increase in both companies.

New Employees (Domestic)

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amorepacific Group</td>
<td>1,421</td>
<td>1,496</td>
<td>996</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>1,184</td>
<td>1,218</td>
<td>756</td>
</tr>
</tbody>
</table>

Turnover (Domestic)

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amorepacific Group</td>
<td>6.0</td>
<td>4.5</td>
<td>6.6</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>5.7</td>
<td>4.3</td>
<td>6.1</td>
</tr>
</tbody>
</table>

Securing Women Leadership
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Women Employees and Managers

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amorepacific Group</td>
<td>63.3</td>
<td>64.3</td>
<td>63.8</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>68.4</td>
<td>69.7</td>
<td>68.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of Women</td>
<td>18.5</td>
<td>24.7</td>
<td>27.1</td>
</tr>
<tr>
<td>Ratio of Managers</td>
<td>20.3</td>
<td>26.5</td>
<td>29.1</td>
</tr>
</tbody>
</table>
Amorepacific Group fosters “Creative Masters” that change the world to a more beautiful place based on the five core values of openness, integrity, innovation, proactivity and challenge set forth by its value structure, also known as the “AP WAY”.

**Key Talent Fostering Activities**

**Managing Corporate Culture**
- Establishing an autonomous/continuous learning culture by introducing new learning systems
- Strengthening leadership development for executives
  - Leadership workshops, Leaders’ Agenda, executive coaching, executive on-boarding, SNU EMBA program

**Cultivating Leaders**
- Developing and operating global standardized leadership programs
  - Thai ASEAN countries, Amorepacific China office, Amorepacific Hong Kong office
- Defining and strengthening capacity of local new hires and leaders

**Training Creative Masters**
- Developing and operating professional job training courses based on job training system
- Promoting digital-based talent cultivation systems and fostering professionals

**Fostering Global Talent**
- Developing and operating global standardized leadership programs
- Introducing new learning systems

**Strengthening the Capacity of Beauty Partners**
- Developing and providing video contents on new products and beauty
- Strengthening capacity of beauty partners and managers

**Creating a Good Workplace**

**Employee Education and Training Status**
Amorepacific Group offers a variety of educational programs to enhance the competency of all its employees. Despite the slight decrease in the average educational expense and hours per employee in comparison to the previous year, we will continue to carry out various programs to strengthen leadership, secure global competitiveness, promote our corporate culture and reinforce professional job competency.

**Education & Training Cost and Hours per Person**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amorepacific Group</th>
<th>Amorepacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education &amp; Training Cost per Person (KRW 10,000)</td>
<td>150.9</td>
<td>145.4</td>
</tr>
<tr>
<td>Education &amp; Training Hours per Person (Hours)</td>
<td>82.7</td>
<td>76.4</td>
</tr>
</tbody>
</table>

1) Refers to permanent employees only

Amorepacific Group creates an organizational culture in which its members can enjoy their work and be creative. We conduct the Engagement Survey annually in order to gather and reflect employees’ opinion in our business basis. In 2017, the model was improved by revising certain criteria and specifying the definition of engagement to understand the level of employees’ engagement better. 7,259 of employees were participated in the Engagement Survey from 14 countries, and the results were 73% for Amorepacific Group and 68% for Amorepacific.

**Engagement Survey Results**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amorepacific Group</th>
<th>Amorepacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement (%)</td>
<td>82</td>
<td>83</td>
</tr>
</tbody>
</table>

1) The engagement score in 2017 was converted by applying the methodology used in 2016 to ensure consistency in comparison

**Good Workplace Programs**

**In-house Clubs**
We offer various in-house clubs to support our employees’ leisure activities and help them fraternize and build networks with colleagues. As of the end of 2017, 441 employees are participating in 18 in-house clubs.

**Thematic Lectures**
We offer thematic lectures in consideration of the wide range of interests and personalities of our employees. In 2017, we organized four lectures, including “Mind-Healing Concert” with Haemin Sunim and “Why We Travel” with travel writer Tae Won-ju. The lectures were broadcast live for all employees to participate.

**Hope Tree**
Hope Tree is a wish-come-true program for employees who wish to share hope with their teams, colleagues and family. First launched in 2013 under the theme of “giving thanks”, the program contributes to building an environment of mutual respect.

**AP Cloud Festival**
We held a beer festival in each of our business sites for colleagues to fraternize and communicate. With the participation of some 2,000 employees in certain business sites, the event was a great success and contributed to promoting communication.

**Maternity and Parental Leave**
Amorepacific Group offers a “Care for Expectant Moms” program in an effort to create a women-friendly work environment for expectant mothers. The program includes flex-time work, prenatal testing during work hours and no overtime, in addition to raising an awareness among team members to be considerate toward their pregnant colleagues.

The program also provides ergonomic chairs, foot rests and blankets to help relieve physical discomfort as well as stretch mark creams and supplements to stay healthy during pregnancy. Furthermore, expectant mothers are encouraged to use parental leave to encourage a balance between work and childcare after giving birth. The company also allows flex-time work for childcare and operates an on-site daycare center.

In 2017, the number of employees using parental leave increased both in Amorepacific Group and Amorepacific. Return-to-work rate and one-year retention rate after parental leave is maintained at over 90% and 85%, respectively, in both companies.

**Parental Leave Status**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amorepacific Group</th>
<th>Amorepacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees Using Parental Leave (persons)</td>
<td>258</td>
<td>260</td>
</tr>
<tr>
<td>Return-to-work Rate After Parental Leave (%)</td>
<td>94.2</td>
<td>97.3</td>
</tr>
<tr>
<td>One-year Retention Rate After Returning to Work (%)</td>
<td>84.5</td>
<td>88.9</td>
</tr>
</tbody>
</table>
Human Rights Management

Amorepacific Group endorsed the UN Global Compact (UNGC) in 2007 and fully respects the Universal Declaration of Human Rights and the recommendations of the National Human Rights Commission of Korea. We have also established and publicly announced our own human rights policies reflecting our commitment toward respect for human rights, while promoting the implementation of human rights management not only in our subsidiaries but the overall value chain.

Identifying Human Rights Risks and Areas of Improvement

Amorepacific Group identifies potential human rights issues not only in its supply chain including subsidiaries but throughout its overall business activities. We comprehensively consider past incidents and frequency of human rights issues and the seriousness of their financial and non-financial impact. Moreover, we will further strengthen our human rights management efforts. Our human rights inspection process consists of human rights risk assessment, human rights inspection, and implementation and management of improvement measures.

On-site Assessment of Human Rights

Amorepacific Group conducts self-inspections of human rights status in all of its 11 subsidiaries including Amorepacific, and evaluates their compliance with laws and regulations on labor and human rights such as the Labor Standards Act as well as wage standards and the non-discrimination principle. In 2017, no items for improvement were found in nine subsidiaries including Amorepacific, while five items were identified and fully rectified in two subsidiaries including the need to strengthen the rules of employment, lack of internal announcements and the need to hold labor-management meetings.

Each year, Amorepacific inspects the human rights status of its suppliers through third-party assessment agencies, identifying and requiring corrective actions for areas of improvement such as providing education and training to employees and ensuring their freedom of association.

Sexual Harassment Prevention Education

Amorepacific Group undertakes sexual harassment prevention education to prevent sexual harassment in the workplace. In 2017, we offered online courses for all employees, in addition to regular education programs in July and additional courses for new employees and those who had not completed their courses.

Establishing a Trust-based Labor-Management Relationship

For the past 26 years, Amorepacific has maintained a dispute-free labor-management relationship by building mutual trust and communication. We carry out self-inspections of work conditions at least once a year to ensure full compliance with labor-related laws and regulations at Amorepacific and all affiliates. Labor-management Cooperation Team and HR Team provide active support to improve labor-management relations. As of the end of 2017, the Amorepacific Labor Union has 3,035 members, which accounts for 51.7% of all employees. Employees are entitled to freely decide to join or withdraw from the union and the biennial collective agreement applies to all employees.

Improve of Employees' Health

Employee Health Promotion Programs

<table>
<thead>
<tr>
<th>Type</th>
<th>Key Programs</th>
</tr>
</thead>
</table>
| Stress Management         | - Stress test equipment in Signature Tower health management center
                           | - Happy life consulting: Face-to-face/phone/bulletin board counseling and weekly |
                           |   visiting consultation                                                       |
| Healthy Working Environment| - Management of lighting, noise, air quality, humidity and temperature to create |
                           |   an ergonomic work environment                                               |
| Physical Health           | - Fitness center in the new headquarters                                       |
| Health and Nutrition      | - Health fund, no-smoking fund, health exam follow-up program for diagnosed workers |
                           | - Nutritionally balanced meal program                                          |
                           | - Nutrition consulting at AP-Severance Clinic for employees requiring health   |
                           |   exam follow-ups (high blood pressure, hyperlipidemia, diabetes, etc.)       |
| Flex-time and Working from Home| “ABC Working Time” system enabling employees to work flexibly by coming into work |
                           |   at a time of their choice between 7am and 10am                             |
| Childcare Support         | - Three daycare centers at Seoul (headquarters), Yongin and Osan             |
                           | - Kindergarten and tuition support. Tuition support for kindergarten, domestic |
                           |   middle/high school or university                                            |
| Maternity and Parental Leave| - Compliance with regional laws on maternity and parental leave              |
                           | - Programs to promote maternity and parental leave                           |
                           | - Maternity protection system: Flextime during pregnancy, no overtime, prenatal exam |
                           | - Care for Expectant Moms program                                             |

Human Rights Risk Assessment

- Analyze the frequency and financial impact of human rights issues in the past
- Draw major inspection items

Human Rights Inspection

- Conduct inspections of subsidiaries and suppliers
- Analyze inspection results and draw areas of improvement

Implementation and Management of Improvement Measures

- Implement improvement measures
- Monitor improvement status

On-site Assessment of Human Rights

- Monitor improvement status
- Implement improvement measures
Hacking Protection System

For real-time response to cyber attacks, Amorepacific Group operates a 24/7 control system in collaboration with external experts, analyzing the impact of certain patterns suspected of being cyber threats, and establishing rules to manage the same patterns of attacks. Moreover, we carry out mock training on a regular basis for prompt response to real cyber attacks such as stealing customer information or causing errors on our websites, thereby protecting customer information and ensuring the continuity of our businesses.

Prevent to APT Hacking

Recently, there has been an increase in the number of advance persistent threat (APT) hacking, accessing an internal corporate system by hacking into an employee’s personal computer and stealing information. In response, Amorepacific Group has established a three-tier defense system\(^1\) which prevents, detects and responds to attempts to leak customer information files by using malicious codes against end users.

\(^1\) Three-tier defense system: Next-generation firewall, network forensic solution, dynamic file analysis solution

Transparent Tax Payment

Amorepacific Group pays its fair share of taxes transparently by complying with the Commercial Act and tax-related laws and regulations in Korea and all other jurisdictions in which it operates. For important matters regarding reporting tax affairs or any ambiguity in interpreting tax laws, the company receives consultation from professional service firms such as accounting firms in order to draw the most appropriate response measures and minimize tax-related risks in advance. In particular, we adopt a reasonable transfer pricing policy in its global transactions with foreign companies, in accordance with the domestic tax laws and the OECD Guidelines. In addition, pursuant to the Base Erosion and Profit Shifting (BEPS) Action Plans for the prevention of tax evasion of multinational companies, we submit the BEPS report (Master file, Local file and Country-by-country report) to the Korean and other competent tax authorities. Through these activities, the headquarters and overseas offices are committed to fulfilling their obligations to pay tax in full compliance with the relevant laws and regulations.

<table>
<thead>
<tr>
<th>Tax Payment Status</th>
<th>(Unit: KRW bn)</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>181.32</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>38.52</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>Other Regions</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Customer Communication Performance

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Complaint Resolution Rate(%)</td>
<td>98.1</td>
<td>99.1</td>
<td>99.3</td>
</tr>
<tr>
<td>Customer Satisfaction(^2)</td>
<td>50.3</td>
<td>54.4</td>
<td>61.4</td>
</tr>
</tbody>
</table>

\(^1\) Indicated NPS (Net Promoter Score)
\(^2\) Field is scope based on Amorepacific’s domestic businesses
Sustainable Supply Chain

Supplier Status

Amorepacific Group designates and manages “key supplier” in consideration of their impact on our business, the scope of business transactions and their business capacity, categorized by types of purchasing. As of the end of 2017, out of 456 suppliers, we categorized 52 as key suppliers, of which 23 supply packaging materials, 16 supply raw materials and 13 provide ODM products. We purchased a total of KRW 1,038.7 billion from our suppliers, while promoting local purchasing to share our business performance with local communities.

Business Transactions with Suppliers

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Suppliers/Companies</td>
<td>464</td>
<td>475</td>
<td>456</td>
</tr>
<tr>
<td>Number of Key Suppliers/Companies</td>
<td>54</td>
<td>54</td>
<td>52</td>
</tr>
<tr>
<td>Total Purchasing Amount(KRW 100 mn)</td>
<td>10,577</td>
<td>12,115</td>
<td>10,387</td>
</tr>
<tr>
<td>Purchasing Amount from Key Suppliers(KRW 100 mn)</td>
<td>6,413</td>
<td>6,907</td>
<td>5,872</td>
</tr>
<tr>
<td>Local Purchasing Rate in Overseas Business Sites(%)</td>
<td>56.9</td>
<td>65.4</td>
<td>69.6</td>
</tr>
</tbody>
</table>

Supplier Selection Policy in the Purchasing Process

Amorepacific Group conducts business transactions only with those suppliers that satisfy our minimum sustainability requirements at the point of executing the business contract. We undertake a sustainability assessment of all new suppliers reviewing compliance with legal requirements regarding quality, product safety, labor standards, safety and health, and environment, based on which we decide whether to enter into a contract. When signing contracts, we require all suppliers to comply with the Amorepacific Group Code of Ethics and Supplier Sustainability Guidelines.

Supplier Sustainability Assessment

Amorepacific Group has established, and requires all suppliers to comply with, our Supplier Sustainability Guidelines, which set out 34 items on human rights and labor, health and safety, environmental protection, ethical management and other areas that need to be considered in order to fulfill their social responsibilities. We have also prepared a manual on how to translate those into actions, publishing it on our website. We conduct annual sustainability assessment of key suppliers every year, reflecting the results in supplier assessment. Based on the results of supplier assessment, we offer incentives such as giving priority to receiving support for inclusive growth programs or in allocating the quantity of goods supplied.

Over the past three years, 99 suppliers including all of our key suppliers and new suppliers have undergone sustainability assessment by an independent third party. Suppliers that have been found to have significant social or environmental risks are required to take actions to handle those risks and follow up with measures to confirm that such risks have been dealt with.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of new suppliers that have undergone assessment of social and environmental impact(%)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Number of suppliers that have undergone independent assurance on their social and environmental impact in the past three years(Companies)</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Ratio of key suppliers that have undergone independent assurance on their social and environmental impact in the past three years(Companies)</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Supplier Assessment Results in 2017

In 2017, Amorepacific Group concentrated on advancing supplier risk management and improving the supplier sustainability assessment system. By reflecting global requirements and potential sustainability risks, we increased the number of assessment items regarding compliance with the laws and regulations of local governments, management of potential risks and sustainability activities. We also provide a manual to facilitate suppliers’ understanding of sustainability assessment items and how they can translate them into actions.


df

Advancing the Supplier Sustainability Assessment System

In 2017, Amorepacific Group concentrated on advancing supplier risk management and improving the supplier sustainability assessment system. By reflecting global requirements and potential sustainability risks, we increased the number of assessment items regarding compliance with the laws and regulations of local governments, management of potential risks and sustainability activities. We also provide a manual to facilitate suppliers’ understanding of sustainability assessment items and how they can translate them into actions.

Supplier Assessment Results in 2017

Through supplier sustainability assessment, we identify potential risks and require suppliers to take corrective measures. We apply follow-up measures such as reduction of business with suppliers that have been found to have significant violations or performance under a certain level, while providing support programs for those suppliers in need of sustainability capacity-building.
SHE Management

Response to Climate Change

Amorepacific Group fully recognizes the seriousness and urgency of global climate change. Accordingly, we strive to reduce greenhouse gas (GHG) emissions throughout all processes of our business activities including purchasing, production, transportation, use and disposal, to help mitigate the effects of climate change.

GHG Reduction Activities in Production

Amorepacific Group continuously identifies and implements tasks to reduce GHG emissions in our production sites. By increasing energy efficiency in the production process and introducing renewable energy, we reduce energy consumption and GHG emissions. In 2017, we carried out 125 GHG reduction activities, reducing approximately 2,500 tonnes of GHG emissions and achieving cost-saving effect of approximately KRW 700 million. Moreover, we share a notable energy reduction case through our internal cross-functional task force on climate change.

Major Energy Reduction Cases

<table>
<thead>
<tr>
<th>Reduction Item</th>
<th>Reduction Amount(kWh)</th>
<th>Reduction Cost(KRW m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Photovoltaic Generation</td>
<td>162,991</td>
<td>23</td>
</tr>
<tr>
<td>Installation of Natural Cooling and Heating System</td>
<td>116,620</td>
<td>19</td>
</tr>
<tr>
<td>Replacement of High-efficiency Lighting(LED)</td>
<td>157,684</td>
<td>32</td>
</tr>
<tr>
<td>Insulation</td>
<td>15,505</td>
<td>10</td>
</tr>
</tbody>
</table>

Energy Consumption by Amorepacific

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 (TOE)</th>
<th>2016 (TOE)</th>
<th>2017 (TOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Energy Consumption</td>
<td>31,378</td>
<td>32,536</td>
<td>31,882</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>12,016</td>
<td>13,170</td>
<td>13,080</td>
</tr>
<tr>
<td>Pacificglas</td>
<td>12,333</td>
<td>11,561</td>
<td>10,508</td>
</tr>
<tr>
<td>Others</td>
<td>7,029</td>
<td>7,805</td>
<td>8,294</td>
</tr>
</tbody>
</table>

GHG Emissions by Amorepacific Group

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 (ton)</th>
<th>2016 (ton)</th>
<th>2017 (ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GHG Emissions (CO2e)</td>
<td>84,181</td>
<td>87,208</td>
<td>87,627</td>
</tr>
<tr>
<td>Direct (Scope 1)</td>
<td>29,644</td>
<td>29,460</td>
<td>29,518</td>
</tr>
<tr>
<td>Indirect (Scope 2)</td>
<td>54,537</td>
<td>53,748</td>
<td>58,070</td>
</tr>
<tr>
<td>GHG Emissions Intensity (CO2e/tonne)</td>
<td>0.689</td>
<td>0.653</td>
<td>0.729</td>
</tr>
</tbody>
</table>

GHG Emissions by Amorepacific

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 (ton)</th>
<th>2016 (ton)</th>
<th>2017 (ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GHG Emissions (CO2e)</td>
<td>37,097</td>
<td>40,128</td>
<td>41,902</td>
</tr>
<tr>
<td>Direct (Scope 1)</td>
<td>7,255</td>
<td>7,889</td>
<td>8,092</td>
</tr>
<tr>
<td>Indirect (Scope 2)</td>
<td>29,842</td>
<td>32,038</td>
<td>33,810</td>
</tr>
<tr>
<td>Other indirect (Scope 3)</td>
<td>-</td>
<td>3,348</td>
<td>3,531</td>
</tr>
<tr>
<td>GHG Emissions Intensity (CO2e/tonne)</td>
<td>0.453</td>
<td>0.428</td>
<td>0.488</td>
</tr>
</tbody>
</table>
Amorepacific Group tries to minimize the impact of effluent water discharged from its business sites on adjacent ecosystems. In particular, we reuse wastewater as landscaping and cleaning water through wastewater recycling systems. By introducing a wastewater recycling system, Beauty Campus Osan reduced by approximately 13,000 tonnes its water consumption in 2017. Furthermore, by collecting and reusing condensed water produced during the water ionization process and sprinkling water in thermo-hygrostats, it saved approximately 28,000 tonnes of water.

In our Daily Beauty Production Site, we increased the efficiency of boiler water usage by introducing a water quality management system that reduces the pollution degree of condensate water generated by the cooling of steam inside boilers. In the near future, we plan to introduce a heat recovery system for condensate water.

### Amorepacific Group Water Consumption

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Water Consumption(Tonne)</td>
<td>970,961</td>
<td>988,697</td>
<td>950,707</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>598,754</td>
<td>628,431</td>
<td>602,364</td>
</tr>
<tr>
<td>Pacificglas</td>
<td>110,173</td>
<td>99,651</td>
<td>89,597</td>
</tr>
<tr>
<td>Others</td>
<td>158,048</td>
<td>159,525</td>
<td>158,746</td>
</tr>
</tbody>
</table>

### Water Consumption by Source of Water (Tonnes)

<table>
<thead>
<tr>
<th>Source of Water</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal water (tap water)</td>
<td>417,417</td>
<td>530,837</td>
<td>470,539</td>
</tr>
<tr>
<td>Industrial water</td>
<td>38,946</td>
<td>48,322</td>
<td>42,309</td>
</tr>
<tr>
<td>Ground Water</td>
<td>270,411</td>
<td>270,411</td>
<td>268,794</td>
</tr>
<tr>
<td>Rainwater</td>
<td>38,001</td>
<td>36,415</td>
<td>36,415</td>
</tr>
</tbody>
</table>

### Intensity of Water Consumption (TOE/tonne)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensity of Water Consumption</td>
<td>6.35</td>
<td>7.40</td>
<td>7.90</td>
</tr>
</tbody>
</table>

### Amorepacific Water Consumption

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Water Consumption(Tonne)</td>
<td>417,147</td>
<td>530,837</td>
<td>470,539</td>
</tr>
<tr>
<td>Water Consumption by Source of Water (Tonnes)</td>
<td>434,582</td>
<td>432,546</td>
<td>384,799</td>
</tr>
<tr>
<td>Industrial water</td>
<td>35,913</td>
<td>48,322</td>
<td>42,309</td>
</tr>
<tr>
<td>Ground Water</td>
<td>13,393</td>
<td>13,968</td>
<td>7,016</td>
</tr>
<tr>
<td>Rainwater</td>
<td>32,259</td>
<td>36,001</td>
<td>36,415</td>
</tr>
</tbody>
</table>

### Intensity of Water Consumption (TOE/tonne)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensity of Water Consumption</td>
<td>5.820</td>
<td>5.662</td>
<td>5.475</td>
</tr>
</tbody>
</table>
Amorepacific Group strives to reduce the emission of air pollutants. We have introduced low-NOx burner boilers and increased the efficiency of air pollutant prevention facilities. Furthermore, we regularly monitor the emission of air pollutants at each production site in order to minimize the impact upon local communities.

### Emission of Air Pollutants

#### Amorepacific Group Emission of Air Pollutants

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dust (Tonne)</td>
<td>2.7</td>
<td>3.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>2.4</td>
<td>2.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Pacificglas</td>
<td>0.3</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>0.7</td>
</tr>
<tr>
<td>SOx (Tonne)</td>
<td>20.2</td>
<td>20.7</td>
<td>18.8</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>-</td>
<td>2.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Pacificglas</td>
<td>20.2</td>
<td>18.6</td>
<td>17.2</td>
</tr>
<tr>
<td>NOx (Tonne)</td>
<td>18.7</td>
<td>26.1</td>
<td>24.8</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>0.6</td>
<td>12.0</td>
<td>10.4</td>
</tr>
<tr>
<td>Pacificglas</td>
<td>18.0</td>
<td>14.2</td>
<td>14.3</td>
</tr>
</tbody>
</table>

1) Air pollutant emissions are based on the measurement standards of each country.

### Environmental Investment

Amorepacific Group strengthens environmental investment in pollutant reduction and renewable energy equipment to create eco-friendly business sites. In 2017, Amorepacific Group invested KRW 5.51 billion in environmental operations and investments, a 16.5% increase compared to the previous year. There have been no violations of environmental regulations and no penalties.

#### Amorepacific Group Environmental Operations and Investments

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost (KRW 100 mn)</td>
<td>26.5</td>
<td>47.3</td>
<td>55.1</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>16.2</td>
<td>30.3</td>
<td>37.0</td>
</tr>
<tr>
<td>Pacificglas</td>
<td>7.2</td>
<td>7.9</td>
<td>11.4</td>
</tr>
<tr>
<td>Others</td>
<td>3.1</td>
<td>9.2</td>
<td>6.6</td>
</tr>
</tbody>
</table>

1) Costs in 2015 and 2016 were calculated due to changes in calculation standards regarding environmental operations and investments.

### Waste and Recycling

Amorepacific Group seeks to contribute to building a circular economy by minimizing waste generated in production sites and promoting recycling. Waste generated in each production site is categorized by types and traits, while optimal recycling measures are implemented for each type of waste.

In 2017, Amorepacific Group generated 18,483 tonnes of waste and recycled 58% of it. In 2017, there was a temporary increase in the amount of waste generated by Amorepacific due to the disposal of some of the toothpaste products it began recalling in the second half of 2016. Pacificglas reduced the amount of waste generated in 2017 compared to the previous year and increased the recycling rate.

#### Amorepacific Group Waste Generation and Recycling

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste Generation (Tonne)</td>
<td>11,447</td>
<td>13,472</td>
<td>18,483</td>
</tr>
<tr>
<td>Amorepacific</td>
<td>8,961</td>
<td>10,952</td>
<td>15,516</td>
</tr>
<tr>
<td>Pacificglas</td>
<td>1,947</td>
<td>1,856</td>
<td>1,671</td>
</tr>
<tr>
<td>Others</td>
<td>539</td>
<td>664</td>
<td>1,296</td>
</tr>
<tr>
<td>Recycling (Tonne)</td>
<td>10,022</td>
<td>11,208</td>
<td>10,663</td>
</tr>
<tr>
<td>Rate of Recycling (%)</td>
<td>88</td>
<td>83</td>
<td>58</td>
</tr>
<tr>
<td>Waste Amount by Disposal Methods (Tonne)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-hazardous waste</td>
<td>10,121</td>
<td>11,835</td>
<td>16,293</td>
</tr>
<tr>
<td>Landfill</td>
<td>260</td>
<td>407</td>
<td>395</td>
</tr>
<tr>
<td>Incineration</td>
<td>816</td>
<td>1,259</td>
<td>6,899</td>
</tr>
<tr>
<td>Recycling</td>
<td>9,024</td>
<td>10,187</td>
<td>8,999</td>
</tr>
<tr>
<td>Hazardous waste</td>
<td>1,320</td>
<td>1,479</td>
<td>2,189</td>
</tr>
<tr>
<td>Landfill</td>
<td>10</td>
<td>54</td>
<td>34</td>
</tr>
<tr>
<td>Incineration</td>
<td>320</td>
<td>544</td>
<td>491</td>
</tr>
<tr>
<td>Recycling</td>
<td>996</td>
<td>1,021</td>
<td>1,664</td>
</tr>
</tbody>
</table>

#### Amorepacific Waste Generation and Recycling

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste Generation (Tonne)</td>
<td>8,961</td>
<td>10,952</td>
<td>15,516</td>
</tr>
<tr>
<td>Recycling (Tonne)</td>
<td>8,169</td>
<td>9,560</td>
<td>8,633</td>
</tr>
<tr>
<td>Rate of Recycling (%)</td>
<td>91</td>
<td>87</td>
<td>56</td>
</tr>
<tr>
<td>Waste Amount by Disposal Methods (Tonne)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-hazardous waste</td>
<td>7,971</td>
<td>9,768</td>
<td>13,965</td>
</tr>
<tr>
<td>Landfill</td>
<td>212</td>
<td>399</td>
<td>339</td>
</tr>
<tr>
<td>Incineration</td>
<td>576</td>
<td>822</td>
<td>6,418</td>
</tr>
<tr>
<td>Recycling</td>
<td>7,144</td>
<td>8,547</td>
<td>7,209</td>
</tr>
<tr>
<td>Hazardous waste</td>
<td>990</td>
<td>1,184</td>
<td>1,550</td>
</tr>
<tr>
<td>Landfill</td>
<td>6</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Incineration</td>
<td>4</td>
<td>165</td>
<td>118</td>
</tr>
<tr>
<td>Recycling</td>
<td>986</td>
<td>1,013</td>
<td>1,425</td>
</tr>
</tbody>
</table>
Employee Safety

Establishing a Safety and Health Management System for the Entire Value Chain
Amorepacific Group continuously engages in creating a safe and healthy work environment throughout the overall value chain. In 2017, we revised our health management operating standards considering the characteristics of each business site to better protect our employees from health hazards such as chemical substances and dangerous work environments. The newly revised operating standards include 14 items including work environment management, chemical substance management, respiratory protection program, operation and management of health management center, and management of local ventilation equipment. We have enabled effective health management on work sites by establishing a health management system in consideration of the characteristics of each business site.

Amorepacific Group’s Seven Principles on Safety and Health

<table>
<thead>
<tr>
<th>Awareness</th>
<th>Behavior</th>
<th>Check</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety and health training</td>
<td>Safety management of facilities and equipment</td>
<td>Measurement and monitoring</td>
</tr>
<tr>
<td>Expertise management</td>
<td>Safety management of hazardous and dangerous work</td>
<td>Auditing and corrective actions</td>
</tr>
<tr>
<td></td>
<td>Preparation for and response to emergency situations</td>
<td></td>
</tr>
</tbody>
</table>

Internalizing SHE Standards
Amorepacific Group has internally strengthened its global SHE standards by holding information sessions for SHE managers as Group-managed events and established mid- to long-term roadmaps for major business sites. We also held SHE auditor education for 17 SHE managers to develop internal experts for implementing SHE standards at the Group level. In 2018, we will perform SHE audits on 17 major domestic and overseas business sites to accurately analyze the SHE management status in each site and devise improvement measures.

Strengthening Safety Culture and Communication
Amorepacific Group carried out various educational programs to strengthen the safety awareness of its employees and promoted communication on safety. We trained new employees on Amorepacific Group’s SHE vision and relevant programs, while introducing a SHE educational program for store managers to secure the safety and health of customers visiting the stores as well as employees. Furthermore, we produce card news and animation on the importance of safety and health on a regular basis, sharing them with employees to raise their SHE awareness.

Operating the Industrial Safety and Health Committee
Amorepacific Group convenes the Industrial Safety and Health Committee in each business site on a quarterly basis, creating a safety culture through the collaboration of labor and management. The Committee consists of an equal representation of labor and management, including union representatives and heads of each business site.

Amorepacific Group Industrial Safety and Health

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accident Rate (%)</td>
<td>0.038</td>
<td>0.103</td>
<td>0.042</td>
</tr>
<tr>
<td>Injury frequency rate</td>
<td>0.000</td>
<td>0.0166</td>
<td>0.000</td>
</tr>
<tr>
<td>Occupational disease rate</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Accident Rate = (No. of employees involved in accidents / Annual average no. of employees) x 100
Injury Frequency Rate = (No. of accidents / Annual work hours) x 1,000,000
Occupational Disease Rate = (Number of cases of occupational diseases / Annual work hours) x 1,000,000
In order to make A MORE Beautiful World, Amorepacific Group runs various CSR programs focused on three main initiatives—Women, Natural ecosystem, and Nurturing Culture—with the aim to produce a positive impact on our society.

### CSR Activities by Amorepacific Group

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Contribution Expenditure</td>
<td>18,654</td>
<td>23,994</td>
<td>20,600</td>
</tr>
<tr>
<td>Amount of Expenditure (KRW mn)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio Compared to Sales(%)</td>
<td>0.35</td>
<td>0.36</td>
<td>0.34</td>
</tr>
<tr>
<td>Employee Volunteer Activities</td>
<td>90.5</td>
<td>88.7</td>
<td>80.8</td>
</tr>
<tr>
<td>Participation Rate(%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Hours of Volunteer(hrs.)</td>
<td>10.8</td>
<td>10.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Public Foundation Disbursement</td>
<td>486</td>
<td>741</td>
<td>923</td>
</tr>
<tr>
<td>Amorepacific Foundation(KRW mn)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amorepacific Welfare Foundation(KRW mn)</td>
<td>564</td>
<td>560</td>
<td>650</td>
</tr>
<tr>
<td>Korea Breast Cancer Foundation(KRW mn)</td>
<td>2,409</td>
<td>2,732</td>
<td>2,765</td>
</tr>
<tr>
<td>innisfree Moeum Foundation(KRW mn)</td>
<td>18</td>
<td>358</td>
<td>926</td>
</tr>
</tbody>
</table>

### Key Achievements of makeup your Life

#### Number of Beneficiaries
- **2016**: 14,040 persons
- **2017**: 5,241 persons

#### Number of Participating Nations and Regions
- **2016**: 6 regions
- **2017**: 6 regions

### makeup your Life Campaign

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>Korea</td>
<td>Mainland China</td>
<td>Vietnam</td>
</tr>
<tr>
<td></td>
<td>808</td>
<td>1,049</td>
<td>1,264</td>
</tr>
<tr>
<td></td>
<td>Mainland China</td>
<td>240</td>
<td>180</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>100</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Hong Kong/China</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Volunteers</td>
<td>Korea</td>
<td>Mainland China</td>
<td>Vietnam</td>
</tr>
<tr>
<td></td>
<td>412</td>
<td>697</td>
<td>769</td>
</tr>
<tr>
<td></td>
<td>Mainland China</td>
<td>60</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Vietnam</td>
<td>50</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Hong Kong/China</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1) In 2017, Amorepacific employees spent a total of 36,648 hours in volunteering, equivalent to approximately KRW 306 million in monetary value.
Pink Ribbon Campaign

In 2000, the Amorepacific Group funded and established the Korea Breast Cancer Foundation, a non-profit public organization for breast health. Amorepacific has run the Pink Ribbon campaign to promote public awareness of the importance of early detection and encourage women to take screenings for breast health in partnership with the Korea Breast Cancer Foundation. The two signature programs of the campaign are Pink Run, a running festival aimed at spreading the importance of breast cancer early detection, and Pink Tour, a touring lecture program teaching women how to perform breast self-exams.

The Pink Run, which is held every year in five regions across Korea, donates proceeds made through entry fees from its participants to the Korea Breast Cancer Foundation. The donated money is used to support surgery and examination for breast cancer patients. From 2001 to 2017, 323,662 participants raised a total of KRW 3.5 billion. The Pink Tour, national health education program sharing information on breast health and self-exam methods, has conducted 1,134 lectures across Korea, at which more than 285,000 people in total learned how to perform breast self-exams.

In Mainland China, we host the "MORI Run", a running festival aimed to spreading the importance of breast cancer early detection, and Pink Tour, a touring lecture program teaching women how to perform breast self-exams.

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In Mainland China, we host the "MORI Run", a running festival aimed to spreading the importance of breast cancer early detection, and Pink Tour, a touring lecture program teaching women how to perform breast self-exams.

Key Achievements of Pink Ribbon Campaign

<table>
<thead>
<tr>
<th>Category</th>
<th>Beneficiaries (persons)</th>
<th>Support for Education (persons)</th>
<th>Support for Surgery (persons)</th>
<th>Support the Screening (persons)</th>
<th>Promote Awareness (persons)</th>
<th>Expenditure (KRWmn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2,147</td>
<td>408,757</td>
<td>85</td>
<td>330,482</td>
<td>30,327</td>
<td>2,147</td>
</tr>
<tr>
<td>2016</td>
<td>3,848</td>
<td>39,662</td>
<td>71</td>
<td>727</td>
<td>24,105</td>
<td>3,848</td>
</tr>
<tr>
<td>2017</td>
<td>4,059</td>
<td>41,900</td>
<td>111</td>
<td>61,446</td>
<td>33,848</td>
<td>4,059</td>
</tr>
</tbody>
</table>

Hope Store

Hope Store is a start-up assistance program launched in 2003 designed to support single mother households in partnership with the Beautiful Foundation. Hope Store provides a maximum of KRW 40 million in the form of microcredit as startup fund (including deposit) and reinvests loan repayments to form “Heemang Seed Money” to fund other women preparing to start their own businesses. This virtuous circle of sharing enables women to achieve financial independence through self-efficacy, self-empowerment and social support network, while helping their family members find emotional stability. As of December 2017, Hope Store owners have repaid 85% of their loans and 93% of their family members, including children, have succeeded in achieving financial independence.

Hope Store began a new project in 2017 for sharing start-up know-how and providing mentoring to more single mothers hoping to open up their own Hope Stores. Mentors were selected from Hope Store owners with stable sales performance and outstanding business mind, sharing their business know-how with start-up hopefuls with little experience or expertise. Through this project, two new Hope Stores (restaurants) opened in 2017. In 2018, 15 years of trial-and-error stories of Hope Store owners will be compiled into the “Hope Store Manual,” supporting more women achieve financial independence through Hope Stores.

Key Achievements of Hope Store

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (KRW mn)</th>
<th>Repayment Rate (As of 2017)</th>
<th>Survival Rate (As of 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>12.1</td>
<td>89.4%</td>
<td>85%</td>
</tr>
<tr>
<td>2016</td>
<td>8.0</td>
<td>85%</td>
<td>74%</td>
</tr>
<tr>
<td>2015</td>
<td>5.9</td>
<td>74%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Beautiful Life

“Beautiful Life” supports the employment and economic empowerment of low-income women through technical training and mentoring. Launched in 2008 in partnership with the Community Chest of Korea, the Beautiful Life has helped 47% of its participants earn professional certificates, 21% find employment or start their own businesses, and 28% experience an increase in their earned income. From 2017 onward, along with the existing project of designated donations, we have also begun to operate a new project for the purpose of expanding our support to include small-scale facilities. And with the project of designated donations running in 2 to 3 years we will support job-seeking women to ensure their self-reliance.

Key Achievements of Beautiful Life

<table>
<thead>
<tr>
<th>Year</th>
<th>Beneficiaries (persons)</th>
<th>Startup Loan (KRW mn)</th>
<th>Total (KRW mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2,520</td>
<td>1,232</td>
<td>1,427</td>
</tr>
<tr>
<td>2016</td>
<td>1,288</td>
<td>832</td>
<td>1,047</td>
</tr>
<tr>
<td>2015</td>
<td>595</td>
<td>51</td>
<td>646</td>
</tr>
</tbody>
</table>

Makeup ARTIST on the Go

Makeup ARTIST on the Go is a program providing career mentoring to aspiring makeup artists and supporting women to find self-confidence through makeup. The program is offered in collaboration with various schools, institutions and organizations, and in 2017 supported a total of 669 participants through talent sharing on a monthly basis. In addition, scholarships in the amount of KRW 40 million were given to 12 students to boost future makeup artists.

Key Achievements of Makeup ARTIST on the Go

<table>
<thead>
<tr>
<th>Year</th>
<th>Beneficiaries (persons)</th>
<th>Volunteers (persons)</th>
<th>Expenditure (KRW mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>669</td>
<td>91</td>
<td>9.76</td>
</tr>
</tbody>
</table>
Harmonizing Life and the Beauty of Nature

GREEN/CYCLE Campaign

GREEN/CYCLE is Amorepacific Group’s eco-friendly CSR program designed to promote green lifestyle that values life in coexistence with nature. Our main activities include not only recycling used cosmetics bottles collected from our brand shops, but also include “upcycling” various by-products produced through manufacturing processes into beautiful artworks. In 2017, we collected 265 tonnes of glass and plastic containers via its brand stores in department stores and supermarkets, ARITAUM, innisfree and ETUDE stores, and used them to undertake various eco-friendly activities.

The “Moving Pink Ribbon”, a kinetic artwork made with 1,000 used bottles which makes the bottles on pink ribbons move by working a pedal, was showcased at the Pink Run and well-received by its participants. We also used plastic bottles to produce 1,500 sets of “A MORE Beautiful Kit” for assembling jump ropes and wave hoops, which were used in employee sharing programs and participate programs at the Pink Run. Other recycling efforts include producing “plastic pellets” which will be will be followed up with more initiatives in 2018.

Mamonde Bee Happy Day Campaign

Mamonde launched its honey bee protection initiative “Bee Happy Day” in order to create an eco-friendly city environment where flowers, honeybees and people can exist in harmony. The campaign began in 2016 when first “Mamonde Garden x Honey Bee” was created on the rooftop of the Korea Scout Association building in Yeouido in cooperation with the social enterprise Urban Bees Seoul. This was followed by the second Honeybee Garden built in Seoul Forest Community Garden in 2017, providing a habitat for endangered honeybees, responsible for one-third of the moisture that flowers require to grow, thereby exerting a positive influence on the overall ecosystem.

Mamonde plans to build the third Honeybee Garden inside a museum located in Seoul, and collaborate with the museum in holding garden-themed exhibitions and flea markets where it will sell honey produced from the Garden. Starting next year, Mamonde will provide more opportunities for customers to participate in its CSR activities.

innisfree Forest Campaign

innisfree has held the “Forest Campaign” since 2012 to protect forests, the source of clean water and air. Our passion for preserving forests began on Jeju Island with our efforts to conserve the Gotjawal Forest. By donating part of the sales proceeds from its “Forest for Men” products, innisfree is purchasing and communalizing the privatized parts of Gotjawal. In 2017, we created an eco forest by restoring a landfill in Seongsan, Jeju. Notably, the newly created forest in Seongsan, Jeju is sustainably managed through the use of digital technologies, including IoT sensors that collect environmental data and live cameras that monitor inventory status.

innisfree is gradually expanding the scope of its Forest Campaign to overseas countries that are in need of ecological restoration. The brand has been planting 10,000 trees each year with local customers in Inner Mongolia, China, to prevent deforestation. Recently expanding the Forest Campaign to Taiwan and Malaysia, innisfree has planted over 25,000 trees overseas as of 2017. innisfree will continue to broaden its Forest Campaign to proclaim our commitment to the green movement, while providing customers with more opportunity to participate in its eco-friendly CSR initiatives.

Key Achievements of Forest Campaign

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly introduced in Taiwan (March) and Malaysia (September) in 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Discovering and Sharing Cultural Values

mise-en-scène Short Film Festival

For the past 17 years since 2002, mise-en-scène has sponsored the mise-en-scène Short Film Festival to promote short films in Korea and discover emerging directors. Given that most corporate sponsorships are directed toward mainstream culture, the aim is to contribute to the long-term development of the Korean film industry through continuous support of short films, a relatively less popular genre, and discovery of directors and films that bring unique visions. The 16th mise-en-scène Short Film Festival in 2017 had a record high of 1,163 entries, of which 70 films that had passed the preliminaries were shown.

Research on “Asian Beauty”

Since 2011, Amorepacific Foundation has been interested in studying in depth the topic of “Asian beauty”. In comparison to visually-oriented western art and western perception of beauty, our research is primarily focused on Asian beauty that values beauty found in everyday lives and aesthetic experiences through the five senses. Research outcomes are published in the “Asian Beauty” series, first published in 2014. As of 2017, seven books have been published, with plans to complete the series with 20 or so books.

Supporting and Sharing with Local Communities

Beautiful Goods Sharing

In order to build a more beautiful world by achieving mutual growth with local communities, Amorepacific Group has been donating Amorepacific’s household items and cosmetic products to social welfare facilities. Launched in 2001 as “Sharing the Love”, the program was expanded and newly branded in 2009 as “Beautiful Goods Sharing”, through which cosmetics and daily necessities worth KRW 3 billion are donated each year to social welfare facilities nationwide for women and children, in partnership with the Community Chest of Korea. In 2017, LANEIGE, IOPE, innisfree, Happy Bath and 12 other brands participated in the program, donating KRW 3.8 billion worth of products (based on retail price) to 2,929 social welfare facilities.

Employee Volunteer Activities

Amorepacific Group undertakes various sharing and volunteering activities, through which its employees fulfill their social responsibilities as corporate citizens. We have designated every first Friday as “A MORE Beautiful day”, where employees participate in sharing and play their part in making the world a more beautiful place. In 2017, the program was introduced in 7 overseas offices (U.S., Vietnam, Singapore, Hong Kong (China), Malaysia, Taiwan, Thailand) and participated in by 250 employees.

Restoration of Osancheon Stream Ecology

Amorepacific Group has donated KRW 7 billion and undertaken multiple activities to support the “Restoration of Osancheon Stream Ecology” project in Osan-si, where Beauty Campus Osan is located. Since signing a MOU with Osan-si in 2016, we have been involved in the renovation of Namchon Small Park and the “Creating Pedestrian-friendly Street” project. By 2018, we will build a marsh ecological park, clean up areas near cultural and art centers, and install ecology education facilities. We will spare no effort to ensure that Osancheon Stream is restored completely by 2020 through clean up activities near the restoration area and Waterfront Plaza and planting ecology park promotional leaflets.
Amorepacific Foundation was established for the purpose of supporting academic, educational and cultural programs to explore the values of culture and communicate those values to the public. Since its establishment in 1973, Amorepacific Foundation has been dedicated to supporting academic research on "Asian Beauty" and "Women and Culture" from a multidisciplinary approach.

The Foundation has used these research findings to communicate with the world and generate new values. In 2017, it supported 31 research projects on the theme of "Women and Culture" and four research projects on the theme of "Asian Beauty". Through its lecture series "Lecture on Beauty", the foundation held four lectures, providing valuable opportunities for researchers of Asian beauty to communicate with the general public.

Amorepacific Welfare Foundation was established in 1982 with the vision of building a beautiful and harmonious society by promoting the welfare of socially vulnerable women and enhancing the quality of their lives. Its main projects include Space Design Improvement Project for “improving well-being through spatial beauty”, efficient use of Space Utilization Support Program, and Cleaning and Reorganization Consulting Project. The ultimate goal of these projects is not to simply improve a facility but help women in need of social protection enjoy a new life and find independence. The Space Design Improvement Project, started in 2003, has contributed to turning around 185 women's facilities and non-profit women's organizations nationwide into safe and pleasant spaces until 2017. The Foundation will continue to play its role as a supportive partner for women in our society.

Korea Breast Cancer Foundation is Korea's first non-profit organization dedicated to breast health, entirely funded by Amorepacific Group in 2000. The Foundation undertakes various initiatives on multiple fronts to raise awareness of the importance of breast health, which include the Pink Run, breast health lectures, financial support for low-income breast cancer patients, support for academic research, sponsorship of breast cancer patient associations, and activities to promote breast health among unprivileged women including those from multicultural families. The Pink Ribbon Campaign, a joint initiative between Korea Breast Cancer Foundation and Amorepacific Group, has made a significant contribution to promoting women's health by emphasizing the importance of breast health and encouraging early detection and treatment through self-exam, when there is still little breast cancer awareness despite the fact that breast cancer is the most common type of cancer (excluding thyroid cancer) found in Korean women. In 2017, the Foundation organized the 17th Pink Run, accruing 24,279 participants in total, in addition to attracting 41,900 participants by holding the Pink Tour 160 times in the same year. Furthermore, the Foundation provides emotional support to breast cancer patients through the Pink Ribbon Healing Camp and supports the development of information on breast cancer and health by funding 13 academic research projects.

innisfree Moeum Foundation is a public foundation funded entirely by innisfree, which will invest KRW 10 billion over a five-year period from 2015. Under the slogan “Adding Value to Jeju,” the Foundation pursues mutual growth with Jeju Island, where the brand’s vision and inspiration comes from. Its main focus is to preserve Jeju’s natural environment, foster future talents and support cultural and art projects.

In 2017, the Foundation primarily concentrated on restoring nature and preserving Jeju’s unique values by maintaining Oreum trails, building forests in Gotjawal, holding public contests for cultural content development and running educational programs for fostering Jeju’s future talents. Notably, the Foundation worked closely with the Jeju Provincial Government and social innovation enterprise named Tree Planet in restoring a landfill located in Gujwa-eup, Jeju-si, and turning it into a 50,000m² forest. With the participation of Amorepacific Group employees and Jeju residents, the Foundation planted Junipers, sun trees and cherry sage, in addition to installing an “Empty Bottle Time Capsule Wall” where visitors can leave a memory of themselves using recycled bottles.

Appendix

1. Independent Assurance Statement
2. Verification Statement GHG Inventory
3. GRI Standards Index
4. UNGC Communication on Progress
5. About This Report
INDEPENDENT ASSURANCE STATEMENT

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 2017 (the "Report"). The directors of APG have sole responsibility for the preparation of the Report. The responsibility of DNV GL is performing the assurance work 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.

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 2017. This included:
- Evaluation of the principles for defining the sustainability report content in the Global Reporting Initiative (GRI) Sustainability Reporting Standards
- Verification of disclosures to check the Report is prepared ‘in accordance’ with the GRI Standards (Core option)
- Evaluation of the process for determining material topics 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 VeriSustain1, 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 verification was carried out in March and May 2018. 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 systems as they relate to selected content and performance data;
- reviewed the materiality assessment report;
- site visit and test of data gathering process;
- Domestic: Beauty Campus in Osan
- Overseas: Amorepacific China Office and Shanghai Beauty Campus in China

Limitations
The engagement excludes below;
- The sustainability management, performance and reporting practices of APG’s associated companies, subsidiaries, suppliers, contractors and any third parties mentioned in the Report.
- External stakeholder interviews
- Financial statements and announcement disclosed at the website of Korea Financial Supervisory Service (http://dart.fss.or.kr) as well as APG’s website (www.apgroup.com)
- 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.

Conclusion
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 in GRI Standards nor is prepared ‘in accordance’ with GRI Standards Core option. The verification team has observed that there is general awareness of sustainability context across all different levels of the organization. Further opinions with regards to the adherence to the following Principles are made below;

1) The VeriSustain protocol is available upon request at DNV GL website (www.dnvgl.com/assurance/reporting/verification.html)

Stakeholder Inclusiveness
APG has identified internal and external stakeholder groups such as Customers, Employees, Shareholders, Local community and Business Partners. 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 could engage stakeholders in the region where APG operates more. Address 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 addressed in the report. In particular, this is the 10th report, APG has presented key performance indicators with which the performance and goals of sustainability management can be monitored.

Maturity
APG has conducted the materiality assessment to prepare the Report. Issue pools were used on internal and external stakeholder survey to rate the material topics and 12 material topics are prioritised accordingly. DNV GL has reviewed material topics that could have a significant impact on the APG’s economic, environmental and social impacts or affect the decision-making of stakeholders in assessing materiality.

Completeness
The Report has covered the sustainability strategy, management approach and sustainability performances of APG for the reporting period. The reporting boundary has been set to include all affiliates in APG. Amorepacific, a major affiliate, excludes not only domestic sites but also some performance of overseas corporation. DNV GL has reviewed that the materiality assessment process and confirms relevant material topics prioritised from the process are addressed completely in the Report.

Further opinions with the principles of report quality of GRI Standards as follows;

Report quality: Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness
DNV GL has reviewed the quality of the report based on the 6 principles defined in the GRI Standards. DNV GL also has reviewed the reliability of the disclosure data - water consumption, the amount of waste water discharge and recycling, waste generation and recycling, air pollution emissions, the verification team has interviewed the Person-in-Charge, reviewed the process of gathering and processing data and information, and the supporting documents and records. APG could improve the data collection process and present the sustainability performance for the last 3 years to allow for comparability over time. Any omissions or inconsistencies identified during the assurance engagement were communicated and corrected prior to the Report being published. The information in the Report indicates the time period to which it relates.

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL have no other contract with APG and did not provide any services to APG in 2017 that could compromise the independence or impartiality of our work. DNV GL has conducted the verification of GHG emissions in 2018, which isn’t considered a conflict of interest in the report verification.

DNV GL Business Assurance Korea Ltd.
Ahn In-kyoon
Country Representative
May 2018
Seoul, Korea
Greenhouse Gas Emissions of Amorepacific Group from Yr. 2017

<table>
<thead>
<tr>
<th>Amorepacific Group</th>
<th>Direct emissions (Scope 1)</th>
<th>Energy indirect emissions (Scope 2)</th>
<th>Other indirect emissions (Scope 3)</th>
<th>Total emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amorepacific</td>
<td>7,356</td>
<td>27,807</td>
<td>35,163</td>
<td>38,694</td>
</tr>
<tr>
<td>PACIFIC PACKAGE</td>
<td>390</td>
<td>4,120</td>
<td>4,510</td>
<td>9,020</td>
</tr>
<tr>
<td>AESTURA</td>
<td>1,447</td>
<td>3,223</td>
<td>6,670</td>
<td>10,336</td>
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<tr>
<td>COSVISION</td>
<td>1,405</td>
<td>4,652</td>
<td>6,057</td>
<td>12,114</td>
</tr>
<tr>
<td>OSULLOC</td>
<td>2,106</td>
<td>1,050</td>
<td>3,156</td>
<td>6,312</td>
</tr>
<tr>
<td>Amorepacific Shanghai</td>
<td>736</td>
<td>6,003</td>
<td>6,739</td>
<td>13,488</td>
</tr>
<tr>
<td>Total</td>
<td>13,440</td>
<td>46,855</td>
<td>60,295</td>
<td>63,826</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.

DNV GL Business Assurance Korea Ltd.

This Assurance Statement is valid as of the date of the issuance (31st March 2018). Please note that the Assurance Statement will be revised if any material discrepancy which may impact the Greenhouse Gas Emissions of Amorepacific Group is subsequently brought to our attention.

The verification has been conducted by DNV GL from 2nd February through 31st March 2018 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 the 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 tonne CO₂ equivalent. As part of the verification process,

- We have reviewed and verified the HSQM system of Amorepacific Group (activity data, GHG emission calculation results, emission factors, and other parameters).
- We have reviewed and verified the process to generate, aggregate and report the emissions data.

Based on the above verification core elements, it is DNV GL opinion that the data and the information reported in the GHG assertion are free from 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 2017 were confirmed as below.

**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 office, Sites (Daejeon and Incheon), Distribution centers (Gangneung, Gwangju, Daejeon, Daejeon, Busan, Sangju, Incheon, (Incheon and Chin), R&D/HRD, Local Business unit (Gangneung, Daegu, Daejeon and Busan), Delivery and transportation by carriers (Other indirect emissions)
- Organizational boundary for PACIFIC PACKAGE: Cheonan
- Organizational boundary for AESTURA: Gwangju
- Organizational boundary for COSVISION: Daejeon
- Organizational boundary for OSULLOC: Hanyang, Premium factory, Seoulhang, Dalseong and Wohunsan (poj).
- Organizational boundary for Amorepacific/Shanghai: Shanghai (China)

This Assurance Statement is valid as of the date of the issuance (31st March 2018). Please note that this Assurance statement will be revised if any material discrepancy which may impact the Greenhouse Gas Emissions of Amorepacific Group is subsequently brought to our attention.

In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedence.
### 2. Material Topic-specific Disclosures

<table>
<thead>
<tr>
<th>Classification</th>
<th>Disclosure</th>
<th>Indicators</th>
<th>Page</th>
</tr>
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<tbody>
<tr>
<td>Economic Standards</td>
<td>Indirect Economic Impacts</td>
<td>MA</td>
<td>49</td>
</tr>
<tr>
<td>205-1</td>
<td>Indicators</td>
<td>49-51</td>
<td></td>
</tr>
<tr>
<td>205-2</td>
<td>Significant indirect economic impacts</td>
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<td>Environmental Standards</td>
<td>Energy</td>
<td>MA</td>
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<td>302-1</td>
<td>Energy consumption within the organization</td>
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<td>302-2</td>
<td>Energy consumption outside of the organization</td>
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<td>Energy intensity</td>
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<td>Induced energy consumption</td>
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<td>Water withdrawn by source</td>
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<td>Water sources significantly affected by withdrawal of water</td>
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<td>Water recycled and reused</td>
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<td>Emissions</td>
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<td>Other (Scope 1 &amp; 2) GHG emissions</td>
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<td>Energy indirect (Scope 2) GHG emissions</td>
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<td>Other indirect (Scope 3) GHG emissions</td>
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<td>GHG emissions intensity</td>
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<td>Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions</td>
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<td>Effluents and Waste</td>
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<td>306-1</td>
<td>Water discharge by quality and destination</td>
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<td>Waste by type and disposal method</td>
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<td>Significant spills</td>
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<td>New suppliers that were screened using environmental criteria</td>
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<td>308-2</td>
<td>Negative environmental impacts in the supply chain and actions taken</td>
<td>91, 95</td>
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<tr>
<td>Social Standards</td>
<td>Human Rights Assessment</td>
<td>MA</td>
<td>45</td>
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<tr>
<td>412-1</td>
<td>Operations that have been subject to human rights reviews or impact assessments</td>
<td>86, 90</td>
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</tr>
<tr>
<td>412-2</td>
<td>Employee training on human rights policies or procedures</td>
<td>86, 90</td>
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<tr>
<td>Local Communities</td>
<td>MA</td>
<td>45</td>
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<tr>
<td>413-1</td>
<td>Operations with local community engagement, impact assessments, and development programs</td>
<td>49, 52, 55</td>
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<tr>
<td>413-2</td>
<td>Operations with significant actual and potential negative impacts on local communities</td>
<td>51, 103-104</td>
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<tr>
<td>Supplier Social Assessment</td>
<td>MA</td>
<td>45</td>
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<tr>
<td>416-1</td>
<td>New suppliers that were screened using social criteria</td>
<td>90(100%)</td>
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<tr>
<td>416-2</td>
<td>Negative social impacts in the supply chain and actions taken</td>
<td>90(100%)</td>
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<tr>
<td>Customer Health and Safety</td>
<td>MA</td>
<td>52, 53</td>
<td></td>
</tr>
<tr>
<td>418-2</td>
<td>Incidents of non-compliance concerning the health and safety impacts of products and services</td>
<td>There was no violation of the applicable laws</td>
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</tbody>
</table>

### 3. Non Material Topic-specific Disclosures

<table>
<thead>
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<td>Economic Performance</td>
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</tr>
<tr>
<td>201-2</td>
<td>Financial implications and other risks and opportunities due to climate change</td>
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<tr>
<td>201-3</td>
<td>Defined benefit plans obligations and other retirement plans</td>
<td>Amorepacific Group Business Report 101</td>
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<tr>
<td>201-4</td>
<td>Financial assistance received from government</td>
<td>Amorepacific Group Business Report 101</td>
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<tr>
<td>Market Presence</td>
<td>Procurement Practices</td>
<td>204-1</td>
<td>Proportion of spending on local suppliers</td>
</tr>
<tr>
<td>204-2</td>
<td>Proportion of senior management hired from the local community</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>Procurement Practices</td>
<td>Anticorruption</td>
<td>205-1</td>
<td>Operations assessed for risks related to corruption</td>
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<td>205-2</td>
<td>Communication and training about anti-corruption policies and procedures</td>
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<td></td>
</tr>
<tr>
<td>205-3</td>
<td>Confirmed incidents of corruption and actions taken</td>
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<td>Anti-corruptive Behavior</td>
<td>Social Standards</td>
<td>206-1</td>
<td>Legal actions for anti-corruptive behavior, anti-trust, and monopolistic practices</td>
</tr>
<tr>
<td>Environmental Standards</td>
<td>Environmental Compliance</td>
<td>307-1</td>
<td>Non-compliance with environmental laws and regulations</td>
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<tr>
<td>@yahoo.com</td>
<td>Employment</td>
<td>401-1</td>
<td>New employee hire and employee turnover</td>
</tr>
<tr>
<td>401-2</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>80, 83, 87</td>
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<td>401-3</td>
<td>Parental leave</td>
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<td>Labor/Management Relations</td>
<td>Occupational Health and Safety</td>
<td>403-1</td>
<td>Workers representation in formal joint management-worker health and safety committees</td>
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<td>403-2</td>
<td>Types of injury and illness, occupational illnesses, lost days, and absenteeism, and number of work-related fatalities</td>
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<tr>
<td>403-3</td>
<td>Incidents of discrimination and corrective actions taken</td>
<td>99</td>
<td></td>
</tr>
<tr>
<td>403-4</td>
<td>Health and safety topics covered in formal agreements with trade unions</td>
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<td>Training and Education</td>
<td>Diversity and Equal Opportunity</td>
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<td>Average hours of training per year per employee</td>
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<tr>
<td>404-2</td>
<td>Programs for upgrading employee skills and transition assistance programs</td>
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<tr>
<td>405-1</td>
<td>Diversity of governance bodies and employees</td>
<td>42, 43, 86</td>
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<tr>
<td>Non-discrimination</td>
<td>Freedom of Association and Collective Bargaining</td>
<td>406-1</td>
<td>Incidents of discrimination and corrective actions taken</td>
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<tr>
<td>407-1</td>
<td>Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</td>
<td>86</td>
<td></td>
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<tr>
<td>Child Labor</td>
<td>Forced or Compulsory Labor</td>
<td>408-1</td>
<td>Operations and suppliers at significant risk for incidents of child labor</td>
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<tr>
<td>408-2</td>
<td>Forced or compulsory labor</td>
<td>86, 90, 91</td>
<td></td>
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<tr>
<td>Marketing and Labeling</td>
<td>Non-complicity</td>
<td>417-1</td>
<td>Requirements for product and service information and labeling</td>
</tr>
<tr>
<td>417-2</td>
<td>Incidents of non-compliance concerning product and service information and labeling</td>
<td>There was no material case</td>
<td></td>
</tr>
<tr>
<td>417-3</td>
<td>Incidents of non-complicity concerning marketing communications</td>
<td>There was no material case</td>
<td></td>
</tr>
<tr>
<td>Customer Privacy</td>
<td>Socioeconomic Compliance</td>
<td>418-1</td>
<td>Substantial complaints concerning breaches of customer privacy and losses of customer data</td>
</tr>
<tr>
<td>419-1</td>
<td>Non-compliance with laws and regulations in the social and economic area</td>
<td>There was no material case</td>
<td></td>
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</tbody>
</table>
Ten Principles of the UNGC and Amorepacific Group’s Activities

<table>
<thead>
<tr>
<th>Classification</th>
<th>UNGC Principle</th>
<th>Amorepacific Group’s Principles and Activities</th>
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<tbody>
<tr>
<td>Human Rights</td>
<td>Principle 1</td>
<td>Businesses shall support and respect the protection of internationally proclaimed human rights, and ensure that they are not complicit in human rights abuses.</td>
<td>86, 90, 91</td>
</tr>
<tr>
<td></td>
<td>Principle 2</td>
<td>Make sure that they are not complicit in human rights abuses.</td>
<td></td>
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<tr>
<td>Labour</td>
<td>Principle 3</td>
<td>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td>Principle 4</td>
<td>The elimination of all forms of forced and compulsory labour.</td>
<td>86, 90, 91</td>
</tr>
<tr>
<td></td>
<td>Principle 5</td>
<td>The effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.</td>
<td>86, 90, 91</td>
</tr>
<tr>
<td></td>
<td>Principle 6</td>
<td>Business should work against corruption in all its forms, including extortion and bribery.</td>
<td>86, 90, 91</td>
</tr>
<tr>
<td>Environment</td>
<td>Principle 7</td>
<td>Businesses should support a precautionary approach to environmental challenges.</td>
<td>52-58</td>
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<td></td>
<td>Principle 8</td>
<td>Undertake initiatives to promote greater environmental responsibility.</td>
<td></td>
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<tr>
<td></td>
<td>Principle 9</td>
<td>Encourage the development and diffusion of environmentally friendly technologies.</td>
<td></td>
</tr>
<tr>
<td>Anti-Corruption</td>
<td>Principle 10</td>
<td>Businesses should work against corruption in all its forms, including extortion and bribery.</td>
<td>74, 75</td>
</tr>
</tbody>
</table>

About This Report

Purpose of the Report
This report was created to disclose Amorepacific Group’s sustainability management activities to stakeholders transparently and 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 2015 to be issued as Amorepacific Group Sustainability Report with the aim of expanding communication with stakeholders.

Scope and Boundary of the Report
The scope of this report covers Amorepacific Group and all its subsidiaries (Amorepacific, innisfree, ETUDE, etc.). In the case of Amorepacific, the domestic production sites (headquarters in Seoul, R&D Center, HR Development Center, Regional BU, and Beauty Campus Osan, Daily Beauty production site and Osulloc production site) were mainly under review, and, in some cases, includes performances of overseas offices.

Reporting Period
The reporting period is from January 1 to December 31, 2017 and data from 2015 and 2016 were included for comparative purposes. Data regarding performance from the first half of 2018 were reflected in some cases.

Third Party Assurance
In order to enhance the accuracy and reliability of this report, the content was verified by an independent verification institution, DNV GL Business Assurance Korea Ltd. Based on VeriSustain, the content was verified to a limited level of assurance and a reliability assessment was conducted regarding environmental performance.

Reporting Standards
This report was prepared in accordance with the sustainability reporting guideline standards (Core Option) of the Global Reporting Initiative (GRI) and is based on major agenda of the Sustainable Development Goals (SDGs) and Amorepacific Group’s internal reporting guidelines.