

The background of the page is filled with several abstract, wireframe-style illustrations of flowers and leaves. These shapes are composed of numerous thin, overlapping lines that create a sense of depth and texture. The colors are very light, appearing as pale greys or off-whites against the white background. The shapes are scattered across the page, with some larger and more prominent than others. The overall aesthetic is clean, modern, and organic.

A MORE
Beautiful World

2017
Amorepacific Group
Sustainability Report

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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A MORE Beautiful World

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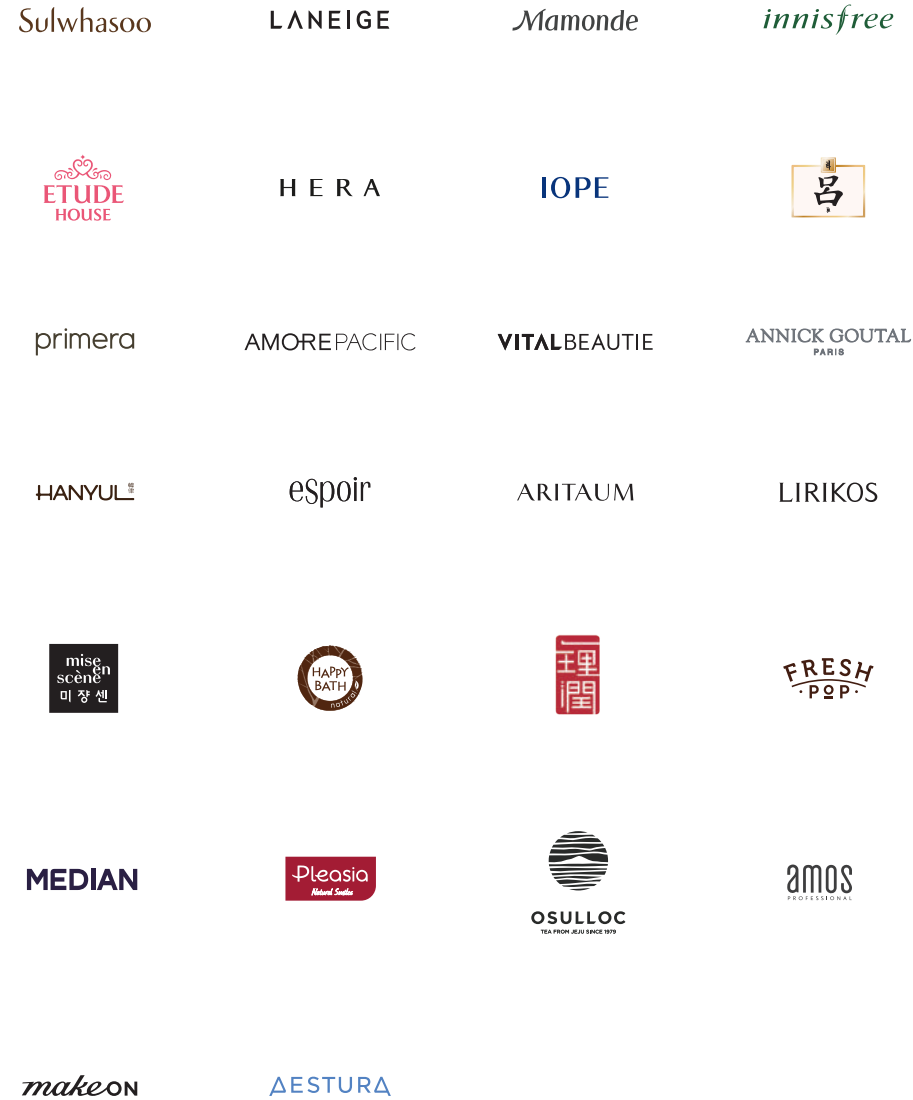


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Company Overview

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.

Brand Portfolio



Relentlessly pioneering the world of beauty to respond to customer expectations and needs, our brands are quickly expanding their global presence and becoming symbols of Asian beauty across the globe.

Sulwhasoo



Holistic Beauty from Asian Wisdom

Inspired by Asian philosophy, Sulwhasoo blends time-honored Asian medicinal herbs and modern technology to offer holistic skincare and beauty, which values harmony and balance between nature and human, and body and mind. Based upon scientific research on skin-aging processes combined with rare and indigenous natural herbal ingredients, our line of products offers ultimate skin solutions that help restore skin's balance, and comforts your body and mind through relaxing scents and rich textures. Experience holistic beauty of Asian wisdom with Sulwhasoo.

www.sulwhasoo.com

LANEIGE

More Sparkling, More Confident beauty
It's All Yours with LANEIGE

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

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



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



HERA

Exceptional Beauty from SEOUL

www.hera.com



IOPE

Functional Brand to Make Vibrant and Beautiful Skin

www.iope.com



Global Premium Haircare Brand from Asian Wisdom and Korean Beauty

www.ryo.com



primera

Sprout Energy for the Prime Moments of Skin Vitality

www.primera.co.kr

AMOREPACIFIC

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

www.amorepacific.com



VITALBEAUTIE

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

www.vitalbeautie.com



ANNICK GOUTAL
PARIS

French High Perfumery House Inspired
by Emotion

www.annickgoutal.com



HANYUL 韓律

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



espoir

Professional Make-up Brand

www.espoir.com



ARITAUM

Icon of Fast Beauty

www.aritaum.com



MEDIAN

Customized Prescription
for My Teeth

www.median433.co.kr



Dental Care from Nature



OSULLOC
TEA FROM JEJU SINCE 1979

Valuable Relaxation Provided
by Tea from Jeju

www.osulloc.com



LIRIKOS

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.miseenscene.com



Fashion Inspired,
Professional Touched

www.amosprofessional.com



makeON

Life Beauty Device Brand

www.makeonbeauty.co.kr



AESTURA

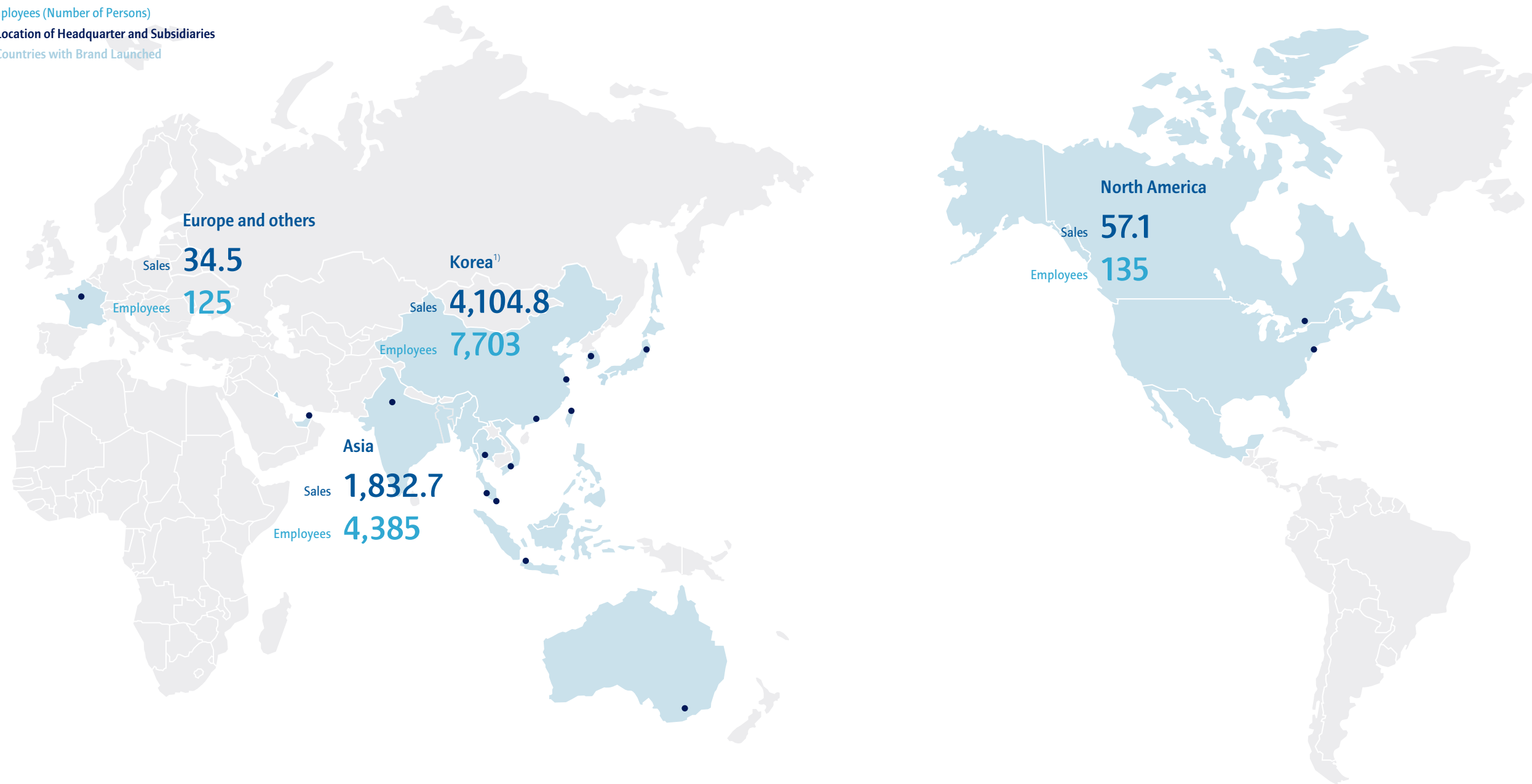
Caring for Skin, Caring for Mind

www.aestura.com



Global Network

Sales (KRW bn)
 Employees (Number of Persons)
 ● Location of Headquarter and Subsidiaries
 ■ Countries with Brand Launched



6,029.1 bn
Sales

12,348
Employees

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

Amorepacific Group's
Global Brands

Sulwhasoo

LANEIGE

Mamonde

innisfree



HERA

IOPE



AMOREPACIFIC

ANNICK GOUTAL
PARIS



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.



GREAT	<ul style="list-style-type: none"> - Attain Qualitative Growth - Innovate Production and Work Process - Strengthen Harmonious Relationships with Stakeholders
GLOBAL	<ul style="list-style-type: none"> - Accelerate Global Growth Based on a Four-pillar Strategy (Korea, China, ASEAN and North America) - Explore New Global Markets (Middle East, Europe and Australia)
BRAND	<ul style="list-style-type: none"> - 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

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.



AP WAY Activities

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

Financial Performance

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 (Unit: KRW bn)

	2015	2016	2017
Sales	5,661.2	6,697.6	6,029.1
Operating Profit	913.6	1,082.8	731.5
Net Profit	673.9	811.5	489.5

Amorepacific Financial Performance (Unit: KRW bn)

	2015	2016	2017
Sales	4,766.6	5,645.4	5,123.8
Operating Profit	772.9	848.1	596.4
Net Profit	584.8	645.7	398.0

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 (Ryo, mise-en-scène, Happy Bath, etc.) focused on the premiumization of its hair and body care category as well as launched a new natural dental 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 Gong 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.

eSpor

eSpor increased its revenue through steady sales of key products within online and travel retail channel. eSpor 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.

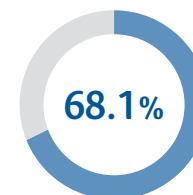
AMOS Professional

AMOS Professional saw revenue growth through stronger sales from its premium hair care brand AYUNCHE and hair salon’s leading brand AMOS Professional. It is positioning itself as a trend leading professional hair care brand by showcasing seasonal hair fashion and color looks.

Domestic Sales

4,104.8 KRW bn

Proportion of Domestic Sales



International Business Activities

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 visibly expand its business in regions other than Asia by reconstructing its distribution channels in North America.

Mamonde

Mamonde enhanced its market responsiveness 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 by Region

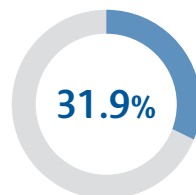
(Unit: KRW bn)

Region	2015	2016	2017
Asia	1,111.2	1,636.2	1,832.7
North America	41.4	53.8	57.1
Europe and Others	52.0	110.0	34.5

Overseas Sales

1,924.3 KRW bn

Proportion of Overseas Sales



R&D Innovation

Sustainable Technology Innovations

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 customized 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

Category	2015	2016	2017
Number of Published Academic Papers	52	51	54
Ratio of R&D Expenditure to Sales(%)	2.28	2.12	2.31

Research on Alternatives to Animal Testing

Amorepacific Group had 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 obligated 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

(Unit: Cases)

Category	2015	2016	2017
Number of Patent Applications and Registrations	949	1,099	1,368

Amorepacific's Patent Application and Registration

(Unit: Cases)

Category	2015	2016	2017
Korea	Applications	329	360
	Registrations	145	148
Overseas	Applications	296	466
	Registrations	105	118

Major Management Activities of Subsidiaries

AMORE PACIFIC

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 unsparing 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 unrivaled 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-scène in China and Mamonde in North America, while expediting its expansion into new markets.

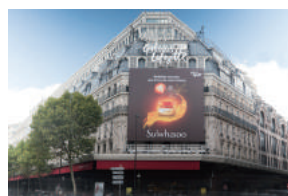
Leading Digital Beauty

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.



Sulwhasoo in ‘Galeries Lafayette’, France



ARITAUM O2O Service

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 firsthand. 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 truly 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.



The first innisfree flagship store in U.S.



innisfree ‘Green Lounge’

ETUDE

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.

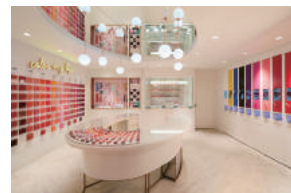
Providing Consumers with a Unique Brand Experience

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.

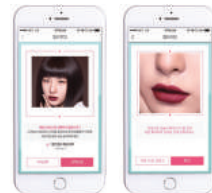
In April 2017, it introduced the ETUDE House signature makeup look bringing together the latest beauty trends and the brand values of "Lovely, Playful, Trendy". Furthermore, the "Pink Play Concert", the brand's signature cultural event held for the 7th time in 2017 was upgraded to a new form of beauty 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.



'Color Factory' in ETUDE House Myeongdong Flagship Store



ETUDE House Color Picking service

eSpor

eSpor 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 "eSpor Makeup Pub Concept Store"

In November 2017, eSpor launched the "eSpor 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 eSpor 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 eSpor 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, eSpor 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 off-line store closest to them.



eSpor Hongdae Makeup Pub Concept Store



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.



AMOS Mobile Academy



AMOS Professional ‘Hair Artist on the Go’

AESTURA

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 diversity its markets.

2

A MORE Beautiful World

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.



		2017 Targets	2017 Performances	2018 Targets		
Sustainable Lifestyle	1	Incorporate environmentally or socially friendly elements into new products	· 24%	· 28.8%	· 36.5%	
	2	Use LED lighting in all new and renovated stores in Korea (ARITAUM, ETUDE House, innisfree)	· 100%	· 100%	· 100%	
		Applying sustainable packaging materials	· Use sustainable materials to shopping bags and buffer packaging	· ARITAUM developed 4 types of FSC-certified shopping bags	· innisfree and ETUDE House use plastic bags containing 25% bioplastics	· ARITAUM uses sustainable materials for its store packages · innisfree uses sustainable materials for its store VMDs (e.g. name tag, wobblers, etc.)
		Opened the innisfree's Upcycling Store, 'Gong Byeong Gong Gan'	· Use upcycled cosmetic bottles in over 70% of interior materials of store	· Used recycled finishing materials made from 230,000 used containers for over 70% of store interior work		
	3	[Sulwhasoo] Beauty from Your Culture	· Encourage participation of 5,000 customers in Korea and overseas markets	· Participation by over 50,000 customers from 4 countries	· Hold campaigns in 5 countries	
		[LANEIGE] Refill Me Campaign	· Donate campaign proceeds in 9 countries	· Held in 8 countries and donated over KRW 218.8 million of sales proceeds	· Hold Refill Me Campaign in 9 countries and donate sales proceeds	
Inclusive Growth	4	Create a great place to work	· Create an innovative space in new headquarters · Restructure welfare and health programs	· Created work space for horizontal communication · Operated AP-Severance Clinic	· Foster women leadership · Promote diversity among employees	
	5	Percentage of suppliers that meet the 'good performance' sustainability target	· 63%	· Improved the sustainability assessment system for suppliers	· 70%	
		Implement the Good Jobs Strategy for beauty partners	· Provide career development opportunities · Support professional capacity-building	· Issued makeup certification for innisfree Green-U's · Introduced color training programs for ETUDE Sweeties	· Support career development and capacity-building · Enhance workers satisfaction	
	6	Number of beneficiaries of women's health and well-being programs	· 49,000 women	· 143,722 women	· 89,250 women	
		Number of beneficiaries of women's economic empowerment programs	· 1,000 women	· 1,683 women	· 1,280 women	
	Circular Economy	7	Reduce CO ₂ emissions per tonne of production ¹⁾	· 7% reduction	· 7% increase ²⁾	· 1% reduction
Apply renewable energy			· Daily Beauty Production Site, Beauty Campus Shanghai	· Daily Beauty Production Site (140kW)	· Beauty Campus Osan, Beauty Campus Shanghai	
8		Reduce water use per tonne of production ¹⁾	· 7% reduction in Korea and 28% in Mainland China	· 7% reduction in Korea and 33% in Mainland China	· 15% reduction in Korea and 36% in Mainland China	
		Develop Sustainable Packaging	· No. of products using Bio-based PET containers: approx. 70 · Develop technology for producing recycled product packaging	· No. of products using Bio-based PET containers: 68 · Developed recycled plastic materials	· Development & application of sustainable plastic materials	

1) Compared to 2015 (Applicable Sites: Beauty Campus Osan, 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 infrastructures

1

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



innisfree My Essential Body Soft Green Body Lotion

Natural fragrance,
98% 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, lotions and diffusers and Happy Bath body wash products. Recycled plastics were used for ETUDE House eyeshadows and foundations and innisfree hand wash products.



primera Super Sprout Serum

Used FSC-certified papers for product boxes



innisfree Olive Real Skin, Olive Real Lotion

Applied Bio-based PET made from sugar cane in 95% of product packaging

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.



Happy Bath Tea Collection Body Wash



Water Footprint Certification Mark

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, illiyoon Ceramide Ato Lotion and three other illiyoon items and mise-en-scène 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

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. mise-en-scène, 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.

2 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 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.



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

100%

Making Our Stores Eco-friendly

Installing High-efficiency LED Lighting

ARITAUM has now 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.

innisfree Vertical Gardens

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.

innisfree's Upcycling Store 'Gong Byeong Gong Gan'

In June 2017, innisfree opened its first upcycling store, "Gong Byeong Gong Gan", in Sogyeok-dong, Jongno-gu, Seoul. The store was constructed with 230,000 recycled bottles collected through its empty bottle recycle campaign launched in 2003.

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.



Number of empty bottles used for
the interior design of innisfree
'Gong Byeong Gong Gan'

230,000



innisfree 'Gong Byeong Gong Gan'

Promoting Sustainable Consumption

Eco-friendly Shopping Bags and Supplies



ARITAUM's FSC-certified Shopping Bags

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.

Sustainability Management Training for Store Managers

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.

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

Introducing Smart Receipts

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 espoir 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 (AFACT).

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.

Achievement Plan

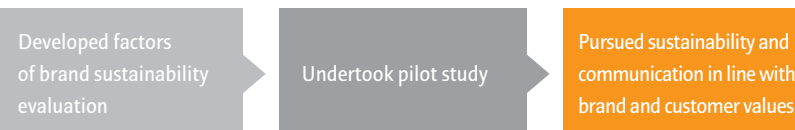
We will carry out in-depth research on sustainable consumption and enhance the sustainability of our products and brands by conducting sustainability assessments and making improvements accordingly. We will also offer opportunities for our consumers to participate in value consumption and gain a new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

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.



Brand Campaigns Promoting Sustainable Consumption

Beauty from Your Culture Campaign by Sulwhasoo



2017 Beauty from Your Culture Limited Edition

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 begun 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.

Beauty from Your Culture Launching Countries and Number of Participants

Proceed in four countries

Korea, Mainland China, Singapore, Malaysia

Participation by over 50,000 customers

Refill Me Campaign by LANEIGE



Developed underground water pumps in Africa

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 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

innisfree, Changing the World through Daily Green Lifestyles

PLAYGREEN Campaign

In 2017, innisfree 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.

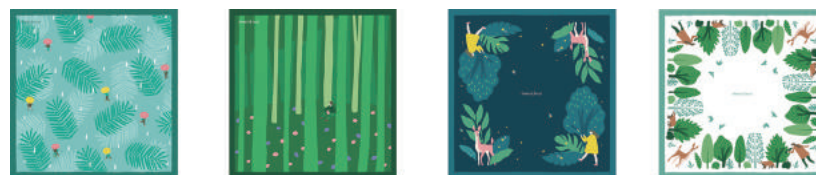
In the 4th PLAYGREEN Festival held in Seoul, participants experienced an eco-friendly lifestyle through various classes and activities under the theme of using handkerchiefs, and 10 million won of the proceeds from the campaign was donated to the innisfree Moeum Foundation to be used for its Forest Campaign.



innisfree's PLAYGREEN campaign poster

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.



innisfree, Eco-Handkerchiefs

primera's Love the Earth Campaign and Let's Love Campaign

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.



primera, Love the Earth Campaign

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.



primera's Let's Love Campaign

4

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 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.

Operating WeDream, Standard Workplaces for the Disabled

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.

Strengthening Safety and Health Management

Safety Leadership Tour Program



Safety Leadership Tour

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 operation.

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, secures 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

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



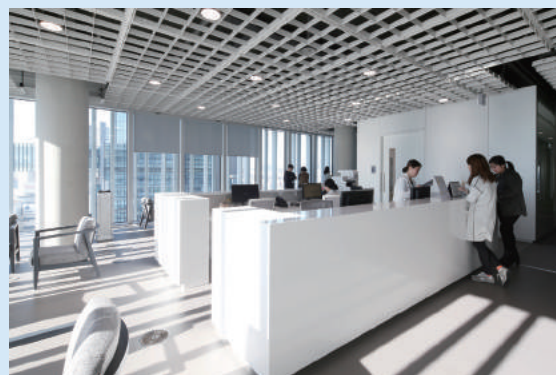
Flexible Work Environment

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.



AP-Severance Clinic

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

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.

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.

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.

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.

Strengthening the Infrastructures

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.

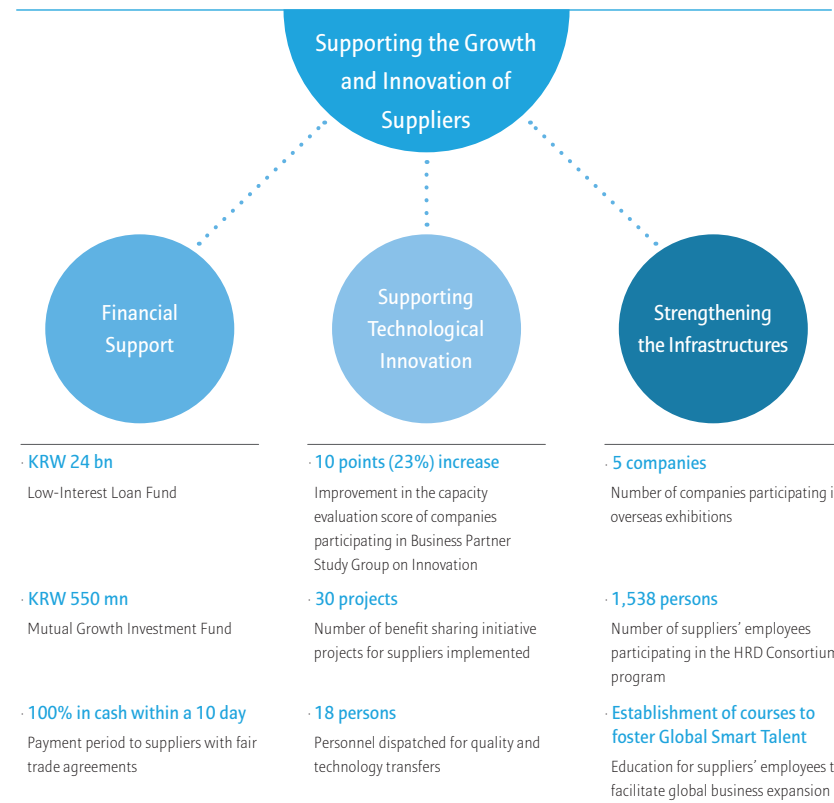
In 2016, five suppliers participated in overseas exhibitions, as a result of which thirteen new export contracts were signed. In 2017, also five suppliers participated in overseas exhibitions, and we held the Global Smart Talent Training in cooperation with the Korea Small Business Institute prior to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

Energy Partnership Program

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 of GHGs annually.



Strengthening the Professional Expertise of Our Beauty Partners

innisfree Running Professional Makeup Certification Programs for Green-U's

Based on its pride and reputation in the cosmetics industry, innisfree runs professional makeup certification programs to strengthen the professional expertise of Green-U's (beauty partners) and offer professional makeup application to customers in stores. The programs include both theory-based learning for acquiring basic knowledge and practice-based learning for improving practical skills. Green-U's with over six months of continuous service are eligible to apply, and those who have obtained certification are given their own kits so that they feel motivated to provide better services to customers. As of 2017, a total of 196 Green-U's completed the makeup course and 86 of them passed the makeup certification examination as they increased their expertise and are able to provide professional service to customers.



ETUDE Introduced Color Training for Sweeties

To strengthen the capacity of beauty partners, "Sweeties," ETUDE introduced a color-training program in 2017. Approximately 520 Sweeties nationwide participated in three-month color training consisting of lectures on chromatology, personal color theory, and color draping. The program was followed up by practice-based training using products and follow-up sessions since May 2017.

In 2018, ETUDE newly established a color draping master course and further advanced its professional color and make-up training, through which Sweeties first become makeup masters, then color-draping masters, and finally S-MAs *Sales Makeup Artist*. Ultimately, the goal is to help its Sweeties grow into color professionals.



Color training manual

AMOS Professional Offering Specialized Training to Strengthen the Capacity of Beauty Masters

AMOS Professional offers specialized training to Beauty Masters, referring to salespersons for the brand's authorized retail stores. The training program ranges from "PRE ABC" which is completed by new Beauty Masters before they commence sales activities, to sharing business know-how to be applied in actual business settings. By developing a more systematic program for Beauty Masters at different levels of professional experience, AMOS Professional hopes to build win-win relationships with them.

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.



Osulloc Farm, Research on Organic Ginseng Cultivation

Mind Care Program



ETUDE, Activities of Mind Care Programs

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.

6

'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, China, Singapore, 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)



Strengthening 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.

Support women's economic empowerment, thereby contributing to women's self-reliance

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)



Beautiful Life	· Supporting job-seeking women to ensure their self-reliance
Hope Store	· Supporting start-up of single mothers · Opened 334 stores (cumulative)
Makeup ARTIST on the Go	· Professional education on makeup skills · Support scholarships

'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 also participated in the '20 by 20' Commitment in 2017.

Global Performance (2017)

No. of beneficiaries

 **145,405 persons**

Expenditure

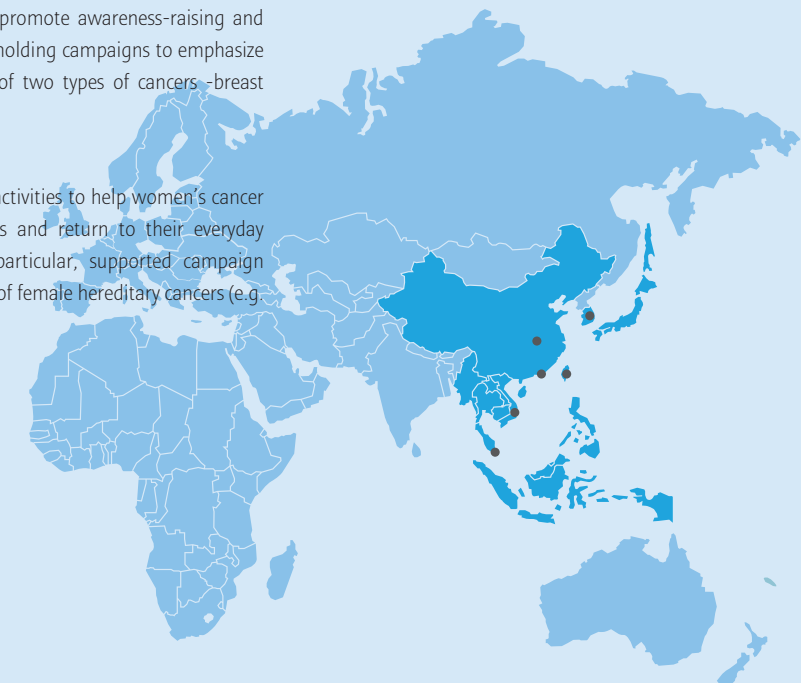
 **KRW 8.06 bn**

'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 two types of cancers - breast cancer and cervical cancer.

In 2017, our global offices

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).



Region	Program	Beneficiaries (person)	Expenditure (KRW mn)
Korea	makeup your Life, Pink Ribbon Campaign, Hope Store, Beautiful Life, Makeup ARTIST on the Go	46,463	5,988.4
Mainland China	makeup your Life, MORI Run, Screening for Breast/Cervical Cancer	98,726	1,913.0
Taiwan	makeup your Life, Pink Heels Race Campaign	101	99.5
Hong Kong	makeup your Life	24	21.6
Vietnam	makeup your Life	46	32.4
Singapore	makeup your Life	45	5.3

7 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 zero 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.

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.

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.

Our approach

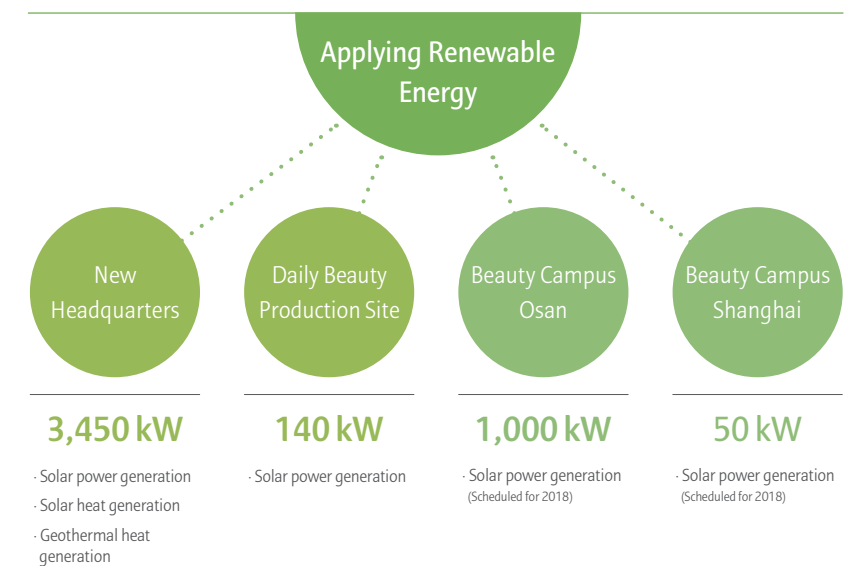
We are expanding the use of renewable energy, including solar power, within our sites and enhancing energy efficiency by upgrading our facilities. We will also establish long-term goals and strategies to finally achieve carbon-free status.

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.

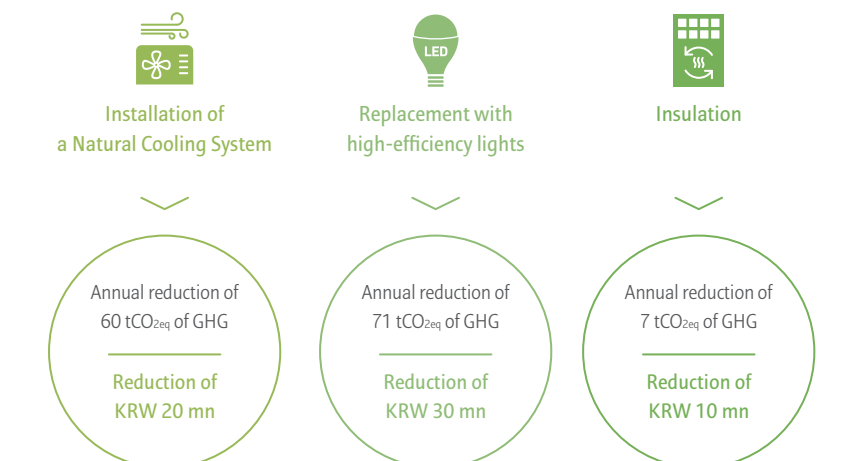
Applying Renewable Energy

Amorepacific applies renewable energy to reduce GHG emissions caused by energy consumption in production sites. In 2018, we installed a 140kW of solar power generation system at our Daily Beauty production site, and plan to install about 1MW of 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 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.



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.



Above-New Amorepacific Headquarters
Below-Curtain wall on the outer wall



Photovoltaic Panel on the Rooftop of the New Headquarters

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.



Solar power



Geothermal heat



Solar heat

350kW **3,100kW** **196m²**

8

Improve resource efficiency by promoting reuse and recycle.

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.

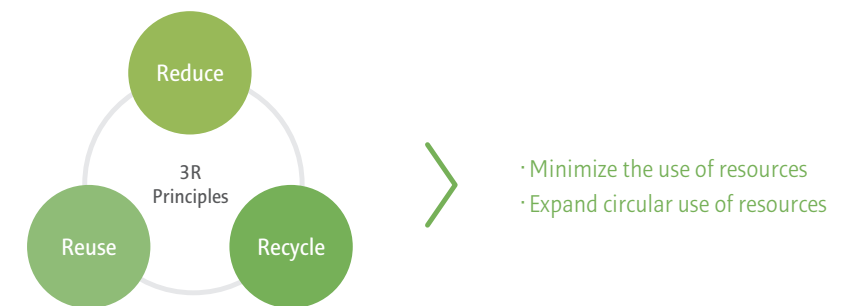
Achievement Plan

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.

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.



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.

Optimizing Water Use

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.

Water Consumption Reduction Effect (Beauty Campus Osan)



Applying Eco-friendly Packaging Materials



Amorepacific Perfect Serum Original Shampoo and Conditioner

Applied Bio-based PET made from sugar cane in 95% of product packaging to minimize the use of non-renewable petroleum-based derivatives and response to depletion of natural resources

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.



Number of products using
Bio-based PET containers

68 items



Mamonde Brightening Cover Powder Cushion

Reduction of packaging case weight by 21.2% and plastic use by 5.6 tonnes in 2017 through packaging reform

Reducing the use of 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.

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

A MORE
Beautiful World

A 10-Year Journey of
Sustainability Management

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.

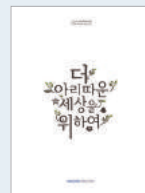
2008

- Established sustainability management strategies and systems



2009

- Announced sustainability management
- Published the first Amorepacific Sustainability Report
- Convened the first Sustainability Management Committee
- Launched the GREENCYCLE Campaign (collection of used cosmetic containers)



2010

- Acquired certificate on the grant of plant variety right for *Chrysanthemum indicum* var. *albescens*
- Established sustainability guidelines and the sustainability assessment for suppliers
- Expanded the Win-Win Partnership Fund for suppliers to KRW 20 billion
- Obtained Green Building Certification for Beauty Campus Osan
- Received the Presidential Citation as Company with Excellent Gender Equality Culture

2011

- Established the Sustainability Management Team
- Launched the *makeup your Life* in Mainland China Office
- Held the first Dialogue with Stakeholders
- Included in the FTSE4Good Index (Amorepacific)

2012

- Established sustainable product development criteria
- Concluded the first Beautiful Fair Trade agreement (Jeju Camellia Village)
- Established Absolute Quality standards and operated Subcommittee on Quality Management
- Established biodiversity conservation strategies and activities
- Included in the DJSI World for the first time in the Korean cosmetics industry (Amorepacific)



2013

- Announced a ban on unnecessary animal testing on Cosmetics
- Expanded Beautiful Fair Trade agreement to overseas (Indian mango seeds)
- Concluded mutual growth agreements with 67 suppliers for the first time
- Undertook the Consortium for HRD Ability Magnified Program for the training of supplier employees
- Celebrated the 10th anniversary of Hope Store and opened 202 stores in total(cumulative)

2014

- Published the first Amorepacific China Sustainability Report
- Established the global SHE management system
- Established the sustainable technology roadmap

2015

- Published the first Amorepacific Group Sustainability Report
- Introduced the Benefit Sharing Initiative for suppliers
- Received the Consumer Staples Sector Winners for the Carbon Disclosure Project (CDP) (Amorepacific Group)
- China Office receives an excellence award for exceptional CSR performance among Korean companies in Mainland China



2016

- Expanded the Pink Ribbon Campaign to the Mainland China Office and launched the MORI Run
- Revised the Global SHE standards and improved the audit system
- Established the process and framework for sustainability assessment for ingredients

2017

- Re-established the 2020 Sustainable Vision and Targets and endorsed the SDGs
- Announced the '20 by 20' Commitment and extend our activities into the ASEAN regions

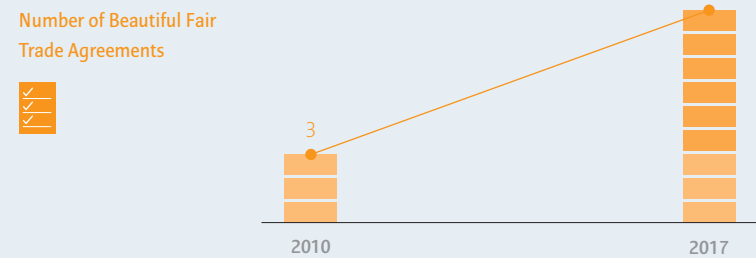
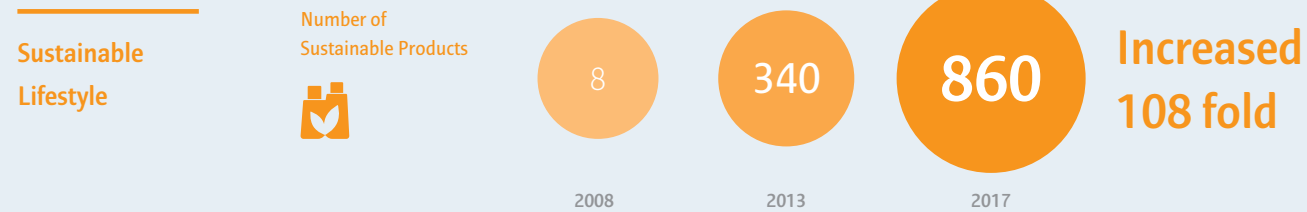
2018

- Published the 10th Amorepacific Group Sustainability Report

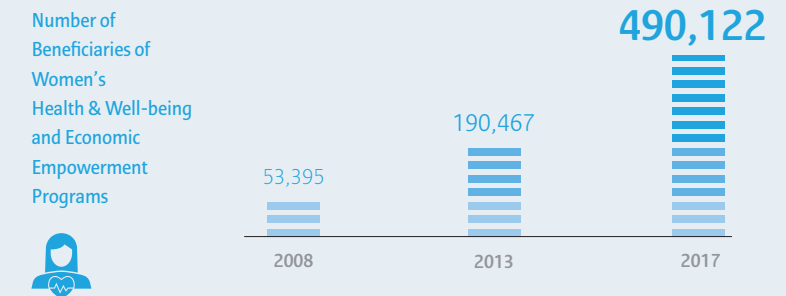
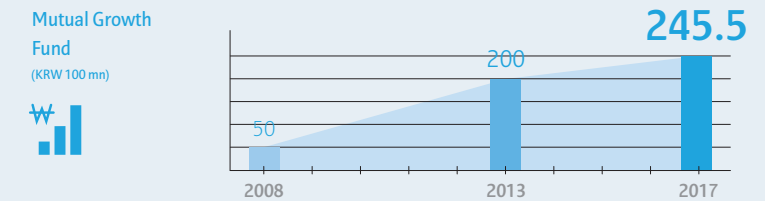
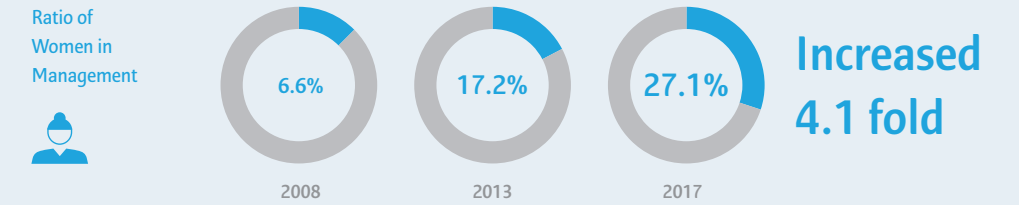


Our 10-Years Journey of Sustainability Management: Highlights

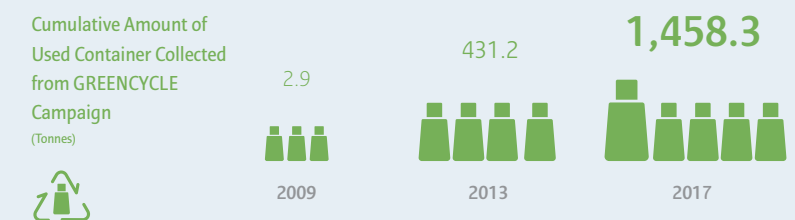
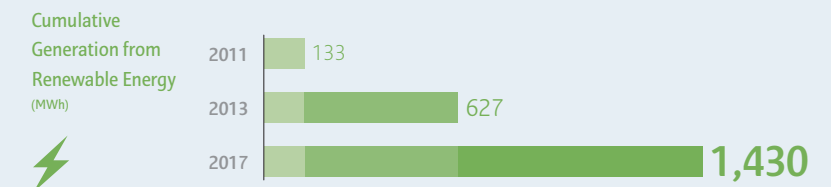
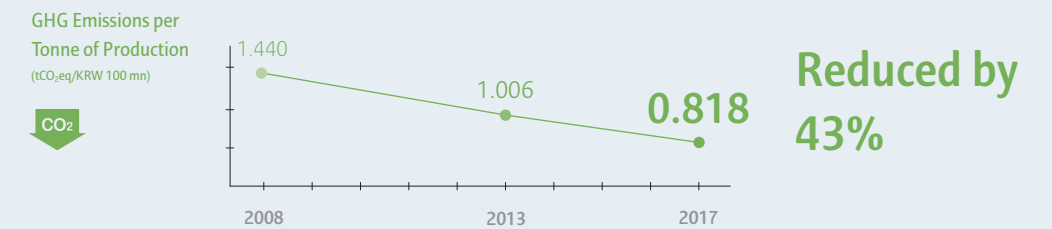
Amorepacific Group has made positive changes in the business ecosystem by strengthening sustainability management in all of our business endeavors. Throughout the past decade, our efforts in sustainability management have helped our stakeholders switch to a sustainable lifestyle, facilitated inclusive 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.



Inclusive Growth



Circular Economy



*GHG emissions per tonne of production are calculated based on Amorepacific, and others are based on Amorepacific Group.

A MORE Beautiful World

Amorepacific Group will continue to work towards sustainability through innovation and pioneering spirit.

Major Awards and Recognitions

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).



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.



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.



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.



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.

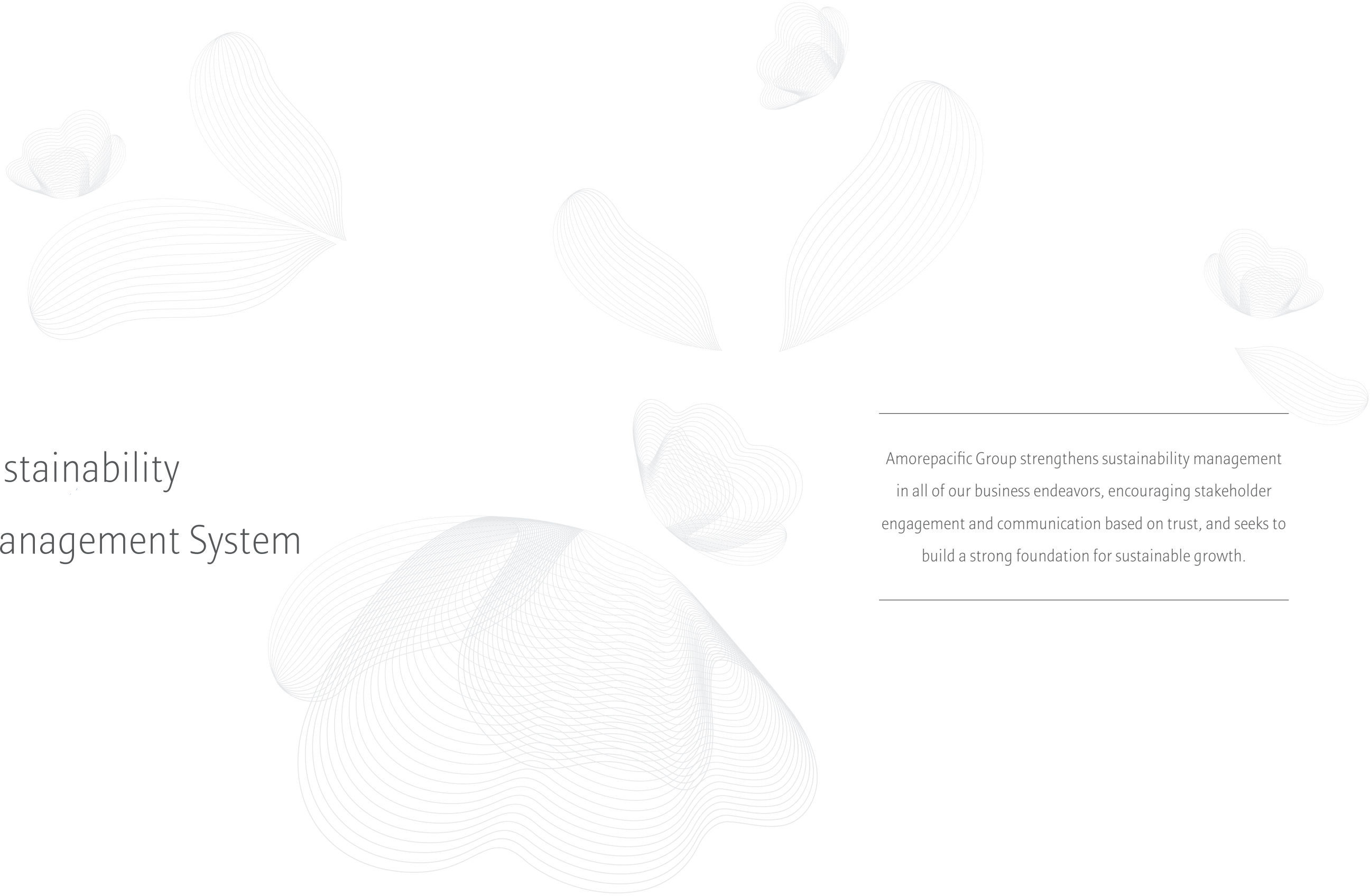
Amorepacific was selected as an All Star Company as well as the top company in the cosmetics industry, proving its outstanding social value.

*All these awards and recognition pertain to Amorepacific-a major subsidiary of the Amorepacific Group.

3

Sustainability Management System

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.



Governance

Amorepacific Group implements a responsible management system for each business, centered on the deliberative corporate governance structure of our holding company. Our efforts allow us to professionalize and reinforce our core competency and expertise in beauty and healthcare businesses, which include 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)

Category	Name	Position/Affiliation	Major responsibility	Industry Experience	Committee Activities
Executive Directors	Suh Kyung-bae	CEO	Supervision of management	Head of Planning and Coordination of Taepyeongyang Co., Ltd. CEO of Taepyeongyang Co., Ltd. Current Chairman and CEO of Amorepacific Group	Management Committee Risk Management Committee
	Bae Dong-hyun	President	Supervision of management	Chief Financial Officer of Amorepacific Executive Vice President of Corporate Support Unit at Amorepacific Current President of Amorepacific Group	Management Committee Risk Management Committee
	Kim Seung-hwan	Executive Vice President	HR	Senior Vice President of Planning Innovation at Strategy and Finance, Amorepacific Senior Vice President of Strategic Planning Division at Amorepacific Group Current Executive Vice President of Group HR Unit at Amorepacific Group	Risk Management Committee
Non-executive Directors	Shin Dong-youb	Professor at Yonsei University School of Business	Audit Committee Member	Deputy Director of Yonsei Sangnam Institute of Management Director, Korean Association of Human Resource Development	Audit Committee Non-executive Director Recommendation Committee
	Lee Ok-sub	Vice President of SK Bioland Co., Ltd.	Audit Committee Member	Executive Vice President of Amorepacific R&D Center President, The Society of Cosmetic Scientists of Korea	Audit Committee Non-executive Director Recommendation Committee
	Choi Jung-il	Director at Sejong Institute	Audit Committee Member	Ambassador to India Ambassador to Germany	Audit Committee Non-executive Director Recommendation Committee

Amorepacific BOD (As of March 2018)

Category	Name	Position/Affiliation	Key Responsibility	Industry Experience	Committee Activities
Executive Directors	Suh Kyung-bae	CEO	Supervision of Management	Head of Planning and Coordination of Taepyeongyang Co., Ltd. CEO of Taepyeongyang Co., Ltd. Current Chairman and CEO of Amorepacific	Management Committee Risk Management Committee
	Ahn Sae-hong	President	Supervision of Management	Senior Vice President of Amorepacific Market Sales Director of innisfree Co., Ltd. Current President of Amorepacific	Management Committee Risk Management Committee
	Lee Sang-mok	Executive Vice President	Management Support	Senior Vice President of Finance at Amorepacific Current Executive Vice President of Corporate Support Unit at Amorepacific	Management Committee Risk Management Committee
Non-executive Directors	Kim Seong-su	Professor at Seoul National University Business School	Audit Committee member	President of Korea Institute of Management Case Research Director at Korean Academy of Organization and Management, Korea Industrial Relations Association	Audit Committee Non-executive Director Recommendation Committee
	Eom Young-ho	Professor at Yonsei University School of Business	Audit Committee member	Economist at Federal Reserve Bank of New York Chairman of Disciplinary Committee at Korea Exchange President of Korea Derivatives Association	Audit Committee Non-executive Director Recommendation Committee
	Park Seung-ho	Professor at China Europe International Business School (CEIBS)	Overall business management	Head of Samsung Economic Research Institute Beijing Office	
	Kim Jin-young	Head of Yonsei University Health System Severance Hospital Creative Center	Audit Committee member	CFO of Shinsegae Chosun Hotel Current Adjunct Professor at Yonsei University School of Medicine Medical Education Management Unit	Audit Committee Non-executive Director Recommendation Committee

Independence of BOD

The BOD guarantees the independence of non-executive directors to actively state their opinions on overall management. The ratio of non-executive directors at Amorepacific Group and Amorepacific is maintained at 50% and 57%, respectively. The independence of non-executive directors is guaranteed in accordance with the Commercial Act of Korea.

Criteria of the Independence of Outside Directors (Article 382 of the Commercial Act)

Where any outsider director falls under any of the following subparagraphs, he/she shall be removed from office:

- Directors, executive directors and employees who are engaged in the regular business of the relevant company, or directors, auditors, executive directors and employees who have engaged in the regular business of the relevant company within the last two years;
- The principal, his/her spouse, lineal ascendants, and lineal descendants, in cases where the largest shareholder is a natural person;
- Directors, auditors, executive directors and employees of the corporation, in cases where the largest shareholder is a corporation;
- The spouses, lineal ascendants, and lineal descendants of directors, auditors and executive directors;
- The directors, auditors, executive directors and employees of a parent company or a subsidiary company of the relevant company;
- Directors, auditors, executive directors and employees of a corporation which has a significant interest in the relevant company, such as business relations with the company;
- Directors, auditors, executive directors and employees of another company for which directors, executive directors and employees of the relevant company serve as directors and executive directors.

Transparency of the BOD Election Process

Executive directors and non-executive directors are appointed by the approval of the General Shareholders' Meeting upon recommendation by the BOD and nomination by the Non-executive Director Recommendation Committee, respectively. For recommendation of non-executive directors, Amorepacific Group and Amorepacific convene the Non-executive Director Recommendation Committee as a non-standing committee. The Non-executive Director Recommendation Committee recommends candidates to the BOD based on an evaluation of their independence from the company and the largest shareholder, and their professional expertise required by global companies. The BOD decides and submits the final candidate to the General Shareholders' Meeting which then decides whether or not to elect the candidate in question. Prior to the General Shareholders' Meeting, personal information of the candidate is officially announced on the Data Analysis, Retrieval and Transfer (DART) System of the Financial Supervisory Service (<http://dart.fss.or.kr>).

Committees under 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 only of non-executive directors to assure fairness and transparency of management.

Committees under the BOD (As of March 2018)

Committee	Key Responsibilities and Activities
Audit Committee	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
Management Committee	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
Non-executive Director Recommendation Committee	Authority to recommend non-executive directors at the General Shareholders' Meeting
Risk Management Committee	Discusses, evaluates and resolves general matters relating to management risks, including risk prevention and management/post-management of actual risks

Activities of BOD

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.

Activities of the Amorepacific Group Board of Directors (2017)

Session	Date	Topic and Contents	Attendance Rate
1	2017.02.02	Reporting of management status for 2016 and the operation and evaluation of internal accounting management system	100%
2	2017.02.20	Matter of convening the regular General Shareholders' Meeting and approving submitted agenda items Matter of resolving the agenda of 58 th (2016) cash dividends	100%
3	2017.04.24	Reporting of management status for the first quarter of 2017	100%
4	2017.07.25	Reporting of management status for the first half of 2017 and appointment of compliance support officer	100%
5	2017.10.30	Reporting of management status for the third quarter of 2017 and the inspection outcome regarding compliance with compliance control standards Matter of changing the location of the headquarters	100%

Activities of the Amorepacific Board of Directors (2017)

Session	Date	Topic and Contents	Attendance Rate
1	2017.02.02	Reporting of management status for 2016 and the operation and evaluation of internal accounting management system Matter of approving the 11 th (2016) financial statements and sales report	100%
2	2017.02.20	Matter of convening the regular General Shareholders' Meeting and approving submitted agenda items Matter of resolving the agenda of 11 th (2016) cash dividends	100%
3	2017.04.24	Reporting of management status for the first quarter of 2017 Matter of appointing a new member of the Non-executive Director Recommendation Committee	100%
4	2017.07.25	Reporting of management status for the first half of 2017	100%
5	2017.10.30	Reporting of management status for the third quarter of 2017 and the inspection outcome regarding compliance of compliance control standards Matter of changing the location of the headquarters and appointing a new member to the Management Committee	100%

Performance Evaluation and Compensation

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.

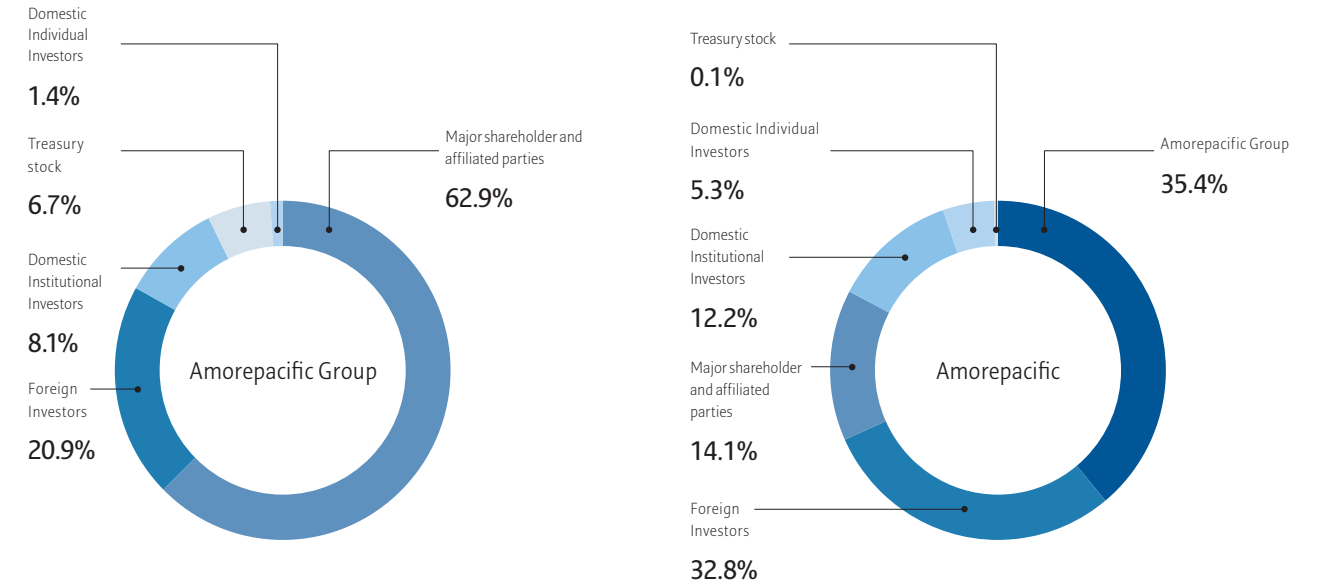
Compensation of Amorepacific Group Directors (2017)

Number of Directors (persons)	Total Compensation (KRW mn)	Average Compensation (KRW mn)
6	5,590	932

Compensation of Amorepacific Directors (2017)

Number of Directors (persons)	Total Compensation (KRW mn)	Average Compensation (KRW mn)
9	12,090	1,343

Shareholders



Sustainability Management Committee

In an effort to create A MORE Beautiful World, 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.



1)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	Frequency of Each Channel	Key Opinions	Measures Taken
Customers	·Corporate or brand website, SNS	·On demand	·Strengthen customer services	·Opened AI-based "Chatbot"
	·CGAP activities/CGAP Exhibition	·On demand/ Once a year	·Reinforce product safety	·Shared customer complaint cases and took improvement measures through CGAP Exhibition
	·Beauty-Schumer activities	·On demand	·Expand customer participation	·Expanded development of sustainable products
Employees	·Employee engagement survey	·Once a year	·Create an environment for work-life balance	·Ran in-house clubs (throughout the year) and thematic lectures (4 times/year)
	·Regular labor-management meetings	·Once per quarter	·Expand opportunities for personal growth	·Held employee communication programs (on demand)
	·In-house online community	·Throughout the year	·Create a safe work environment	
Shareholders	·Annual General Shareholders' Meeting	·Once a year	·Establish fair corporate value	·Quarterly and yearly earnings release
	·Analyst Day	·Once a year	·Enhance shareholder values	·Share mid- to long-term business strategies
	·Conference calls	·Quarterly/ On demand	·Promote corporate access	·Present market trends and future outlook
	·IR website	·On demand		·Expand 1:1 meetings with shareholders and investors
	·Domestic/overseas investor conferences	·On demand		
Local Communities	·Corporate and brand social activities	·On demand	·Support women's health, well-being, economic empowerment	·Outcome of '20 by 20' commitment (makeup your Life, Pink Ribbon Campaign, Hope Store, Beautiful Life, Makeup ARTIST on the Go)
	·BOD meetings and websites of foundations	·Once a year	·Support life in harmony with nature	
	·CSR portal site, SNS	·On demand	·Support discovery and sharing of cultural values	·Report CSR plans and share performance
	·CSR seminar	·Once a year		·Improve awareness on SDGs and share global CSR strategies and status of overseas offices
	·Global CSR Roundtable	·Once a year	·Increase the community engagement	
	·A MORE Beautiful Day (Sharing Campaign)	·Once a month	·The way to achieve '20 by 20' commitment	·Discussed local communities' concerns and issues
		·Respond to local community sponsorship request	·Enhanced a sense of global citizenship and encouraged a sharing culture	
		·Expand a sharing culture		
Business Partners	·Mutual growth general meetings (per sales channel)	·Once a year	·Strengthen support for mutual growth	·Supported supplier funds and human resources
	·Win-Win practice seminar and general meeting	·Once a year	·Establish a culture of communication and participation	·Conducted joint R&D projects with suppliers
	·Business partner satisfaction survey	·Once a year	·Empower beauty partners and improve work environment	·Opened communication channels on a regular basis ·Carried out "Good Jobs Strategy" for beauty partners

Dialogue with Stakeholders

Amorepacific Group has held the annual "Dialogue with Stakeholders" since 2011 in an effort to gather stakeholder opinions and reflect them in our business activities. In 2018, the event was held on the theme of "Measures to Resolve Consumer Concerns on Chemical Substances" with the participation of relevant NGOs, government agencies and academic experts. Held on February 8, the Dialogue with Stakeholders 2018 provided an opportunity for participants to discuss consumer expectations and concerns of product safety and come up with measures to resolve consumer anxiety on the use of chemical substances.

Understanding and Responding to Chemophobia

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 on 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

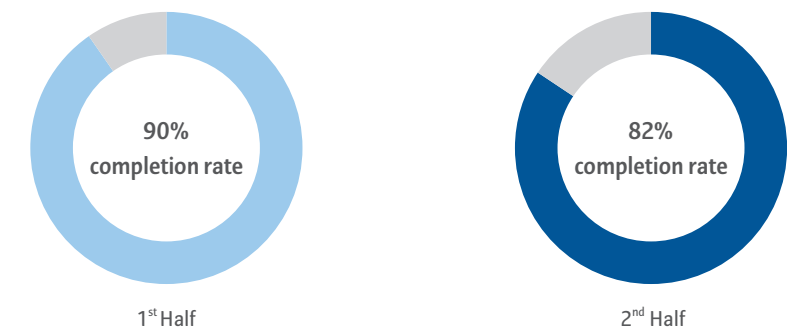
We held an in-house contest on the theme of compliance and risk management, rewarding best practice cases and sharing various means to carry out ethical management.

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



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)

Clients	Suppliers	Employees	Customers	Others	Total
19	4	14	3	9	49

‘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.

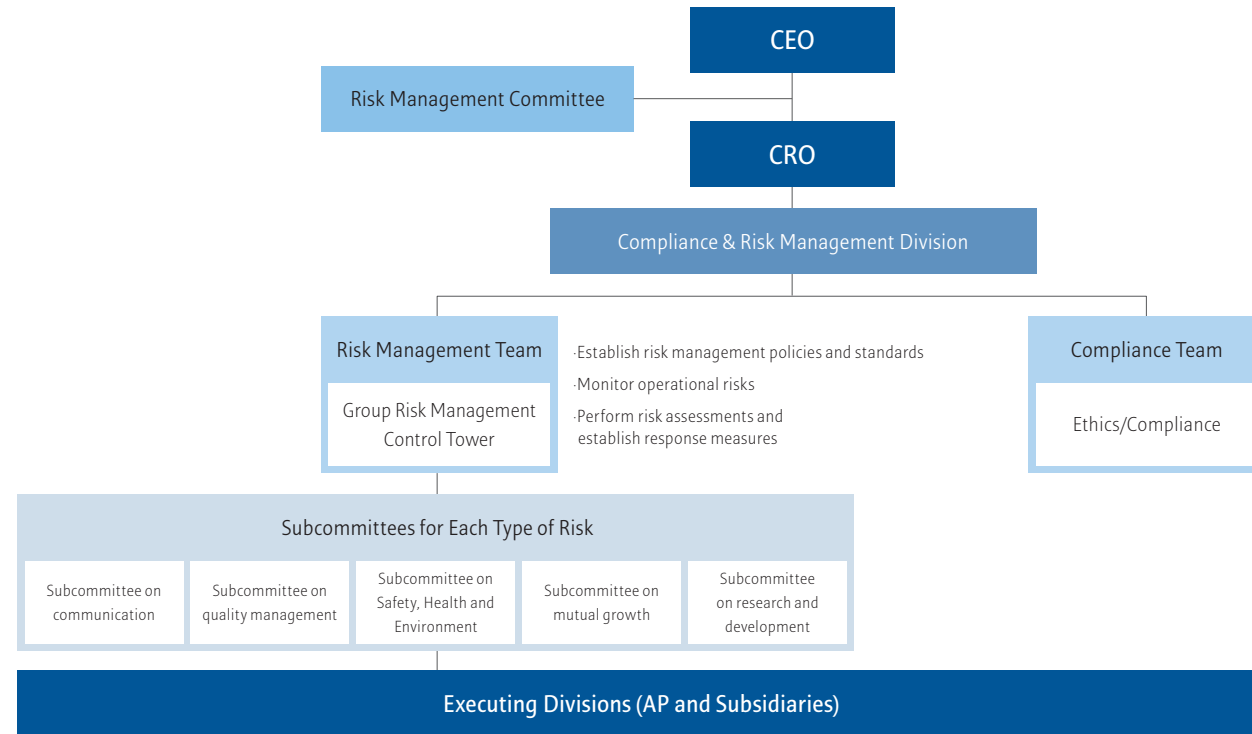


Risk Management

Establishing a Integrated Risk Management System

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 manage 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 increases in the potential and impact of global risks.



Under the guidance of the head of each division, responsible units collaborate with the Risk Management Team (Control Tower) and relevant subcommittees to effectively respond to and manage individual risks

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 trainings on 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.



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	Product Risk	Supply Chain Risk	Sales & Distribution Risk
<ul style="list-style-type: none"> -Increased global regulations on safety and environment -Diversification of customer needs -Increased possibility of major disasters and natural calamities 	<ul style="list-style-type: none"> -Increased importance of managing product safety and harmful materials -Measures to prevent recurrence of customer claims 	<ul style="list-style-type: none"> -Increased importance of demand prediction and supply management in accordance with changes in the market environment -External influences on supply chain and ensuring a robust supply chain for stable supply of raw materials 	<ul style="list-style-type: none"> -Increased need for efficient management attuned to each country -Response to changes in regulatory environment 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.

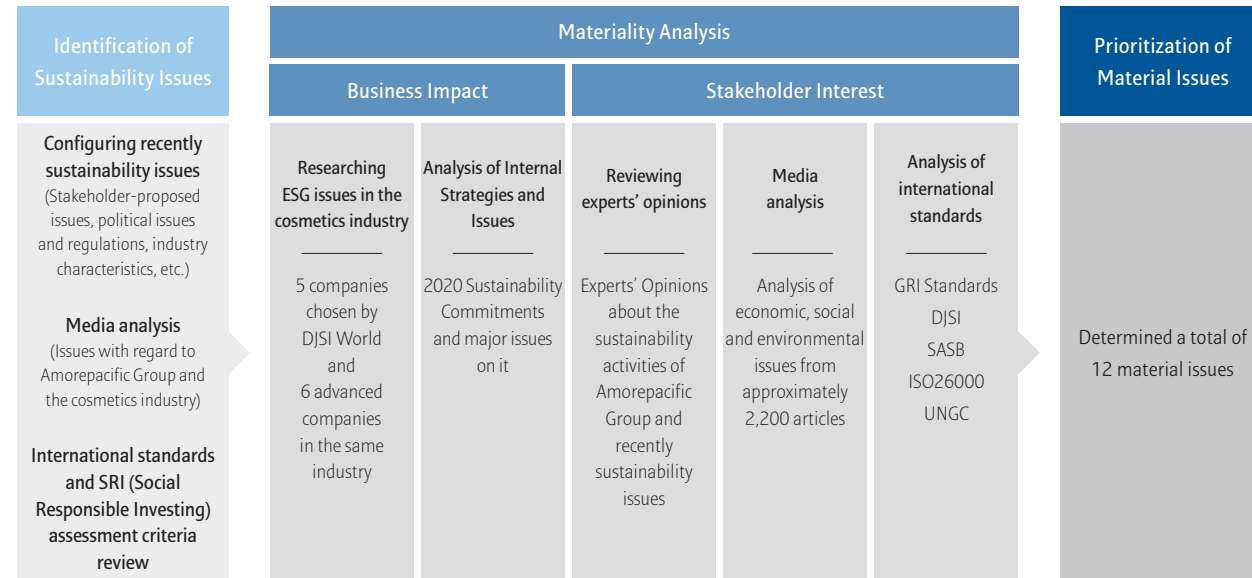
Category	Changes in the regulatory environment following the expansion of global businesses	Changes in the distribution and sales environment following the development of ICT ¹⁾	Increase in environmental risks due to climate change
Economic and Social Environments	<ul style="list-style-type: none"> -Increase in the need to tap into new overseas markets due to domestic market saturation -Segmentation and diversification of laws and regulations in each country, such as environmental regulations, certifications, import requirements and regulations on raw materials 	<ul style="list-style-type: none"> -Continued growth in online and mobile markets due to ICT development -Stronger regulations enforced by the Fair Trade Commission, including the Act on the Fairness of Franchising Transactions and the Fair Transactions in Agency Act, and increase in the importance of mutual growth 	<ul style="list-style-type: none"> -Continuous increase in the possibility of materialization and impact of environmental risks, including abnormal climate, natural disasters and air pollution
Impact of Risks	<ul style="list-style-type: none"> -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 	<ul style="list-style-type: none"> -Decline in sales through existing offline retail channels due to increase in online or mobile purchasing -Impediment to achieving mutual growth following business decline in franchises and agencies 	<ul style="list-style-type: none"> -Changes in crop-producing areas caused by climate change, including unusual weather, and difficulties in securing natural raw materials for cosmetics -Stronger regulations and monitoring by the government, consumers and civil groups on the use of substances affecting the natural ecosystem -A series of risks such as destruction of production facilities due to earthquakes and other natural disasters and corporate paralysis
Risk Prevention Activities	<ul style="list-style-type: none"> -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 	<ul style="list-style-type: none"> -Innovating mobile services within existing retail channels such as ARITAUM's O2O services, door-to-door mobile Q -Strengthening mutual growth by supporting the business activities of field sales offices and agencies 	<ul style="list-style-type: none"> -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 no microplastics (microbeads) -Developing and operating BCP (Business Continuity Planning) to maintain business continuity in case of disasters or calamities
Future Plans	<ul style="list-style-type: none"> -Preventing occurrence and recurrence of risks by continuously improving the process of entering into new markets 	<ul style="list-style-type: none"> -Developing products considering the characteristics of online and offline markets -Promoting cooperation and mutual growth of franchises and agencies and operating consultative bodies on demand 	<ul style="list-style-type: none"> -Analyzing on a regular basis the effect of climate change on business activities and identifying potential risks -Strengthening voluntary efforts to comply with environment protection policies and meet stakeholder expectations -Strengthen corporate level capabilities to respond risks by examining supply networks in case of unexpected disasters and reinforcing updates on risk management manual process, etc.

1) ICT, Information and Communications Technologies

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



Business Impact

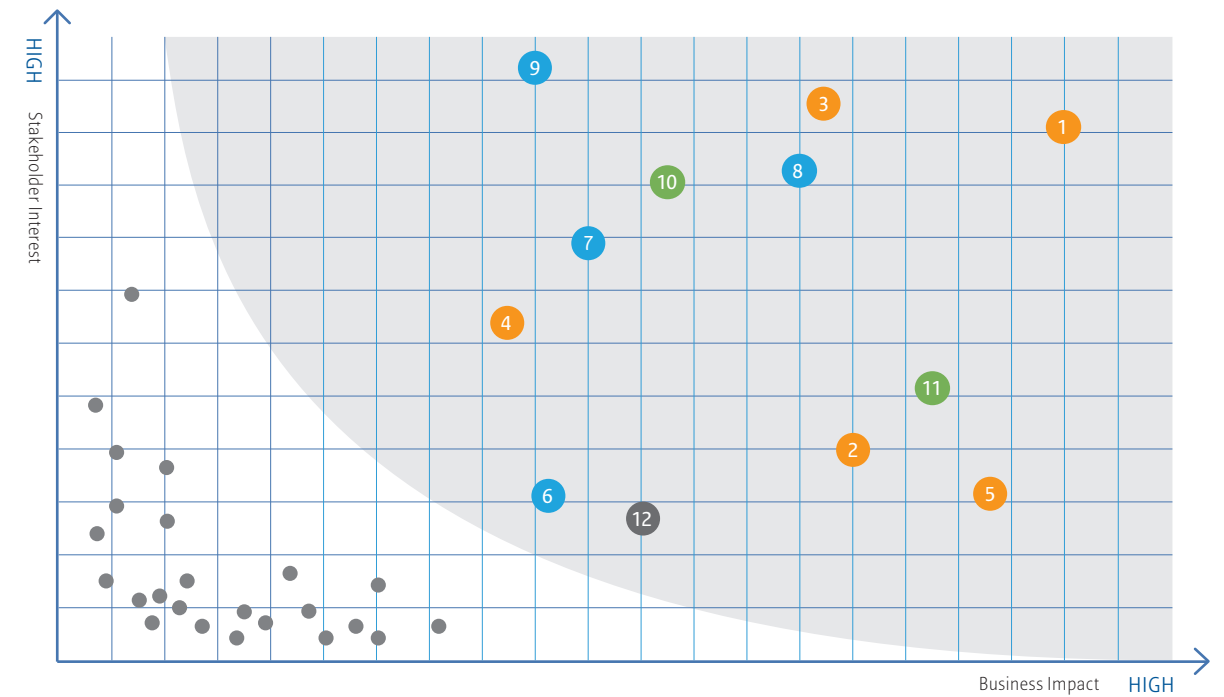
We carried out an analysis of major sustainability reporting issues in the same industry and internal strategies to ascertain the relevance of each sustainability issue to the cosmetics industry in which Amorepacific Group carries out its businesses. Benchmarking of advanced domestic and foreign companies 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.




Issue No.	Material Issue	Impacts on Amorepacific Group			2020 Sustainability Commitment	GRI Topics	Page
		Cost	Risk	Benefit			
1	Strengthening product sustainability			●			32-34
2	Implementing sustainable technology innovation and investment			●	Commitment 1	Customer health and safety	21, 32-34
3	Strengthening product safety		●				32-34, 73
4	Creating sustainable stores			●	Commitment 2	-	35-37
5	Enhancing brand values and corporate image			●	Commitment 3	-	38-41
6	Pursuing work-life balance		●		Commitment 4	-	42-44, 87
7	Supporting suppliers' growth and development		●		Commitment 5	Supplier environmental assessment, Supplier social assessment	45, 46, 48, 90, 91
8	Carrying out strategic CSR activities aligned with our businesses		●		Commitment 6	Indirect economic impacts, Local communities	49-51, 100-105
9	Minimizing impact on global warming	●			Commitment 7	Energy, Emissions	52-54, 92, 93
10	Promoting circulation of resources	●			Commitment 8	Water, Effluents and waste	57, 58, 96
11	Managing water resources	●					55, 56, 94, 95
12	Respecting employees' human rights		●		-	Human rights assessment	86


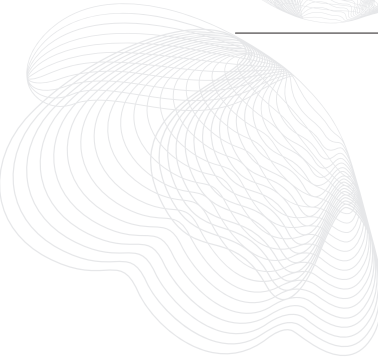


4

Reporting of Sustainability Management Performance



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

Employee Status

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”.

Employment Status (Unit: Persons)

Category	2015	2016	2017
Total	10,535	11,867	12,348
Domestic ¹⁾	7,084	7,718	7,703
Overseas	3,451	4,149	4,645

1) Domestic employees include permanent and temporary workers

Domestic Employment Status (Unit: Persons)

Category	Amorepacific Group			Amorepacific			
	2015	2016	2017	2015	2016	2017	
Employment Status	Permanent	6,563	7,189	7,375	5,269	5,726	5,871
	Temporary	521	529	328	487	484	265
Gender	Men	2,601	2,758	2,790	1,818	1,881	1,932
	Women	4,483	4,960	4,913	3,938	4,329	4,204
Age Group	Under 30	2,930	3,236	2,948	2,476	2,715	2,408
	30-49	3,957	4,263	4,522	3,135	3,342	3,558
	50 or higher	197	219	233	145	153	170
Employees with Disabilities	56	59	56	50	25	20	

Employment Status in Overseas Offices

Category	2015	2016	2017	
Number of Locally Hired Employees(persons)	Total	3,344	4,019	4,515
	Asia	3,070	3,761	4,270
	Europe and others	201	163	118
	North America	73	95	127
Ratio of Locally Hired Employees(%)	96.9	96.9	97.2	
Ratio of Locally Hired Women Employees(%)	80.7	85.9	85.3	
Ratio of Locally Hired Managers(%)	67.6	68.3	65.4	
Ratio of Locally Hired Women Managers(%)	65.0	66.7	68.6	

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.

New Employees (Domestic)

Category	Amorepacific Group			Amorepacific		
	2015	2016	2017	2015	2016	2017
Number of New Employees(persons)	1,421	1,496	996	1,184	1,218	756

Turnover (Domestic)

Category	Amorepacific Group			Amorepacific		
	2015	2016	2017	2015	2016	2017
Turnover Rate(%)	6.0	4.5	6.6	5.7	4.3	6.1

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 of all 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.

Women Employees and Managers (Unit: %)

Category	Amorepacific Group			Amorepacific		
	2015	2016	2017	2015	2016	2017
Ratio of Women Employees	63.3	64.3	63.8	68.4	69.7	68.5
Ratio of Women Managers	18.5	24.7	27.1	20.3	26.5	29.1

Fostering Talent

Amorepacific Group fosters “Creative Masters” that change the world to a more beautiful place based on the five core values of openness, integrity, innovation, proximity and challenge set forth by its value structure, also known as the “AP WAY”.

Key Talent Fostering Activities

Managing Corporate Culture	Cultivating Leaders	Training Creative Masters
<ul style="list-style-type: none"> ·Managing changes based on AP Minds ·Advancing Engagement Survey and operating programs for reinforcing organizational capacity 	<ul style="list-style-type: none"> ·Strengthening leadership development for executives - Leadership workshops, Leaders’ Agora, executive coaching, executive on-boarding, SNU E-MBA program 	<ul style="list-style-type: none"> ·Developing and operating professional job training courses based on job training system ·Promoting digital-based talent cultivation systems and fostering professionals
Fostering Talent	Fostering Global Talent	Strengthening the Capacity of Beauty Partners
<ul style="list-style-type: none"> ·Establishing an autonomous/ continuous learning culture by introducing new learning systems 	<ul style="list-style-type: none"> ·Developing and operating global standardized leadership programs (5 ASEAN countries, Amorepacific China office ·Defining and strengthening capacity of local new hires and leaders 	<ul style="list-style-type: none"> ·Developing and providing video contents on new products and beauty ·Strengthening capacity of beauty partners and managers ·Supporting future beauty talents through academic-industrial MOUs

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

Category	Amorepacific Group			Amorepacific		
	2015	2016	2017	2015	2016	2017
Education & Training Cost per Person (KRW 10,000)	150.9	145.4	119.3	153.4	154.8	122.2
Education & Training Hours per Person (Hours)	-	82.7	76.4	81.1	82.8	80.3

1) Pertains to permanent employees only

Creating a Good Workplace

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

Category	Amorepacific Group			Amorepacific		
	2015	2016	2017	2015	2016	2017
Engagement(%)	82	83	73	81	82	68

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.

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.

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-Jun. The lectures were broadcast live for all employees to participate.

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 80%, respectively, in both companies.

Parental Leave Status

Category	Amorepacific Group			Amorepacific		
	2015	2016	2017	2015	2016	2017
Number of Employees Using Parental Leave(persons)	258	260	289	232	237	259
Return-to-work Rate After Parental Leave(%)	94.2	97.3	99.0	93.5	97.5	98.8
One-year Retention Rate After Returning to Work(%)	84.5	88.9	84.3	86.4	88.0	84.6

Human Rights Management

Human Rights Management Principles

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.

Improvement of Employees' Health

The Amorepacific labor-management meeting is held each quarter as a place to discuss employee welfare, grievance handling, safety management and other ways to achieve mutual growth. Furthermore, we promote active communication between labor and management through various channels including management seminars, sharing business plans and meeting with union members.

Amorepacific Group offers various programs to promote employee health and wellness.

Employee Health Promotion Programs

Type	Key Programs
Stress Management	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Management of lighting, noise, air quality, humidity and temperature to create an ergonomic work environment
Physical Health	<ul style="list-style-type: none"> Fitness center in the new headquarters
Health and Nutrition	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> "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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Compliance with regional laws on maternity and parental leave Programs to promote maternity and parental leave <ol style="list-style-type: none"> 1) Maternity protection system: Flextime during pregnancy, no overtime, prenatal exam 2) Care for Expectant Moms program

Customer Satisfaction

Customer Complaint Management

CGAP

The CGAP (Customer Gift for Amorepacific) is Amorepacific's customer complaint handling system, understanding customer complaints as their gift for product improvement and handling them as promptly as possible. In 2017, 38 cases were handled by taking corrective actions, as a result of which customer satisfaction is gradually increasing in Korea, while customer complaint resolution rate in China stands at 85% and 98.9 points in customer satisfaction in counseling services.

2017 CGAP Exhibition

The CGAP Exhibition is an in-house exhibition where our employees gather to share customer complaints on our products services over the past year and explore improvement measures. In 2017, we celebrated the 10th anniversary of the CGAP Exhibition by looking back on the past decade under the theme of "Re-", sharing best practice cases of customer complaint resolution and finding ways to resolve areas that still require further improvement. The exhibition also included an introduction to the new customer communication channel "Chat BOT", an AI-based messenger service providing various information through text-based communication with humans. Amorepacific currently provides the Chat BOT service via the AP mall website.

Customer Communication Performance

Category	2015	2016	2017
Customer Complaint Resolution Rate(%)	98.1	99.1	99.3
Customer Satisfaction ¹⁾	50.3	54.4	61.4

1) Indicated NPS (Net Promoter Score)

2) Calculation scope based on Amorepacific's domestic businesses.

Protecting Customer Information

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 system¹⁾ 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.

Tax Payment Status

(Unit: KRW bn)

Major Regions	2016
Korea	181.32
Asia	38.52
Europe	-
North America	0.03
Other Regions	-

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

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

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.

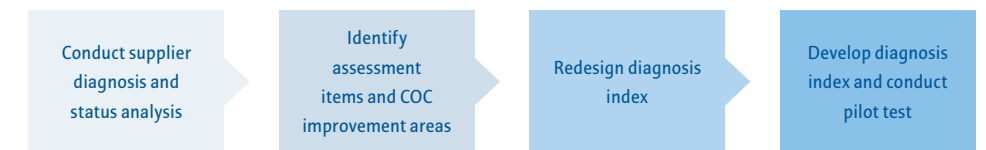
Over the past three years, 99 suppliers including all of our key suppliers and new suppliers have undergone sustainability assessment by an independent third party. Suppliers that have been found to have significant social or environmental risks are required to take actions to handle those risks and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

Category	2015-2017
Ratio of new suppliers that have undergone assessment of social and environmental impact(%)	100
Number of suppliers that have undergone independent assurance on their social and environmental impact in the past three years(Companies)	99
Ratio of key suppliers that have undergone independent assurance on their social and environmental impact in the past three years(%)	100

※ Data for 'Sustainable Supply Chain' are calculated based on Amorepacific.

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.

Low Performance Areas		Risk Level ¹⁾	Corrective action request rate (%)
Human Rights and Labor	Education and training	Middle	100
	Freedom of assembly	High	100
Safety and Health	Safety and Health management system	High	100
	Disease and health management	High	100
	Safety design and engineering	Low	100
Environment	Environmental management system	Low	100
	Environmental licenses and legal compliance	High	100
	Reduction of waste and less use of resources	Low	100
	Response to climate change	High	100
Corporate Ethics	Information disclosure	Middle	100
	Fair trade and mutual growth	High	100
	Reporting of unethical conduct and protection of reporters	Low	100
	Contribution to local communities	Low	100

¹⁾ Risk level for each item measured based on surveys of internal and external stakeholders

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

Reduction Item	Reduction Amount(kWh)	Reduction Cost(KRW mn)
Photovoltaic Generation	162,991	23
Installation of Natural Cooling and Heating System	136,620	19
Replacement of High-efficiency Lighting(LED)	157,686	32
Insulation	15,505	10

Energy Consumption by Amorepacific Group

Category		2015	2016	2017
Total Energy Consumption(TOE)		31,378	32,536	31,882
	Amorepacific	12,016	13,170	13,080
	Pacificglas	12,333	11,561	10,508
	Others	7,029	7,805	8,294
Total Consumption by Fuel Types(TOE)	Electricity	22,227	23,066	22,698
	LNG	5,341	5,613	5,649
	Bunker-C oil	2,966	2,993	2,753
	Others	843	864	782
Energy Intensity (TOE/tonnes of production)		0.257	0.244	0.265

Energy Consumption by Amorepacific

Category		2015	2016	2017
Total Energy Consumption(TOE)		12,016	13,170	13,080
Total Consumption by Fuel Types(TOE)	Electricity	9,978	10,882	10,731
	LNG	2,026	2,264	2,327
	Diesel	11	14	13
	Others	-	10	9
Energy Intensity (TOE/tonnes of production)		0.147	0.140	0.152

GHG Reduction Activities in Distribution

To reduce GHG emissions in distribution, we identify and implement various activities, such as replacing lighting in distribution centers with high-efficiency LED lighting and blocking unnecessary energy usage.

All lighting in our Incheon and Gwangju Distribution Centers were replaced with LED lighting, with similar plans for all distribution centers nationwide. In addition, we have introduced a smart energy management system for improving energy efficiency to monitor energy use, identify the cause of energy loss. To better reflect the voices of on-site workers and discuss improvement measures on practical terms, we hold energy-saving meetings six times a year with managers of each distribution center. We also encourage eco-driving by installing digital tachographs (DTGs) on distribution vehicles. Finally, we measure the amount of Scope 3 GHG emissions generated in distribution in order to identify the indirect environmental impact of our business operations.

GHG Emissions by Amorepacific Group

Category		2015	2016	2017
Total GHG Emissions(tCO_{2e})		84,181	87,208	87,627
	Amorepacific	37,097	40,128	41,902
	Pacificglas	31,987	30,085	27,332
	Others	15,097	16,995	18,393
Type	Direct (Scope 1)	29,644	29,460	29,558
	Indirect (Scope 2)	54,537	57,748	58,070
GHG Emissions Intensity (tCO_{2e}/tonnes of production)		0.689	0.653	0.729

GHG Emissions by Amorepacific

Category		2015	2016	2017
Total GHG Emissions(tCO_{2e})		37,097	40,128	41,902
Type	Direct (Scope 1)	7,255	7,089	8,092
	Indirect (Scope 2)	29,842	33,038	33,810
	Other indirect (Scope 3)	-	3,348	3,531
GHG Emissions Intensity (tCO_{2e}/tonnes of production)		0.453	0.428	0.488

Water Resource Management

By recognizing water shortage and natural resource depletion as urgent global challenges, Amorepacific Group is undertaking various efforts to reduce water consumption throughout our production cycle. On a 2015 baseline, our goal is to reduce water consumption per tonne of production by 22% in Korea and 41% overseas by 2020. To achieve this goal, we continually improve water consumption efficiency and increase recycling and reuse.

Reduce Improving water consumption efficiency	Recycle Increasing recycling	Reuse Increasing reuse
·Optimize water consumption ·Minimize water loss such as water leakage	·Recycle first treated wastewater	·Reuse rainwater ·Reuse condensed water from ionization process

Amorepacific Group Water Consumption

Category	2015	2016	2017	
Total Water Consumption(Tonne)	770,961	988,697	950,707	
	Amorepacific	476,147	530,837	470,539
	Pacificglas	110,173	99,651	89,597
	Others	184,641	358,209	390,571
Water Consumption by Source of Water (Tonne)				
	Municipal water (tap water)	598,754	628,431	602,364
	Industrial water	41,208	53,854	43,134
	Ground Water	98,740	270,411	268,794
	Rainwater	32,259	36,001	36,415
Intensity of Water Consumption (tonne/tonnes of production)	6.315	7.402	7.907	

Amorepacific Water Consumption

Category	2015	2016	2017	
Total Water Consumption(Tonne)	476,147	530,837	470,539	
Water Consumption by Source of Water (Tonne)				
	Municipal water (tap water)	394,582	432,546	384,799
	Industrial water	35,913	48,322	42,309
	Ground Water	13,393	13,968	7,016
	Rainwater	32,259	36,001	36,415
Intensity of Water Consumption (tonne/tonnes of production)	5.820	5.662	5.475	

Wastewater Discharge and Reuse

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 Wastewater Discharge and Reuse

Category	2015	2016	2017	
Reuse of Wastewater(Tonne)	30,339	32,604	22,191	
	Amorepacific	30,339	32,604	18,544
	Pacificglas	-	-	3,647
Discharge(Tonne)	410,098	424,561	431,070	
	Amorepacific	256,688	274,154	268,702
	Pacificglas	102,895	94,986	88,359
	Others	50,515	55,421	74,009
COD(Tonne)	14.7	20.2	23.4	
	Amorepacific	11.2	16.0	17.3
	Pacificglas	0.6	0.8	0.9
	Others	2.8	3.4	5.2

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

Category		2015	2016	2017
Waste Generation(Tonne)		11,447	13,472	18,483
	Amorepacific	8,961	10,952	15,516
	Pacificglas	1,947	1,856	1,671
	Others	539	664	1,296
Recycling(Tonne)		10,022	11,208	10,663
Rate of Recycling(%)		88	83	58
Waste Amount by Disposal Methods (Tonne)	Non-hazardous waste	10,121	11,853	16,293
	Landfill	260	407	395
	Incineration	836	1,259	6,899
	Recycling	9,026	10,187	8,999
	Hazardous waste	1,326	1,619	2,189
	Landfill	10	54	34
	Incineration	320	544	491
	Recycling	996	1,021	1,664

Amorepacific Waste Generation and Recycling

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

Emission of Air Pollutants

Amorepacific Group strive 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.

Amorepacific Group Emission of Air Pollutants

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

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

Category		2015	2016	2017
Total Cost(KRW 100 mn)		26.5	47.3	55.1
	Amorepacific ¹⁾	16.2	30.3	37.0
	Pacificglas	7.2	7.9	11.4
	Others	3.1	9.2	6.6

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

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

Awareness	Behavior	Check
<ul style="list-style-type: none"> ·Safety and health training ·Expertise management 	<ul style="list-style-type: none"> ·Safety management of facilities and equipment ·Safety management of hazardous and dangerous work ·Preparation for and response to emergency situations 	<ul style="list-style-type: none"> ·Measurement and monitoring ·Auditing and corrective actions

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

Category	2015	2016	2017
Accident Rate(%)	0.038	0.103	0.042

Amorepacific Industrial Safety and Health

(Unit: %)

Category		2015	2016	2017
Korea	Accident rate ¹⁾	0.000	0.086	0.032
	Injury frequency rate ²⁾	0.000	0.450	0.166
	Occupational disease rate ³⁾	0.000	0.000	0.000
Overseas (Mainland China)	Accident rate	0.157	0.201	0.119
	Injury frequency rate	0.819	1.045	0.617
	Occupational disease rate	0.000	0.000	0.000

1) Accident rate = (No. of employees involved in accidents / Annual average no. of employees) x 100

2) Injury Frequency Rate = (No. of accidents / Annual work hours) x 1,000,000

3) 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.

Women Enhancing Women's Health & Well-being and Economic Empowerment	Ecosystem Making a World Where Humans and Nature Coexist in Harmony	Culture Finding New Values in Culture and Sharing
As Korea's leading beauty company that has grown through the support of women, we announced the '20 by 20' Commitment that supports women's health & well-being and economic empowerment to achieve our ultimate goal of beautifying the lives 200,000 women by 2020.	As we have created the Asian Beauty with ingredients found in our nature, we are fully dedicated to finding ways to coexist with our nature in harmony and continue sustainable development in our society so that we can beautify our lives and the world.	We are making various efforts to discover the hidden values of our culture and developing them into greater beauty. By constantly communicating the values to the public, we hope that our culture is recognized by more people.

CSR Activities by Amorepacific Group

Category		2015	2016	2017
Social Contribution Expenditure	Amount of Expenditure(KRW mn)	18,654	23,994	20,600
	Ratio Compared to Sales(%)	0.35	0.36	0.34
Employee Volunteer Activities	Participation Rate(%)	90.5	88.7	80.8
	Average Hours of Volunteer(hrs.)	10.8	10.9	9.2
Public Foundation Disbursement	Amorepacific Foundation(KRW mn)	486	741	923
	Amorepacific Welfare Foundation(KRW mn)	564	560	650
	Korea Breast Cancer Foundation(KRW mn)	2,409	2,732	2,761
	innisfree Moeum Foundation(KRW mn)	18	358	926

Value of CSR Activities by Amorepacific

(Unit: KRW mn)

Category	2017
Cash Contribution	12,390
In-kind Giving: product or services donations, projects/partnerships or similar	1,008
Management Overhead	4,206

1) In 2017, Amorepacific employees spent a total of 36,596 hours in volunteering, equivalent to approximately KRW 997 million in monetary value.

Enhancing Women's Health & Well-being and Economic Empowerment

makeup your Life

Launched in 2008, makeup your Life Campaign is designed to support women's cancer patients overcome emotional stress caused by the changes in their physical appearance due to their illness. In Korea, AMORE counselors visit hospitals or individual patients to give them one-to-one makeup and skincare advice so that they can cultivate their own beauty. This is not merely to help them look physically better, but ultimately to help them reenergize their daily life with full confidence. In 2017, celebrating the campaign's 10th anniversary, 769 counselors visited 1,264 patients in 36 hospitals nationwide.

The campaign, now in its 7th year in China held in Chengdu, Beijing, Shanghai and Guangzhou. In 2017 Singapore and Vietnam also held makeup your Life campaign to support women's cancer patients.

According to research¹⁾ makeup your Life Campaign shows positive psychological effects of makeup. We can found out that cancer patients who participated in the makeup your Life campaign showed a 17% decrease in their stress level and a 12% decline in evasive responses to cancer.

1) Makeup Program's Psychological Effects on Cancer Patients (Kim Seong-won, Director of Daerim St. Mary's Hospital, Kim Jung-Hyun & Park Hae-Yeon, Professors, Seoul National University Bundang Hospital)

Key Achievements of makeup your Life

(2008-2017)

Number of Beneficiaries	14,040 persons	Number of Volunteers	5,241 persons
Number of Participating Nations and Regions	6 regions		

makeup your Life Campaign

(Unit: persons)

Category	Region	2015	2016	2017
Beneficiaries	Korea	808	1,049	1,264
	Mainland China	240	180	200
	Vietnam	100	25	46
	Hong Kong	-	-	24
	Singapore	-	-	45
	Taiwan	-	-	101
Volunteers	Korea	432	697	769
	Mainland China	60	42	50
	Vietnam	50	11	17
	Hong Kong	-	-	9
	Singapore	-	-	25
	Taiwan	-	-	24

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 to 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 to raise awareness of women's health, attracting approximately 3,600 participants in 2017. All participation fees, in addition to the proceeds from the charity bazaars held by five major Amorepacific brands held prior to the MORI Run, were donated to support screenings for breast cancer and cervical cancer in Chinese women, as well as their recovery from medical procedures. In Hong Kong (China), the Group supports the Pink Heels Race, a fundraising event supporting BRCA tests and genetic counseling services, and advocating the importance of early detection of BRCA-associated hereditary breast cancer and ovarian cancer. In 2017, approximately HKD 151,000 was donated to the campaign through the sale of Amorepacific brand charity kits.

Key Achievements of Pink Ribbon Campaign (2001-2017)

Promote Awareness	330,482 persons	Support the Screening	61,446 persons
Support for Education	408,757 persons	Support for Surgery	1,047 persons

Category		2015	2016	2017
Expenditure (KRW mn)		2,147	3,848	4,059
Promote Awareness (persons)	Pink Run Korea	21,231	24,105	24,279
	MORI Run Mainland China	-	3,200	3,600
Support for Education (persons)	Pink Tour Korea	29,440	39,612	41,900
	Education in Mainland China	-	43,500	80,000
Support the Screening (persons)	Korea	727	1,081	1,505
	Mainland China	-	12,078	18,526
Support for Surgery (persons)	Korea	85	71	111

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 start-up 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 934 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 (2004-2017)

Number of Opened Stores	334	Startup Loan	KRW 12.1 bn
Repayment Rate (As of 2017)	85%	Survival Rate (As of 2017)	89.4%

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 an open bid 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 try to support job-seeking women to ensure their self-reliance.

Key Achievements of Beautiful Life

Category	2016	2017	Total
Beneficiaries (persons)	595	832	1,427
Expenditure (KRW mn)	1,232	1,288	2,520

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 50 million were given to 12 students to foster future makeup artists.

Key Achievements of Makeup ARTIST on the Go (2017)

Beneficiaries	669 persons	Volunteers	91 persons	Expenditure	KRW 97 mn
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Harmonizing Life and the Beauty of Nature

GREENCYCLE Campaign

GREENCYCLE 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 participant programs at the Pink Run. Other recycling efforts include producing "plastic pellets" which will be followed up with more initiatives in 2018.

Mamonde Bee Happy Day Campaign

Mamonde launched its honeybee 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 Bees" 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 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

Planted in 2017	35,600 trees	Cumulative (2012-2017)	94,600 trees
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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 2003 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 2,923 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 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 printing ecology park promotional leaflets.

Public Foundations

Amorepacific Foundation

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

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 2005, 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

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

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.

5

Appendix

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

AS-PRJC-575283-2017-AST-KOR-E

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 in performing the assurance work is to the management of APG in accordance with the terms of reference. DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

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 stakeholders interview
- 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;

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 resents 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 various performance indicators with which the performance and goals of sustainability management can be monitored.

Materiality 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 prioritized 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, includes not only domestic sites but also some performances of overseas corporation. DNV GL has reviewed that the materiality assessment process and confirms relevant material topics prioritized 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 errors or misstatements 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.

Competence and Independence

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.

May 2018
Seoul, Korea

 Ahn In-kyoon
Country Representative
DNV GL Business Assurance Korea Ltd.

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

VERIFICATION STATEMENT GREENHOUSE GAS (GHG) INVENTORY

DNV·GL

DNV GL BUSINESS ASSURANCE
NO.: AS_PRJC-576372-2018-AST-KOR

Amorepacific Group

Introduction DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by Amorepacific Group to verify the Amorepacific Group's Greenhouse Gas Inventory Report for the calendar year 2017 ("the report") based upon a reasonable level of assurance. Amorepacific Group is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol: 2004 and the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of Amorepacific Group only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

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

- Organizational boundary for Amorepacific: HQ/Sale offices, Sites (Osan, Daejeon and Jincheon), Distribution centers (Gangbuk, Gwangju, Gimcheon, Daejeon, Busan, Songtan, Incheon, Jincheon and Osan), R&D/HRD, Local Business unit (Gwangju, Daegu, Daejeon and Busan), Delivery and transportation by centers (Other indirect emissions)
- Organizational boundary for PACIFICPACKAGE: Cheonan
- Organizational boundary for AESTURA: Ansong
- Organizational boundary for COSVISION: Daejeon
- Organizational boundary for OSULLOC: Hannam, Premium factory, Seokwang, Dolsongi and Wolchulsan (Jeju)
- Organizational boundary for Amorepacific Shanghai: Shanghai (China)

Verification Approach 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 SHEQM 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

Conclusions 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 of errors, omissions and misrepresentations providing a fair and balanced quantification, in compliance to the above reported verification criteria.
The GHG Emissions of Amorepacific Group for the year 2017 were confirmed as below;

Amorepacific Group	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Scope 1 and Scope 2	Other indirect emissions (Scope 3)	Total emissions
Amorepacific	7,356	27,807	35,163	3,531	38,694
PACIFICPACKAGE	390	4,120	4,510	-	4,510
AESTURA	1,447	3,223	4,670	-	4,670
COSVISION	1,405	4,652	6,057	-	6,057
OSULLOC	2,106	1,050	3,156	-	3,156
Amorepacific Shanghai	736	6,003	6,739	-	6,739
Total	13,440	46,855	60,295	3,531	63,826

※ 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-eq
※ Total emissions = Scope 1 + Scope 2 (Total emissions of Amorepacific included Scope 3 emissions)

31st March 2018



Kim Tae-ho
Lead Verifier



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

This Assurance Statement is valid as of the date of the issuance (31st March 2018). Please note that this Assurance statement would be revised if any material discrepancy which may impact on 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 precedent.

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※ Amorepacific Group Business Report can be viewed on the following website.
<http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20180402002570>

2. Material Topic-specific Disclosures

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	417-3	Incidents of non-compliance concerning marketing communications	There was no material case.
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There was no material case.
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	There was no material case.

UNGC Communication on Progress

Ten Principles of the UNGC and Amorepacific Group's Activities

Classification		Amorepacific Group's Principles and Activities	Page
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Amorepacific Group supports the Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights; Ruggie Framework.
	Principle 2	make sure that they are not complicit in human rights abuses.	
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Amorepacific Group supports the employees' right to join and leave the labor union and build trust between the management and the employees through communication.
	Principle 4	the elimination of all forms of forced and compulsory labour;	Amorepacific Group strictly prohibits any form of child labor, involuntary or forced labor and discrimination throughout its entire business process, and conducts annual on-site reviews of the company and its suppliers.
	Principle 5	the effective abolition of child labour; and	
	Principle 6	the elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;	Amorepacific Group is committed to reducing greenhouse gas emissions and water consumption intensity, introducing renewable energy and developing a sustainable package by 2020 as part of environmental protection and circular economy strategy.
	Principle 8	undertake initiatives to promote greater environmental responsibility; and	
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.	
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	Amorepacific Group puts "Integrity" as the top priority of the AP WAY values to promote ethical practice and raise awareness throughout the corporate eco-system.

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.

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