

AMOREPACIFIC

# ESG: Building a Better Tomorrow

We make A MORE beautiful world

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PART 1

# Corporate Governance

## Board of Directors and Committees

- > Amorepacific's Board of Directors owns and operates seven committees on a regular basis
- > The ESG Committee was established in April 2021 to strengthen company's efforts towards ESG commitment

|  |   | Members  | Role of Committee   |
|--|---|--|---|
| <p><b>Board of Directors</b></p> <p>Chairperson: Mr. Kyung-bae SUH<br/>9 members (including 5 non-executive directors)</p> <p>Executive Directors:<br/>Mr. Kyung-bae SUH (Chairman of Amorepacific)<br/>Mr. Sae-hong AHN (President of Amorepacific)<br/>Mr. Sang-mok LEE (Head of Corporate Support Unit)<br/>Mr. Dong-soon LEE (Head of SCM Unit)</p> <p>Non-Executive Directors:<br/>Mr. Yeong-ho EOM (Professor of Finance at Yonsei Univ. Business School)<br/>Ms. Gyeong-ja KIM (Professor of Consumer and Housing at Catholic Univ.)<br/>Mr. Hwi-seong LEE (Senior Counsel for start-up company ShallWe)<br/>Mr. Sang-kyun CHA (Head of Dept. of Electrical and Computer Engineering at Seoul National Univ.)<br/>Mr. Sung-jin CHO (Professor of Economics at Seoul National Univ.)</p> | <p><b>Audit Committee</b><br/>Chairperson: Yeong-ho EOM</p>                             | <p>3 members<br/>(incl. 3 non-executive directors)</p> | <p>To audit the accounting and activities of the company in accordance with laws and regulations, and implement duties delegated by the Board of Directors</p>                  |
|  | <p><b>Non-executive Director Nomination Committee</b><br/>Chairperson: Yeong-ho EOM</p> | <p>3 members<br/>(incl. 3 non-executive directors)</p> | <p>To screen, verify, and nominate qualified candidates for non-executive directors at the Shareholders General Meeting</p>   |
|  | <p><b>Executive Committee</b><br/>Chairperson: Sae-hong AHN</p>                         | <p>2 members<br/>Incl. Kyung-bae SUH</p>               | <p>To increase expertise and efficiency of management decisions, and to deliberate and make decisions on business matters delegated by the Board of Directors.</p>              |
|  | <p><b>Risk Management Committee</b><br/>Chairperson: Sae-hong AHN</p>                   | <p>3 members<br/>Incl. Kyung-bae SUH, Sang-mok LEE</p> | <p>To discuss, deliberate and make decisions on matters related to the overall business risk</p>  |
|  | <p><b>Internal Transaction Committee</b><br/>Chairperson: Hwi-seong LEE</p>             | <p>4 members<br/>(incl. 3 non-executive directors)</p> | <p>To deliberate on matters required for review before presenting to the Board of Directors regarding transactions with persons of special relationship as the counterparty</p> |
|  | <p><b>Compensation Committee</b><br/>Chairperson: -</p>                                 | <p>3 members<br/>(incl. 2 non-executive directors)</p> | <p>To discuss, deliberate, and make decisions on matters related to compensation for executives</p>   |
|  | <p><b>ESG Committee</b><br/>Chairperson: Gyeong-ja KIM</p>                              | <p>5 members<br/>(incl. 3 non-executive directors)</p> | <p>To discuss, deliberate, and make decisions on matters related to ESG</p>   |

## Board and Committee Meetings

- > Board meeting is regularly held every quarter and operated in accordance with Board of Directors Policy
- > 15 board meetings and 40 committee meetings were held over the past three years

### History of Meetings

| B.O.D/Committees                            | 2019    | 2020    | 2021    |
|---|---------|---------|---------|
| Board of Directors                          | 6 times | 5 times | 4 times |
| Audit Committee                             | 6 times | 6 times | 3 times |
| Non-executive Director Nomination Committee | 2 times | 2 times | 2 times |
| Executive Committee                         | 2 times | 4 times | -       |
| Risk Management Committee                   | Once    | Once    | -       |
| Internal Transaction Committee              | Once    | 4 times | 2 times |
| Compensation Committee                      | Once    | Once    | Once    |
| ESG Committee                               | -       | -       | Once    |

#### Details of Board Meetings held as of June 1<sup>st</sup>, 2021

2019: 4 regular meetings, 2 temporary meetings

2020: 4 regular meetings, 1 temporary meeting

2021: 2 regular meetings, 2 temporary meetings

### Major Approvals

#### 2019

- Establishment of Compensation Committee and appointment of committee members
- Establishment of Internal Transaction Committee and appointment of committee members
- Transfer of Osulloc business shares
- Establishment of 'Amore Beauty College'
- Acquisition of treasury stock

#### 2020

- Installment of electronic voting scheme for shareholders

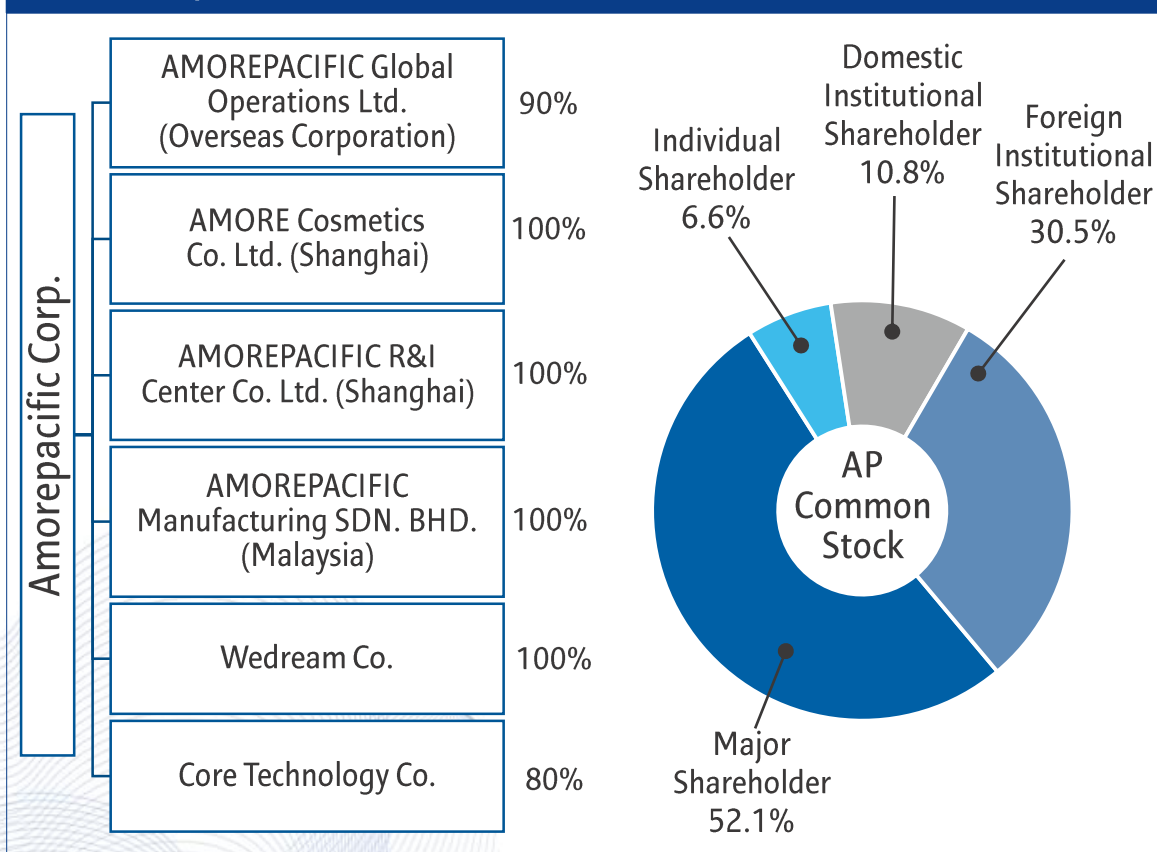
#### 2021

- Establishment of ESG Committee and appointment of committee members

## Shareholder Breakdown and Management Overview

- > Of the common stock as of December 31st, 69.5% is owned by domestic shareholders and 30.5% is owned by foreign shareholders
- > The greatest shareholder is Amorepacific Group, which owns 37.1% of common stock

### Amorepacific Subsidiaries and Shareholder Breakdown



### CEO and Management



**Kyung-bae SUH**  
Chairman of Amorepacific



**Sae-hong AHN**  
President of Amorepacific

| Company/Unit                 | CEO/Head                      | Unit                 | Head           |
|------------------------------|-------------------------------|----------------------|----------------|
| Amorepacific                 | Kyung-bae SUH<br>Sae-hong AHN | SCM Unit             | Dong-soon LEE  |
| Corporate Support Unit       | Sang-mok LEE                  | Communication Unit   | Howard LEE     |
| People and Organization Unit | Sean KIM                      | Sulwhasoo Brand Unit | Jason IM       |
| Digital Strategy Unit        | Jong-mahn PARK                | Laneige Brand Unit   | Kayla JEONG    |
| R&D Unit                     | Young-ho PARK                 | Daily Beauty Unit    | Young-woon LEE |

PART 2

# ESG Ratings

# ESG Evaluation

## Current Ratings

ESG ratings have consistently improved through company wide efforts



Received A rating from Korea Corporate Governance Service for 2 consecutive years



Added to DJSI Asia-Pacific Index in 2020  
Included in DJSI Korea Index for 11 consecutive years



FTSE4Good

Included in FTSE4Good Index for 10 consecutive years



Received A rating for 2020 MSCI ESG Rating



Received A rating for 2020 SUSTINVEST ESG Rating

## Key Reforms

Corporate governance has strengthened by running new committees and taking measures to reinforce shareholders rights

### Establishment of Committees

- Internal Transaction Committee (October 2019)
  - Deliberates on matters required for review before presenting to the board regarding transactions with persons of special relationship as counterparty
- Compensation Committee (October 2019)
  - Discusses, deliberates, and makes decisions on matters related to compensation for executive
- Compensation Committee (April 2021)
  - Discusses, deliberates, and makes decisions on matters related to ESG

### Reinforcement of Shareholder Rights Protection

- Establishment of Corporate Governance Charter in October 2018
- Acquisition of treasury stock of 100 billion KRW in February 2019
- Implementation of electronic voting scheme for shareholders in March 2020



PART 3

# Sustainability Commitments

## 2030 Sustainability Commitments

# A MORE BEAUTIFUL PROMISE

Five Sustainable Management Goals (June 2021)

### Move Forward Together with Customers and Society

Amorepacific will continue purpose-driven brand activities that promote sustainable consumption and contribute to a stronger society in ways that enhance our customers' lifestyles.

- 1 Instill the values of environmental and social friendliness into 100% of our new products and pursue endeavors that encourage sustainable living.
- 2 Promote diversity and inclusion across all our global workplaces and beyond, while seeking harmonious growth with all our stakeholders.

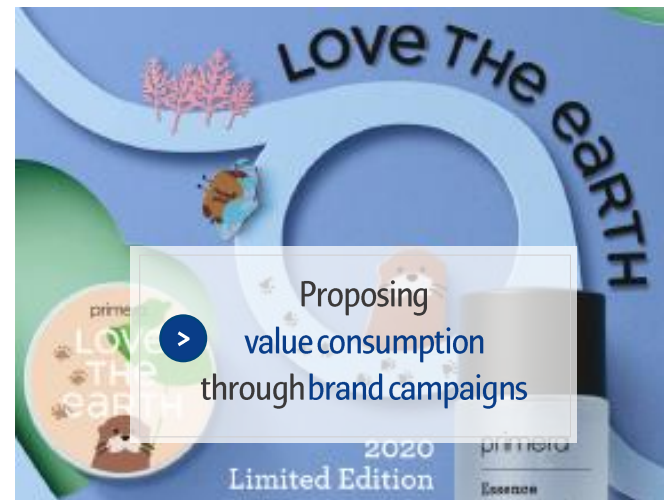
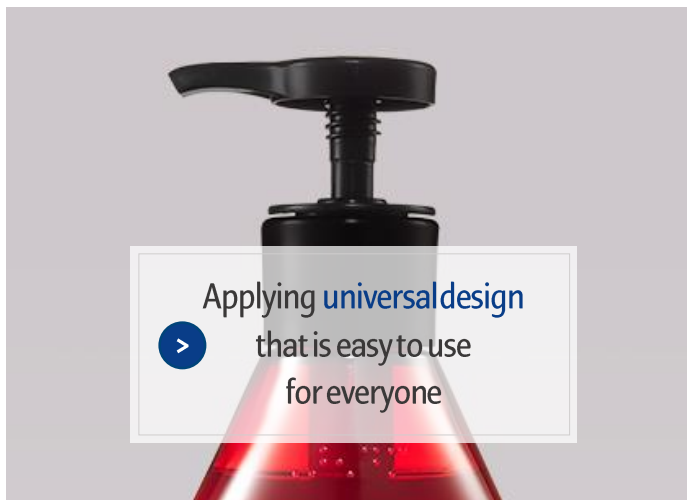
### Coexist Responsibly with Nature

Amorepacific will continue to address the climate crisis together with others and seek to coexist in harmony with the natural world around us.

- 3 Achieve carbon neutrality and zero-waste-to-landfill across our production sites worldwide.
- 4 Reduce the use of plastics in product packaging and create 100% reusable, recyclable or compostable plastic packaging materials.
- 5 Invest KRW 10 billion into biodiversity conservation efforts and increase the use of RSPO-certified palm oil to 90% or more by 2023

## Move Forward Together with Customers and Society

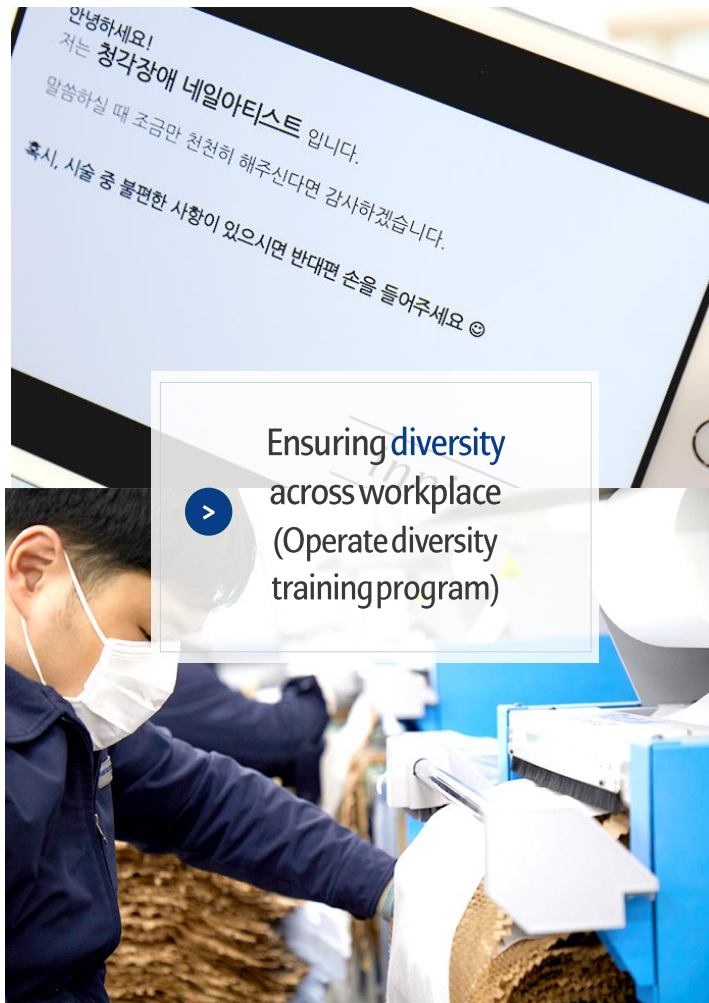
1 Instill the values of environmental and social friendliness into **100% of our new products** and pursue endeavors that **encourage sustainable living**



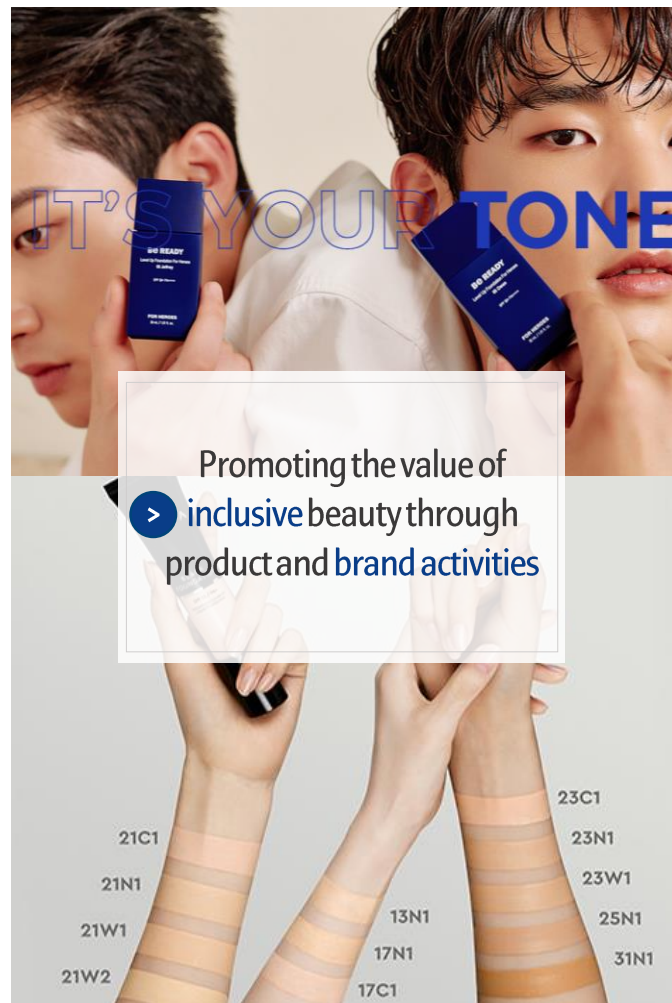
## Move Forward Together with Customers and Society

2

Promote diversity and inclusion across all our global workplaces and beyond, while seeking harmonious growth with all our stakeholders.



➤ Ensuring diversity across workplace (Operate diversity training program)



Promoting the value of inclusive beauty through product and brand activities



➤ Invest 100bn KRW in healthy lifestyle for people from all walks of local communities and strengthen economic capabilities of disadvantaged groups

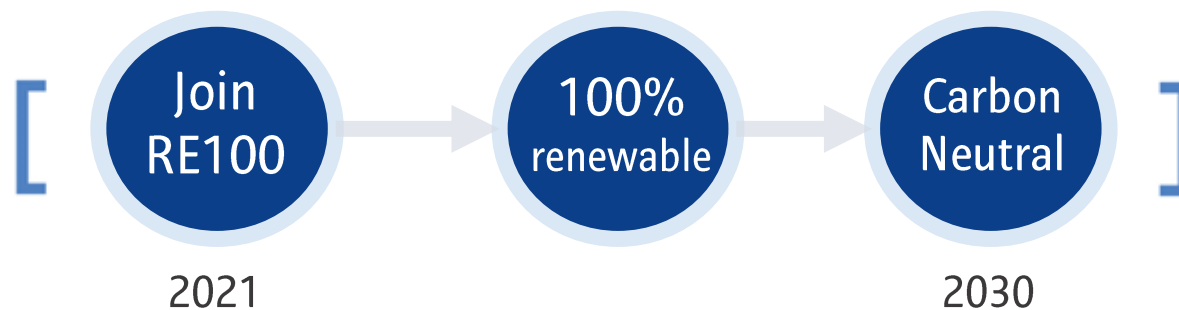
## Coexist Responsibly with Nature

3

Achieve **carbon neutrality** and **zero-waste-to-landfill** across our production sites worldwide.



- > Source **100% renewable energy** to power all of its production sites and offices
- > 100% conversion of domestic logistics vehicles to eco-friendly vehicles
- > Converting landfill waste into recycling resources

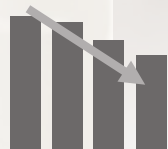


## Coexist Responsibly with Nature

**4** Reduce the use of plastics in product packaging and create **100% reusable, recyclable or compostable** plastic packaging materials.

### Reducing the use of plastic across the entire distribution

#### Reduce



Reduce the use of petroleum-based plastics by 30%

#### Recycle



Reduce 100% of products that are difficult to recycle

#### Reuse



Expand refill products and services

#### Return



Collect used cosmetics bottles

## Coexist Responsibly with Nature

# 4

Reduce the use of plastics in product packaging and create 100% reusable, recyclable or compostable plastic packaging materials.



**Reduce**  
Develop paper containers that reduce the use of plastic

**Recycle**  
Develop metal zero pump without a metal spring

**Reuse**  
First refill station in the Korean beauty industry

**Return**  
Donate 'Upcycled bench' made with used cosmetic bottles

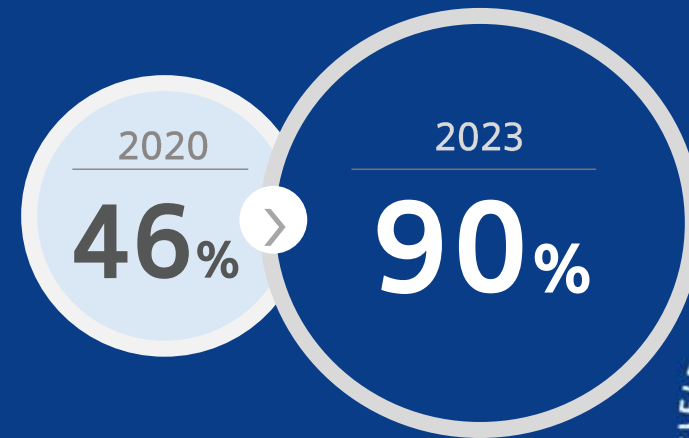


## Coexist Responsibly with Nature

**5** Invest KRW 10 billion into **biodiversity conservation efforts** and increase the use of **RSPO-certified palm oil to 90% or more by 2023**

- > Implement **biological resource conservation** and climate-change adaptation technology
- > Support palm oil farmers through cooperation with NGOs and partners

### RSPO Conversion Target for 2030



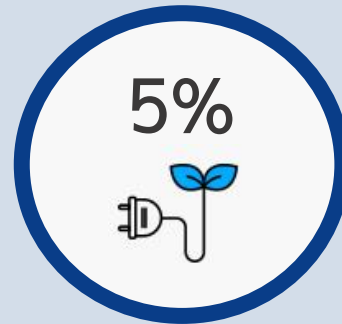
\* RSPO: Roundtable on Sustainable Palm Oil



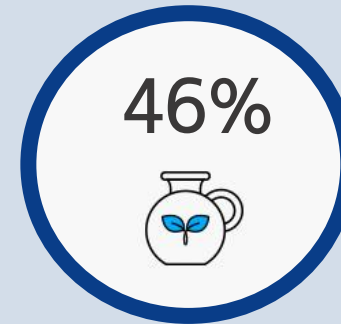
## Key Achievements

> Move Forward Together with Customers and Society

> Coexist Responsibly with Nature



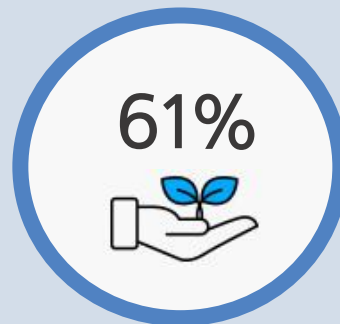
New & Renewable Energy Production  
(2020, Korea, Amorepacific)



Usage of RSPO-certified palm oil  
(2020, Amorepacific)



Cumulative number of '20 by 20 Commitment' beneficiaries  
(2017-2020, Amorepacific)



Ratio of new products that incorporate the value of environmental or social friendliness  
(2020, Amorepacific Group)



Amount of new plastic reduced in packaging  
(2020, Amorepacific Group)

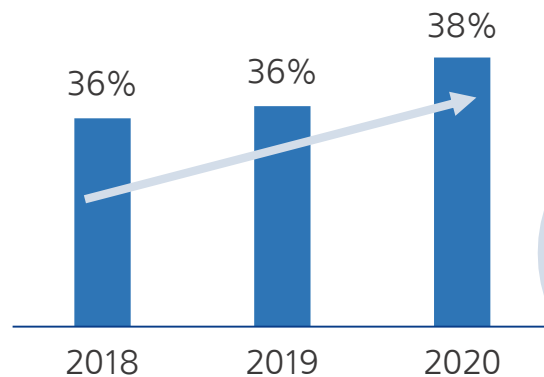


Amount of green cycle bottles collected  
(2020, Amorepacific Group)

## Key Achievements

\*Female with leadership roles, including team leaders

### Female Leadership\* Ratio (Amorepacific)



Female Leadership Fostering Program

Maternity Care Program



- > Providing equal opportunities and inclusive environment to all employees
- > Reinforcing female leadership and fostering female talent
- > Securing an embracing work environment with no boundaries

“Based on gender equality evaluation in 2020 from non-profit organization ‘WIN(Women in Innovation)’ and public index ‘CEO Score,’ Amorepacific achieved perfect score in women employment ratio and female executive ratio”

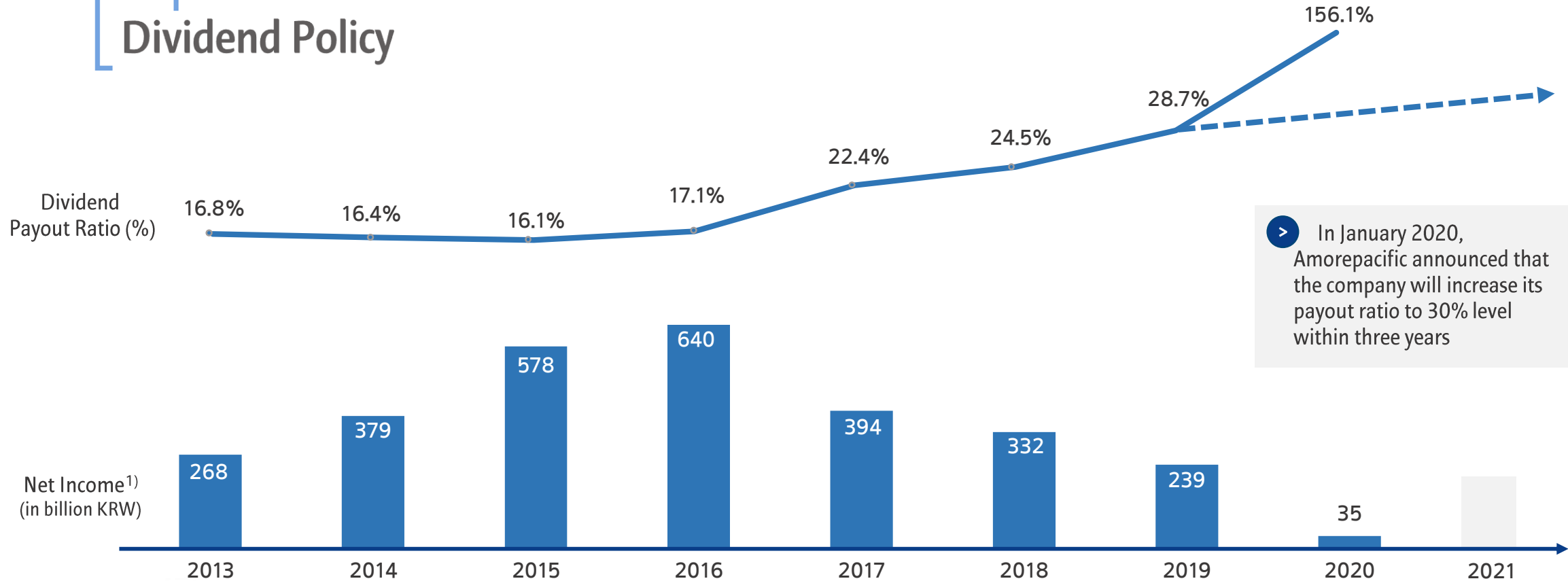
Quote from Asia Business Daily (Mar. 2021)

# [ Embracing Diversity ]

PART 4

# Shareholder Return

## Dividend Policy



> In January 2020, Amorepacific announced that the company will increase its payout ratio to 30% level within three years

1) Net Income: Consolidated net income attributable to Amorepacific

### Dividend payout based on total shareholder return (prior to 2017)

Dividend payout was distributed based on total shareholder return, considering stock price and profit levels



### Reinforcement of dividend policy

Even in economic uncertainties, shareholder return has increased through measures such as increase in payout ratio and acquisition of treasury stock



### Implementation of stable dividend policy

To increase shareholder return in the long term, Amorepacific announced that the company will increase its payout ratio to 30% level within three years (within 40% of annual free cash flow)