

AMOREPACIFIC
세계상업그룹
의
가치
의
핵심
가치

2019

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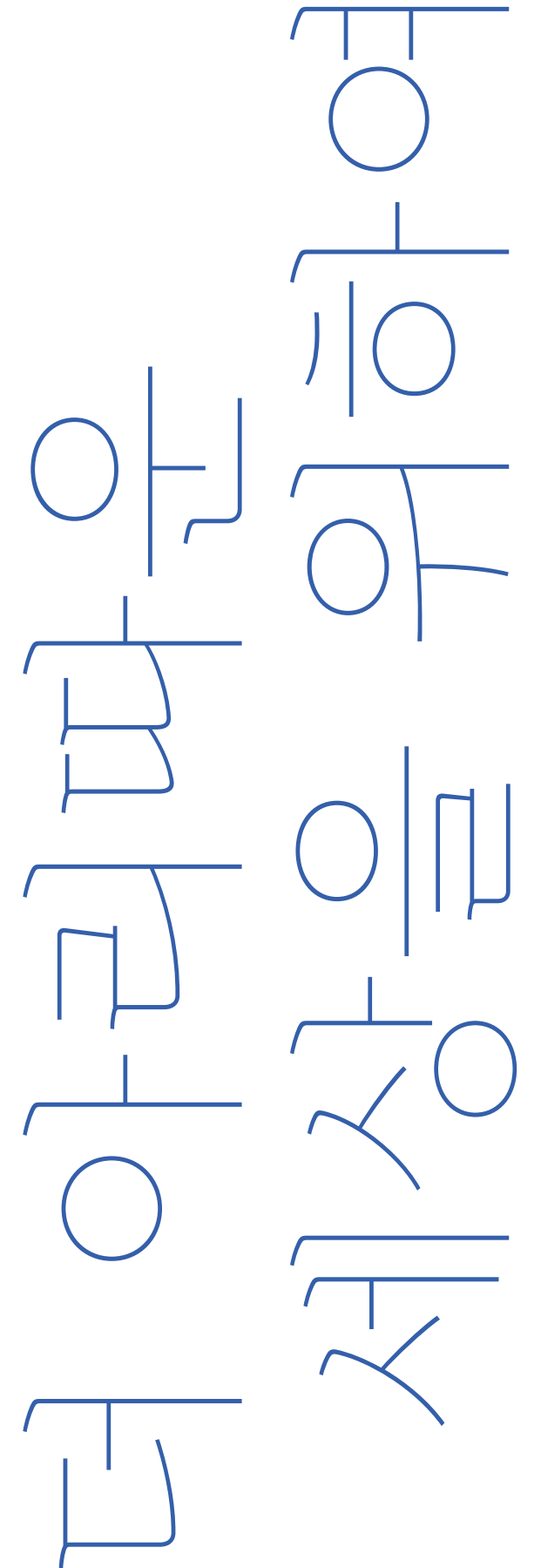
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2019 Sustainability Report Microsite



CEO Message

Dear valued stakeholders,

For the past seventy-five years, Amorepacific Group has dedicated itself to the great vision of changing the world with beauty, communicating with the world through the essence of 'Asian Beauty.' Having the unwavering 'customer-centric' perspective at the heart of our principle, we have pursued values of beauty, leading the innovation of the beauty industry with perseverance and indomitable spirit against various obstacles and hardships.

Amorepacific Group inherits the founding spirit of "contributing to humanity through beauty and health." Thus, it is our prescient goal to move towards a sustainable business by our founding spirit, which has long been present in our corporate efforts to address sustainability. In 1993, Amorepacific Group declared the 'Total Commitment Initiative (Service, Quality, Environment),' which was later followed by the establishment of '2020 Sustainability Commitments.' At this very moment, Amorepacific Group is striving to support all the stakeholders within our corporate ecosystem to make a transition towards a more sustainable lifestyle. At the same time, we are also promoting inclusive

growth with various communities in society and finding ways to realize a circular economy for future generations. Further, Amorepacific Group aims to take on a more active pursuit of the beautiful journey towards a better world by closely interacting and communicating with all members of our corporate ecosystem, from customers and environment to society as a whole.

Amorepacific Group supports The Ten Principles of the UN Global Compact on human rights, labour, environment, and anti-corruption, and the Group will accelerate the implementation of the UN Sustainable Development Goals, the shared mission of the entire humanity. In particular, as a corporation that has grown and developed together with women, Amorepacific Group will continue our tireless effort in promoting gender equality^{SDG 5}. The Group also endeavors to contribute to responsible consumption and production^{SDG 12}.

Every members of Amorepacific Group is devoted to the creation of 'A MORE Beautiful World' with the belief that beauty is a gift to change the world. So I would like to ask for your warm encouragement and support to Amorepacific Group's effort for the better, more beautiful future of humanity.

May 2020
Suh Kyung-bae, Chairman & CEO of Amorepacific Group



Brand Portfolio

Sulwhasoo

innisfree

LANEIGE

Mamonde

ETUDE



AMOREPACIFIC

HERA

primera

VITALBEAUTIE

GOUTAL
PARIS

LIRIKOS

IOPE

HANYUL

ARITAUM
아리따움



MEDIAN

Pleasia



makeON

CUBE ME

BRO&TIPS

RAREKIND

OSULLOC

AMOS
PROFESSIONAL

espoir

DESTURA



Sulwhasoo

Timeless Wisdom, Ageless Beauty

Sulwhasoo formulates innovative skin science by infusing wisdom with modern science for ageless beauty with healthy radiance.

www.sulwhasoo.com



innisfree

Natural benefits from JEJU

innisfree is one of the most well-known natural skincare brands in Korea. innisfree means 'an island where skin rest.' It is a natural brand that delivers benefits of nature and youthful beauty to customers, realizing green life to maintain wellness.

www.innisfree.com



LANEIGE

Luminous Beauty

LANEIGE is a global and young premium brand specializing in moisturizing cosmetic products. The brand focuses on 'Luminous Beauty', filling the skin from deep inside with moisture to shine with healthy glow and make life's moment luminous.

www.laneige.com



Mamonde

Flowering Energy and Vitality for You

With the know-hows on flowers from devoted and advanced research, Mamonde sincerely conveys the vitality and flowering energy of flowers in its products. Filled with the energy of beautiful flowers, Mamonde is a companion to your blissful and blossoming life.

www.mamonde.com



ETUDE

Play Pink, Play ETUDE!

ETUDE is global makeup brand which spreads the fun make-up play culture. With extensive color palettes and vibrant experiences of makeup, ETUDE provides every woman with an experience to discover and develop their own beauty.

www.etude.com



Premium Haircare Brand Embodying Asian Wisdom and Beauty

Ryo provides fundamental solutions for scalp and hair through Asian heritage herbal ingredients with modern technology. Ryo's delicate and precise resolutions deliver the value of true benefit to customers.

www.ryo.com

AMOREPACIFIC

The Artisanship of Beauty
www.amorepacific.com



primera

Natural Brand filled with the Vitality of Seeds
www.primera.co.kr



GOUTAL PARIS

'Author of Perfumes'
Emotions into Scents
Perfumes into Dreams
www.goutalparis.com



IOPE

Lab-based High Functional Skincare Brand
www.iope.com



HERA

Contemporary Seoul Beauty
www.hera.com



VITALBEAUTIE

VITALBEAUTIE, the Beginning of Healthy Beauty
www.vitalbeautie.com



LIRIKOS

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



HANYUL

Ingredients from Korea's Nature, Remedies from the Wisdom of Tradition - HANYUL is a Natural Brand Conveying Traditional Korean Qualities and Delivering Benefits to Your Skin and Everyday Life
www.hanyul.co.kr



ARITAUM

아리따움

ARITAUM Means Beautiful
in Korean. Beauty Brand for
Fashion & Trend of Beautiful Life
www.aritaum.com



Pump Happiness!
www.happybath.com



CUBE ME

Wellness Life is Beauty
CUBE ME is an Inner-Beauty Brand
Providing Simple and Easy Solutions
for Wellness Life
www.cubeme.co.kr



BRO&TIPS

Real Tips for Bros
www.brontips.com



Total Hair Cosmetics Brand
Leading Hair & Style Trends
www.miseenscene.com



Cool, Natural Brand
for Healthy Lifestyle



RAREKIND

Blast Your Potential
www.instagram.com/rarekind_official



OSULLOC

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



MEDIAN

Customized Oral Care
for Your Health
www.median433.co.kr



Natural Fresh - Pleasia



Professional Haircare Brand
for Unique, Confident Style
www.amosprofessional.com



espoir

Real Beauty Crew
espoir is a Makeup Brand
for True Self-Expression
www.espoir.com



Synergy of the Natural Energy of
Asia and Skincare Science



makeON

Life Beauty Device, Makeon
www.makeonbeauty.co.kr



AESTURA

Medi Becomes Beauty
www.aestura.com





Prologue

Small Changes to Transform the World

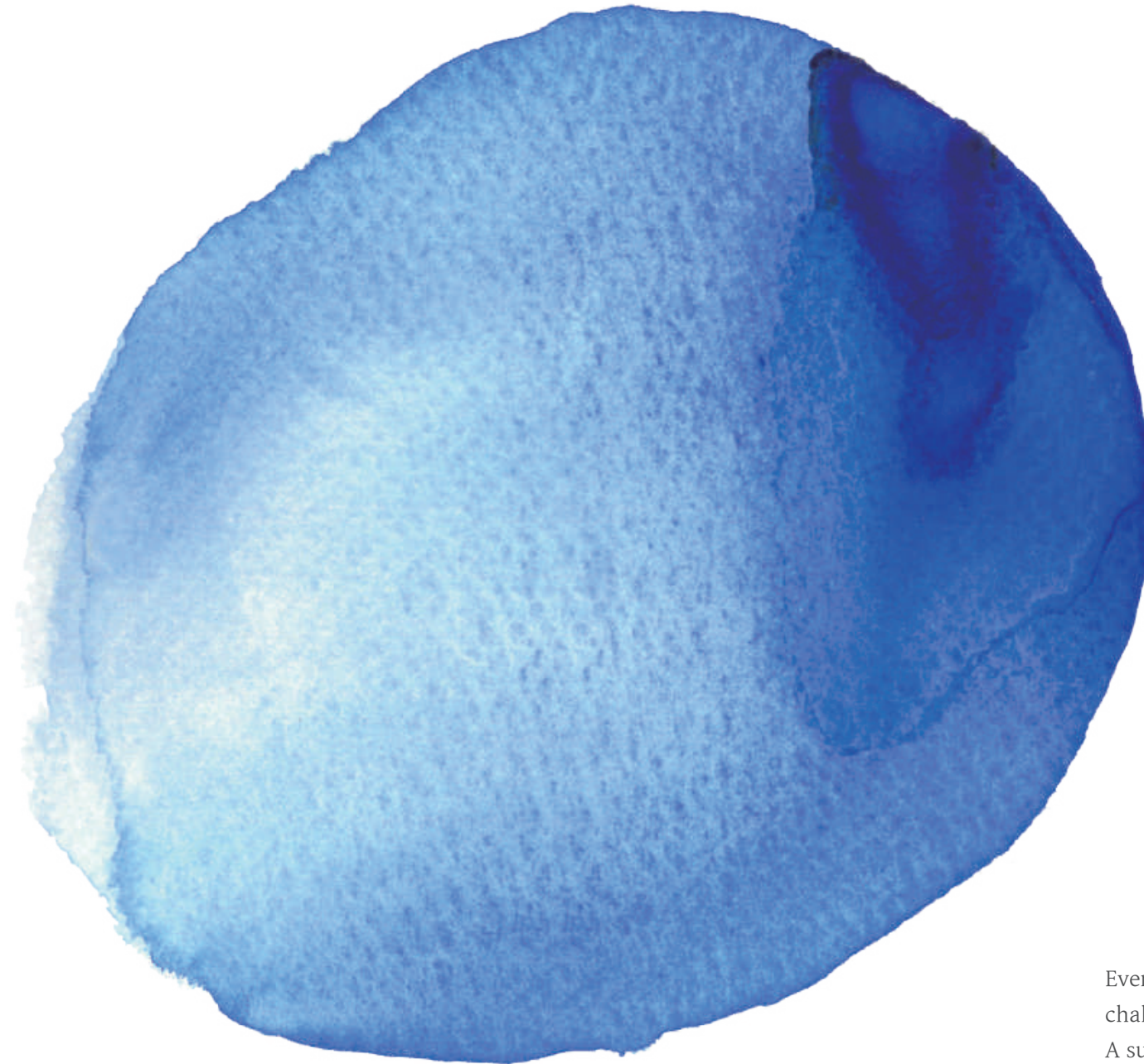
The driving force to change the world lies in our ventures, challenges, changes, and innovations for A MORE Beautiful World.

As a leader of Asian beauty, Amorepacific Group is tirelessly pioneering the ocean of beauty.

We believe that beauty of confident self-esteem changes the world; beautiful 'together' with empathy on our time open up the ways of co-prosperity; and the beautiful practices for the Earth and our environment awakens the value of harmonious co-existence. The sustainability vision for the harmony of nature, humans, and corporation is an important responsibility and mission of Amorepacific Group.

For this vision of sustainable corporate management, Amorepacific Group embarks on a beautiful journey of challenges and innovations.

First Step to the Sustainable Transition

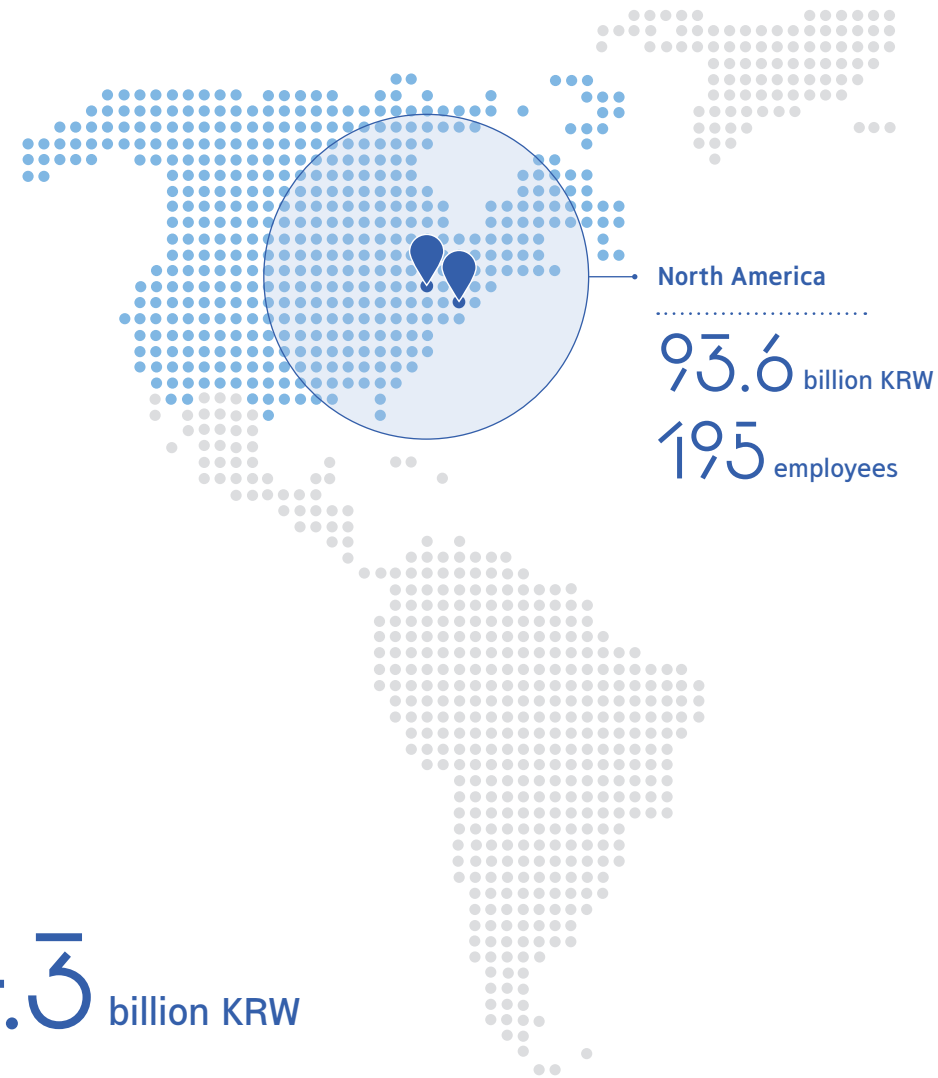


Every voyage is led by great explorers – courageously enjoying challenges with anticipation and hope for the new world. A success of a voyage depends on the teamwork between the leader who commands his crew towards the destination and those who persistently work through hardships.

In this Sustainability Report, we will meet our explorers in Amorepacific Group – doing best of their roles and leading successful innovations.

Global Network

- Sales
- Number of Employees
- Countries with Brand Launched
- 📍 Location of Major Holding Companies and Subsidiaries

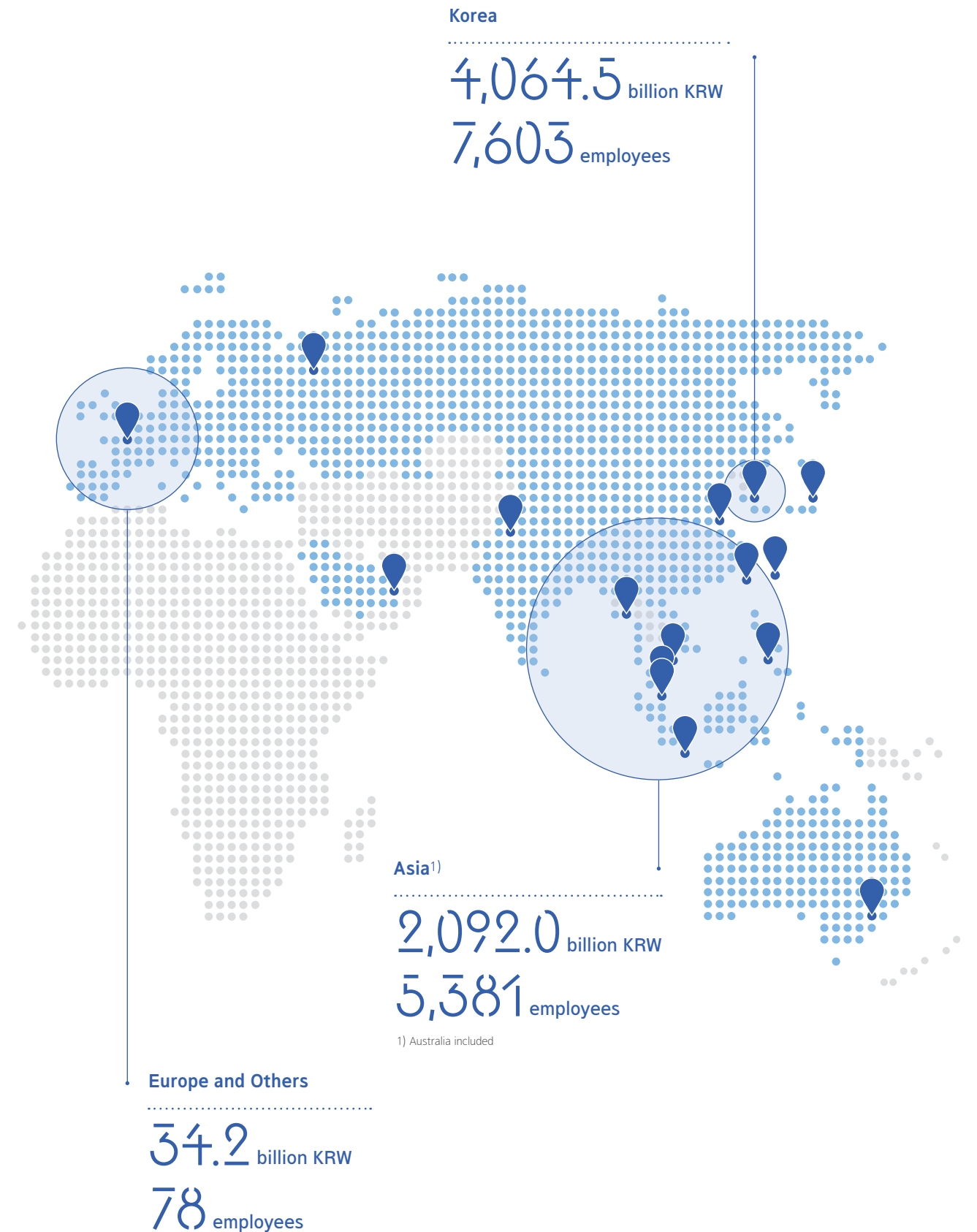


Sales

6,284.3 billion KRW

Employees

13,257 employees



Our Value System

With the founding philosophy of ‘contributing to humanity through beauty and health,’ Amorepacific Group is taking steps in the journey of beauty to make ‘A MORE Beautiful World with more beautiful people.’ While each brand, product, distribution channel and country has different roles, everyone keeps the Group’s promise with the world by sharing the ‘mission’ and the ‘ABC spirit’.

Mission

We make A MORE Beautiful World

ABC Spirit

Amorepacific Group has a firm belief that the world becomes more beautiful when each and everyone shines with their own unique beauty. It is our dream and mission to make ‘A MORE Beautiful World.’ To realize our dream, we propose five principles.



Customers first

We analyze situations and issues from the perspective of our customers and prioritize the customer value in decision making ensuring prompt actions upon our customers.



Be the first and the best

We proactively adapt ourselves to changes, present innovative ideas and never stop trying to achieve our goals.



Collaborate with open mind

We empathize with our shared goals and share our thoughts and information with our colleagues. To achieve our goals, we actively participate in the collaboration with our colleagues.



Respect differences

We commit to accepting differences. In respect to every member, we practice the good in our everyday work.



Act with integrity

As proud members of Amorepacific Group, we do our best to keep our promises and observe our principles.

Our Vision

Amorepacific Group is exercising a wide variety of innovations with a goal of becoming a great company. Through a transformation into a digital-based beauty platform, exploration of new products and distribution channels, and development of unique beauty of Asia, Amorepacific Group desires to change the world into a more beautiful and healthy place.

In addition, we are also investing efforts to minimize the environmental effect of the corporate activities, co-exist with diverse stakeholders, and fulfill our social responsibilities.





Our Journey of Transition into the Better World

Challenge for novelty is never easy. We have to fight against wild waves and unexpected obstacles. The anxiety of the unknown also blocks the way. Nevertheless, we move forward. We know that small yet meaningful challenges become the driving force to change the world.

What is sustainable coexistence?
How can we achieve inclusive growth?
How can we lead the circular economy?

Amorepacific Group tirelessly asks questions with opened mind to find new ways for sustainability. With such questions in mind, we attempt to challenge in different scales in everyday life. As a result, we come close to sustainable life with our employees, local communities, and business partners, realizing mutual growth. We also lead the circular economy by minimizing our environmental impact to protect our planet. All these sincere steps contribute to our journey of transition into the better world.

2020 Sustainability Commitments

Through our 2020 Sustainability Commitments, Amorepacific Group seeks to help our stakeholders realize the “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 the 2020 Sustainability Commitments, Amorepacific Group seeks to contribute in solving the rising global issues and endeavor to create ‘A MORE Beautiful World’ for all.

Sustainable Lifestyle



Amorepacific Group will support all stakeholders' transition to a “Sustainable Lifestyle” with better understanding of environmental and social values. Sustainability in everyday life is proposed by both the products and stores with environmental and social benefits and a wide range of corporate campaigns.



Inclusive Growth



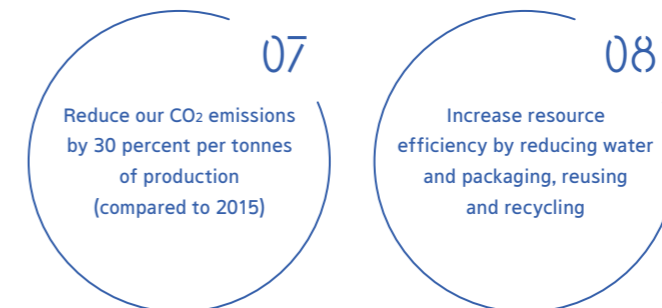
Amorepacific Group will achieve inclusive growth by creating a great workplace for employees, growing together with our business partners, and contributing to the health, well-being, and economic empowerment of women.



Circular Economy



With a goal to reduce greenhouse gas emissions to preserve nature and ecology for future generations, Amorepacific Group will implement “Carbon Free” by 2030. In addition, we will contribute to circular economy by increasing the efficiency of resource usage and decreasing the disposal of resource after production and consumption.



Sustainable Lifestyle

A Beautiful Proposal for Coexistence with Environment

Cosmetic products are made with various resources and technologies. Amorepacific Group takes a great responsibility in the whole process from producing to retail, investing in development of resource and packaging that reduce the environmental burden and remodelling stores to enhance environmentally friendly lifestyle in everyday life.

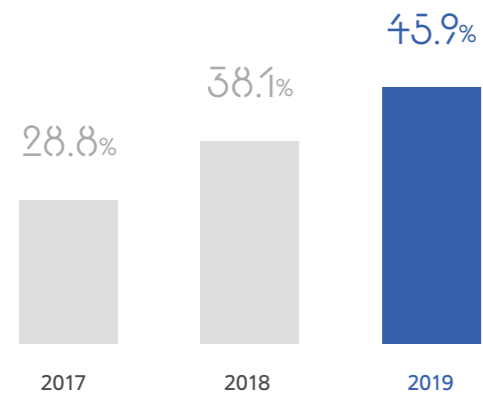
With much considerations of nature and environment for the sake of the value of beauty in each and every product, Amorepacific Group proposes a sustainable lifestyle to be implemented together.



Sustainable Lifestyle Highlight
Major Performance in 2019

Incorporating Environmental and Social Benefits in New Products

Ratio of new products incorporated with environmental and social benefits



Reduction of plastic usage



Usage of recycled and bio-based plastics



Expanding Consumption for Values

Sulwhasoo

3 countries

Beauty from Your Culture

The number of countries participating in the campaign to reinterpret beautiful traditional culture with modern values.

LANEIGE

9 countries

Refill Me Campaign

The number of countries participating in the campaign to support suffering water scarcity and preserve water resources.

innisfree

2,897 people

PLAYGREEN Campaign

The number of people joined PLAYGREEN campaign which is fun and easy eco-friendly activities to be done in everyday life.

primera

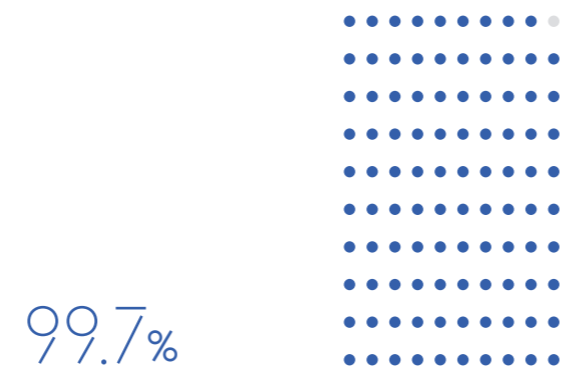
1,503 people

Love the Earth Campaign

The number of people participated in campaign to preserve disappearing wetlands.

Making Our Stores Sustainable

Ratio of ARITAUM using eco-friendly shopping bag



Ratio of LED lighting installed in all new and renovated stores in Korea



Ratio of eco-friendly materials used



How Are We Dealing the Plastic Issue?

The plastic waste issue is one of the most urgent and crucial global problem to be solved. Amorepacific Group is investing in ways to reduce the consumption of plastic, taking responsibility for the environmental impact of plastic.

Less Plastic

Amorepacific Group is implementing 'Less Plastic' Strategies to reduce unnecessary consumption of plastic and encourage the use of plastics that are easier to dispose and recycle.

Less Plastic Strategies

- ① **Reduce our plastic packaging**
 By reducing weight of packaging, eliminating plastic and substituting plastic with other materials, we will reduce 700 tonnes of plastic consumption by 2022.
- ② **Increase the recyclability of plastic packaging**
 We will increase the ratio of recyclable packaging through various means, such as unifying the type of plastic materials used and transferring to transparent PET.
- ③ **Increase the recycling efficiency of containers collected from GreenCycle campaign**
 The recycling and upcycling of cosmetic containers collected by GreenCycle campaign will be continued. Through collaboration with TerraCycle, we will recycle at least 100 tonnes of plastic containers each year in the next three years. In addition, we will increase the use of PCR and bioplastic packaging.
- ④ **Continue our research on eco-friendly packaging to realize our goal of plastic waste reduction**



By 2022, we will reduce 700 tonnes of plastic waste

Plastics – How Can We Reduce Them?

Amorepacific Group is deeply aware of the environmental impact of plastic waste. To achieve the goal to reduce the use of plastic in the whole process of production and distribution, we seek eco-friendly alternatives and implement ways to coexist with the environment.

Product Containers With Less Plastic

Plastic containers are light and durable. However, they bear heavy environmental burden. To solve this issue, Amorepacific Group is continuing the efforts to produce more beautiful products with less plastic input. For example, HAPPY BATH's 'Natural Real Moisture' and 'Natural Real Mild' body washes reduced 19 percent of weight of plastic in the packaging while maintaining the quality. The brand also reduced the plastic weight of 10 products, saving 11 tonnes of plastic materials.

Alleviating Environmental Burden, Fixtures Made of Paper

Fixtures are indispensable in cosmetic packaging. But do they have to be made with plastics? By making paper-based fixtures as durable as the plastic counterpart, Amorepacific Group replaced the plastic fixtures with more recyclable and more decomposable paper ones. primera applied paper-based fixtures in five bundled products including Organience Set and Wild Seed Firming Serum. LANEIGE also changed fixtures for limited-edition products of the world-wide Holiday Campaign, actively responding to the issue of plastic waste.



primera's Organience used the paper-based fixtures



HAPPY BATH lessened the weight of plastics by 19 percent in the containers of 'Natural Real Moisture' and 'Natural Real Mild' body washes

How Can We Improve Recycling Efficiency of Plastic?

Amorepacific Group is paving a new path towards the reduction of plastic waste by increasing the recyclability of plastic packaging.

Recyclable Product Containers

Plastic containers are difficult to recycle if they are not transparent or if they have adhesive films attached. HAPPY BATH and Ryo introduced transparent plastic containers and HAPPY BATH employed non-adhesive shrink films, enhancing the recyclability. In addition, each shrink film has an additional perforated line for easy removal.



HAPPY BATH's body wash products with transparent containers and non-adhesive shrink films

Smart Containers That Empty to the Last Drop

It is often difficult to use up the content of certain cosmetic products due to their shapes and structures. innisfree upgraded the container of 'Forest for Men All-in-one Essence' by fixing the tip of the tube to face the same way as the mouth of the pump, enabling the content to be used up simply by tilting the container when pumping.

Easier Recycling with Single-Material Containers

Plastics are not easy to recycle without careful separate collection of waste by materials. Due to the characteristics of cosmetic containers that need to preserve contents well, it is not easy to make them from a single material. Through continuous packaging research, we have been able to apply a single-material plastic container to the Illiyoon's 'Probiotics Skin Barrier Essence Drop'.

22 products 

HAPPY BATH uses shrink films on 22 products

What is Plastic with Less Environmental Impact?

Along with efforts to reduce plastic waste, Amorepacific Group is continuing research on better plastic materials. By developing plastic materials that produce less environmental impact while maintaining the light-weight and malleable properties, we are participating in a global movement to solve the plastic waste problem.

Recycled Plastic, Reborn as New Containers

Since 2003, innisfree has been collecting empty product containers, and turned them into recycled material of PP(Polypropylene). Other than that, 30 percent of the container of 'Forest For Men Hair Wax' is comprised of PCR(Post-Consumer Recycled) plastic. innisfree enhanced the filtering of impurities in recycled materials using advanced techniques, developing containers made of 100 percent PCR PET which is applied to innisfree's Olive Real Body Lotion and Cleanser.

At the same time, more brands are using recycled plastic. Mamonde implemented PCR plastic containers in 'Age Control Skin Softner' and 'Men Recharging Toner.' HANYUL used PCR plastic in 20 percent of containers for ChaeUm. primera used PCR plastic for two of 'Love the Earth' limited-edition 'Alpine Berry' facial cream products, and caps for three of pore treatment products. Such circulation of plastic is part of our efforts to reduce plastic waste.



innisfree's Olive Real Body Lotion and Cleanser

PCR 100% 

innisfree's Olive Real Body Lotion and Cleanser use containers made of 100 percent PCR PET

**Plant-Based,
Eco-Friendly
Plastic Containers**

The increase in plastic usage results in the depletion of petroleum resources. Amorepacific Group sought alternatives, plant-based plastic from corn and sugarcane. Producing less GHG emission than petroleum-based plastic, plant-based plastic is becoming a major source of eco-friendly materials. HAPPY BATH implemented containers, 26.5 percent of which is plant-based plastic, in 53 products, focusing on its body wash product line; mise-en-scène used plant-based plastic in 26 products; Ryo in mild shampoo line; primera in two 'Mango Butter Comforting Body Lotion' products; and Illiyoon in a number of products including 'Fresh Moisture Deep Cleansing Oil.' These are part of Amorepacific Group's continued effort to preserve resources and reduce GHG emission.



HAPPY BATH's body wash products uses plant-based plastic

**Biodegradable
Plastic Fixtures**

It takes more than five-hundred years for plastic to completely decompose. Once discarded as waste, plastic influences our environment over generations. Thus, Amorepacific Group is investing in research to develop biodegradable plastic materials. Since March 2019, Sulwhasoo has gradually introduced biodegradable plastic fixtures in more than 2.5 million bundled products, replacing 90 tonnes of regular plastic. IOPE also implemented biodegradable plastic fixtures in eight of its products including bundled products of 'Super Vital' line. The brand will expand the use biodegradable plastic.



Sulwhasoo used 90 tonnes of biodegradable plastic fixtures

Everyday Life with Sustainability

Amorepacific Group's efforts to care for the environment and our planet is with us in our everyday life. In order to make sustainable life easier and more natural for everyone, we are also gradually changing stores and office spaces. As such, Amorepacific Group's yearning for realizing the sustainable life is omnipresent in our everyday life.

**Nature-Friendly
Cosmetics Applicators**

Disposable cosmetic applicators for in-store makeup tests are made mostly of plastic materials. After continuous research on design processing methods and materials with less environmental impact but maintaining same functionality, Amorepacific Group developed four eco-friendly materials as sustainable alternatives for plastic: paper sticks with no PVC coating, pulp sticks made by steaming processes, paper dedicated for food to replace spatulas, and rice sticks made of rice and tapioca. In particular, the rice stick is certified by the Korean Ministry of Food and Drug Safety as an edible substance, so it can be collected as food waste and is biodegraded in nature, realizing the goal of zero waste.



Eco-friendly, biodegradable cosmetic applicators at Amore Seongsu beauty lounge



Amorepacific Group developed four new eco-friendly cosmetic applicators

**'Bye Plastic Bag' –
No More Disposable
Shopping Bags**

Whenever we buy products, we get yet another disposable shopping bag. Then, what about a reusable shopping bag? innisfree created a reusable 'Bye Plastic Bag,' replacing a total of 75,000 disposable shopping bags in 2019. innisfree also collaborated with Toy Story and FILA for the bag design, making environmental preservation more interesting for customers.



Bye Plastic Bag, designed in collaboration with the movie Toy Story

**Energy from
the Sun of Jeju**

innisfree Jeju House became brighter by solar energy, one of major alternative energy sources. The roof of the annex building houses solar panels, sourcing a portion of necessary electrical power resource for its store. As a result, the solar panels produced 33MWh of energy over a year, saving more than 4 million KRW of electricity charge. At innisfree Jeju House, the beauty from nature is brightened by the energy of nature.



innisfree Jeju House with solar panels

75,000 bags 

'Bye Plastic Bag' replaced 75,000 disposable shopping bags with reusable bags

33 MWh 

innisfree Jeju House produced electricity with solar panels

**Eco-Friendly
Visitor Pass**

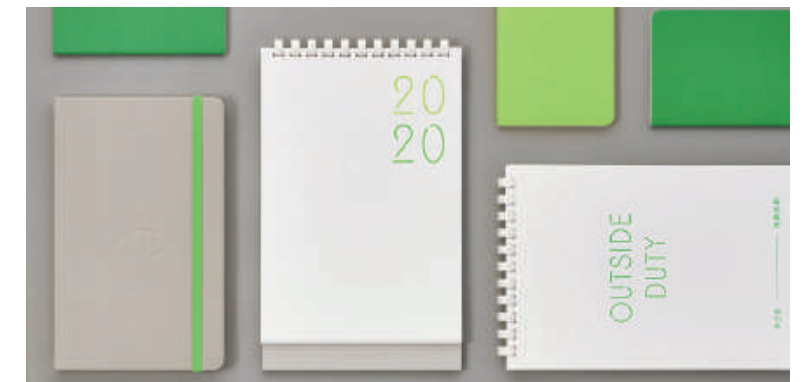
Each day, more than 300 visitor passes are issued at the headquarter of Amorepacific Group, which lose their use-value after the one-time use. To reduce the use of plastic and ink, we developed a visitor pass made of eco-friendly paper. Materializing the essence of 'sustainability', the tidy new visitor pass is printed on FSC-certified paper using micro-3D foil printing technique. Visitors can take their passes, which is decorated with a fine architectural image of headquarter's building.



Eco-friendly visitor pass made of paper with an image of Amorepacific Headquarters building

**2020 Stationery –
A Beautiful
Everyday Reminder of
Our Environment**


The yearly Amorepacific Group stationery set is designed with consideration on environment. Certified paper was used and the amount of paper were minimized by reducing the thickness and the number of pages and meticulously calculating the size of paper to be cut. The calendar used eco-friendly paper for the stand instead of canvas and for the springs, unifying the material for better recyclability. The contents of calendar includes icons for sustainable everyday practice.



Stationery items with environmental themes

300 visitor passes 

More than 300 plastic visitor passes were saved each day thanks to the new paper visitor pass

Eco-Friendly 

2020 stationery items deliver the message of sustainable lifestyle

“We develop Eco Philosophy by applying recycled plastic to the containers of ‘Love the Earth’ environmental campaign products.”

Shin Sunhwa, primera BM Team



PCR plastic comprises 48 percent of the container of primera Alpine Berry Watery Cream and Intensive Cream. The brand chooses materials that generate less environmental impact, avoids subsidiary materials that are difficult to separate for disposal, and enhances recyclability by making it easy to remove labels from containers. With such products that contribute to a sustainable life, the brand is leading the change towards coexistence with nature.

Inclusive Growth

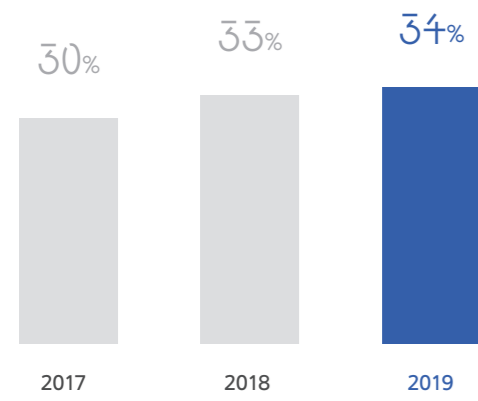
Making a Beautiful, Healthy Workplace Together

Working together with others might make things a bit slower than we often expect. However, we can achieve more by collaborating with partners and colleagues. Amorepacific Group has a deep knowledge about the beauty of going together. We work together with our employees and business partners. We support challenges of our disabled colleagues and walk together with teenagers for their future. We work for the healthy and beautiful life of women around the world and spread the under-recognized values of our neighbors and local communities. Amorepacific Group endlessly reaches out to partners for a more beautiful, great journey towards a better world.

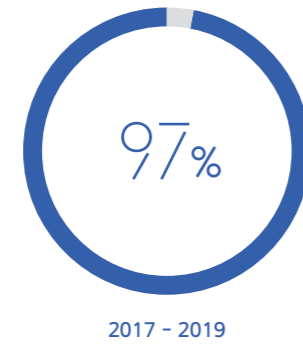
Inclusive Growth Highlight
Major Performance in 2019

Great Workplace

Ratio of women managers

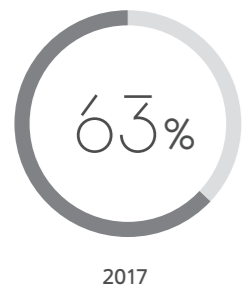


Ratio of local employees in overseas branches

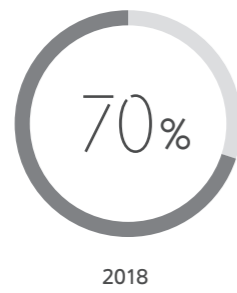


Conscious Business Partnership

Ratio of suppliers that meet the 'good performance' sustainability assessment



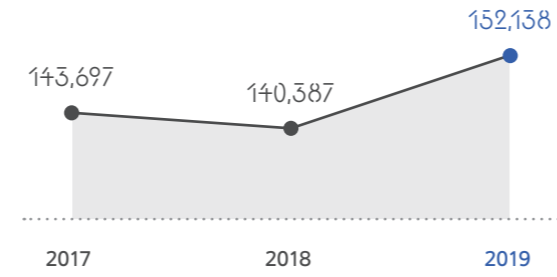
Ratio of business partners who got more than 70 points in the annual sustainability assessment conducted for major business partners



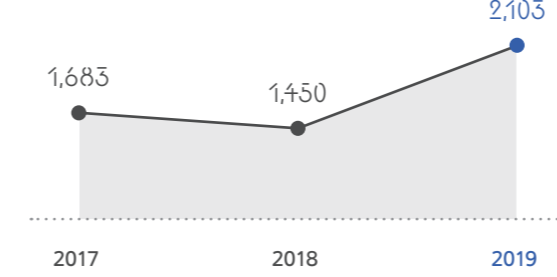
Positive Social Impact

20 by 20 Commitment

Number of Beneficiaries of Women's Health and Well-being Support Programs

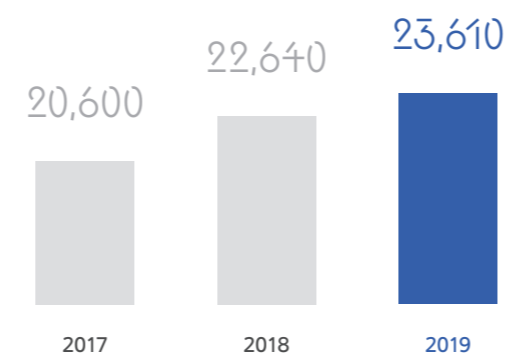


Number of Beneficiaries of Women's Economic Capacity Enhancement Programs

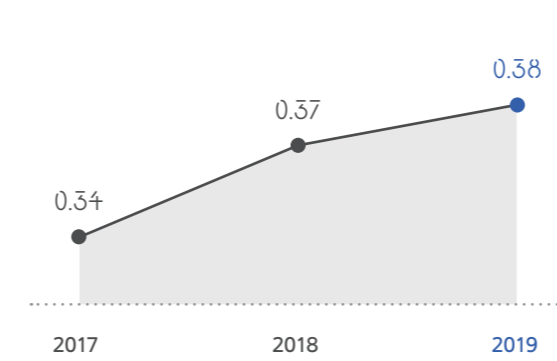


Expenditures on philanthropic activities

Execution amount (KRW mn)



Ratio to sales (%)



How Can We Make A MORE Beautiful Workplace?

Amorepacific Group is striving to make a healthier and safer workplace where social responsibilities are faithfully observed and everyone works in happiness.

Providing safer and healthier workplace, full of opportunities, Amorepacific Group creates a beauty that changes the world.

Safe Workplace for Everyone

At workplaces, safety should be guaranteed for everyone. Having diverse facilities ranging from research and development to production, Amorepacific Group is implementing strict management standards that meet global standards. The safety and health of employees are guaranteed by an objective audit system from both internal and 3rd party.

In 2019, Amorepacific Group instituted 'APG Safety Week' from April 22 to 26. 11,391 employees (including duplicate participation) of Amorepacific Group and suppliers in 12 workplaces participated in the campaign. The campaign raised awareness on safety at workplaces with presentations of accidents and ideas competition as well as demonstrations of personal protective equipment and VR safety training. A total of sixteen programs were provided, strengthening the value of a safer and more secure workplace.



Emergency response training

11,391 employees 

'APG Safety Week' was conducted across 12 workplaces

'AP Pride' – From Compliments to Donations

How powerful can a word of compliment be?

'AP Pride' is a company-wide campaign to relay compliments between employees, building a more intimate organizational culture and expanding into donations and sharing. Through Workplace, an enterprise service provided by Facebook, a total of 1,958 compliments were shared by employees. The compliments with trust and acknowledgement towards coworkers improved the corporate self-esteem and emotional bond. When employees donated their prize money for making compliments, the Group additionally donated the matching amount of money. Facebook also selected 'AP Pride' as an exemplary case of using its workplace solution to "make a pleasant workplace."

Global Ward – A Study Group for Global Knowledge

The first step in capturing the global market is establishing a deep understanding of different regions around the world. 'Global Ward' is an internal, self-driven study group, developing the understanding of the global market and accumulating the big data on respective countries and regions. It was established as a starting point to strengthen Amorepacific Group's global competitiveness. In 2019, a total of 179 employees grouped into 18 teams participated in the program, suggesting and learning diverse subjects including the trends of millennials in Thailand, luxury market in Italy, and trends K-beauty and makeup in Mexico. As a result, Amorepacific Group procured a unique, valuable knowledge on global trends and markets.



Global Ward, an employee-initiated study group

1,958 compliments  18 teams 

Employees shared 1,958 compliments through a relay campaign

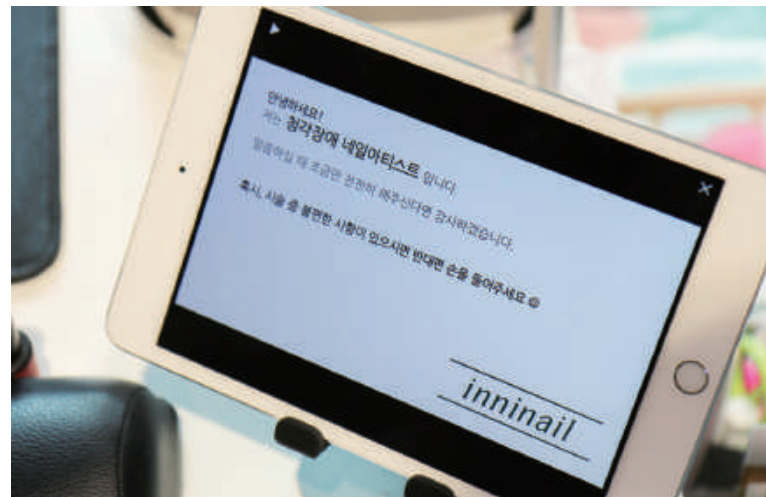
179 employees grouped into 18 teams participated in the Global Ward program

An Inclusive Workplace without Barriers

Everyone has rights to pursue her dreams, and any disability shall not be an obstacle. Through 'WeDream' program, Amorepacific Group hires disabled employees, who are often isolated from the job market, and support their economic independence. More than 70 percent of 'WeDream' employees have severe disabilities and 56 percent are women. They work with confidence as packaging workers at the Amore Beauty Park and health keepers at LAON, the in-house massage center.

In 2019, the Group developed additional job positions, with the launch of a car washing business 'CarOn'. Also, service fees to LAON of more than 46 million KRW were donated to Korea Childhood Leukemia Foundation. 'WeDream' program also donated 5 million KRW to Osan Welfare Center for the People with Severe Disabilities. 'WeDream' was awarded "Workplace of the Year" by the minister of the Ministry of Employment and Labor, and "the citation of excellence in employing disabled persons" by Gyeonggi-do.

innisfree improved diversity of workplace under the slogan of 'Working Together at innisfree,' hiring six employees with severe disabilities as gardeners and nail artists. Female employees with severe hearing disabilities were hired as nail artists at innisfree's corporate welfare facility 'inninail.' Service fees paid by innisfree employees were donated to Autism Society of Korea. In addition, 'inninail Outreach' by nail artists of inninail provided hand care services and 'My Valuable Self - Beauty Class' gave skincare and makeup classes to people with developmental disabilities, supporting them to lead more confident lives.



inninail improved diversity of workplaces by hiring people with severe disabilities

How Can We Find Answers Together?

Even difficult questions can be solved with ease when we work together. The environmental issue is a shared concern beyond any sides or economic interests. Amorepacific Group shares eco-friendly values with our suppliers and business partners, actively finding solutions to environmental issues.

Green Alliance – An Eco-Friendly Value for the Better

In order to respond to the environmental issues more actively and preemptively, Amorepacific Group established 'Green Alliance' program to share sustainable values with suppliers and business partners. In the program, the Group developed green technologies through collaborative research and development, which are the foundations of increasing the capability of the corporation and partners. One of the fruitful outcomes is the development of paper fixtures. Developed by collaboration with Pungnyun Greentech, the fixtures are used in primera's Organience products to replace plastic fixtures.

Amorepacific Group also improved the environmental safety of suppliers. Professional environmental consulting was provided to 9 major suppliers, assessing environmental legal issues and setting up solutions to reduce environmental and safety risks. For second-tier suppliers, the Group implemented self-assessment of safety risks. The Group also supported the purchase of safety gear for suppliers with high-risk duties. Sharing with suppliers the value of sustainable management is paving a robust path for inclusive growth.



Environmental assessment and consulting for suppliers

The Greatest Workplace of the Year



WeDream was awarded by the minister of Ministry of Employment and Labor at the 'Workplace of the Year' award

100 people



'My Valuable Self - Beauty Class' gave classes to more than 100 people with disabilities

24 billion KRW



Financial support for suppliers through Mutual Growth Fund and Mutual Growth Investment Fund

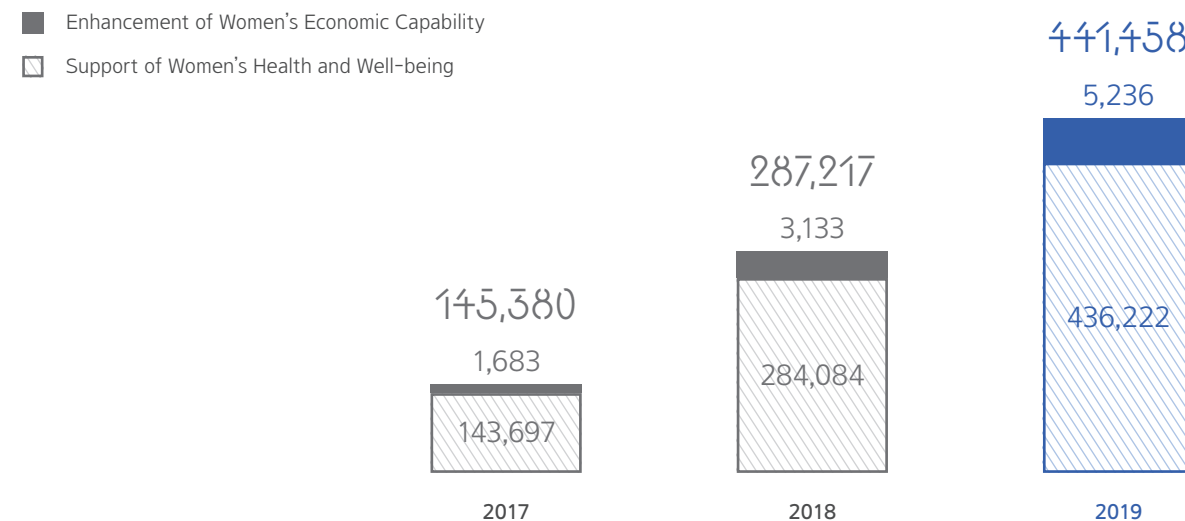
How Can We Make A MORE Beautiful World?

Amorepacific Group cares for every corner of society, to make the world a better place shining with the beauty of individuals. The Group supports the health, wellbeing, and economic empowerment of every woman around the world and endeavors to coexist with neighbors and local communities.

20 by 20 Commitment for A MORE Beautiful Life of Women

Amorepacific Group aims to enhance health, well-being and economic capability of 200,000 women by 2020. '20 by 20 Commitment' is the Group's promise to achieve this goal. Since the Group has grown with women customers and partners, we believe that a healthy, beautiful life of women makes the world a more beautiful place. Through the commitment, the Group is supporting women in Korea and in a number of other countries including China, Singapore, Vietnam, and Malaysia, reducing the mortality rate from cancer of women, enhancing the quality of life of cancer patients, and supporting women's employment and founding new businesses. Moreover, the Group supported UN's 'Every Woman Every Child' campaign, realizing the corporate vision in a broader context. From 2017 to 2019, Amorepacific Group supported a total of 441,458 women, achieving 221 percent of the original goal.

Accumulated Number of Beneficiaries of 20 by 20 Commitment



Revitalize the Daily Life for Female Cancer Patients

Makeup Your Life



Cancer patients suffer from stress caused by the changes in their physical appearance due to chemotherapy. 'Makeup Your Life' is a campaign that offers makeup and skincare lessons to female cancer patients to help them to return to their lives with confidence. Celebrating twelfth anniversary in 2019, the campaign was conducted in Korea, China, Singapore, Thailand, and Malaysia along with 899 volunteers and 1,985 cancer patients for a total of 2,694 hours of service.

Support Breast Cancer-Free Healthy Life

Pink Ribbon Campaign



'Pink Ribbon Campaign' supports every woman to lead a healthy life with more awareness of their body. The campaign raises awareness of breast cancer with 'Pink Run,' a running festival emphasizing the importance of early detection of breast cancer, and 'Pink Tour,' a training program on self-examination of breast cancer. The campaign is expanding beyond Korea to China. 5,000 people participated in 'MORI Run' in Shanghai. Screening service and education of breast and cervical cancers were conducted in ten counties in three provinces, including Ningxia Hui Autonomous Region, Guizhou Province, and Heilongjiang Province. As a result, 19,108 women were examined for breast and cervical cancers, and 82,100 women were provided with free education to raise awareness of the two major cancers in women.

“With various public participation activities like Pink Run, we support healthy life without breast cancer.”

Kim Kisun at CSR Team and An Yujin at Korea Breast Cancer Foundation



Pink Ribbon campaign has been supporting healthy life without breast cancer by raising awareness on breast cancer and early examination. 'Pink Run' is the representative program of the campaign, educating women a way to love their bodies and the importance of healthy habits. Participation fees to Pink Run are donated for operations and care for low-income breast cancer patients, generating a virtuous cycle of participation and donation.

Circular Economy

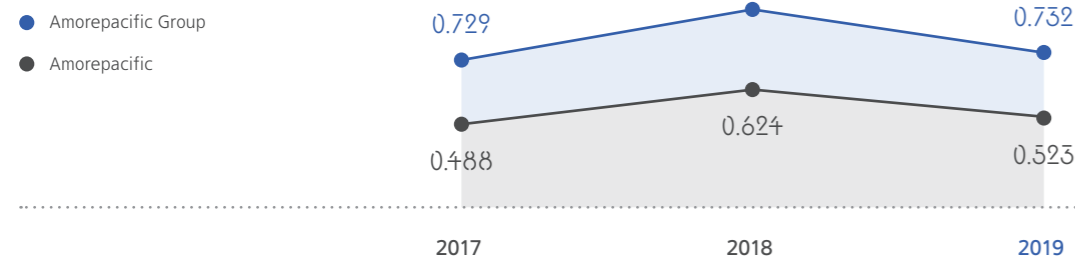
A Beautiful Circulation for Better Future

Global environment and life-threatening climate change is making everyone around the world to work together for solutions. As a global corporate citizen, Amorepacific Group is partaking in the efforts to solve the climate issue by using resources more efficiently and reducing energy use and greenhouse gas emissions.

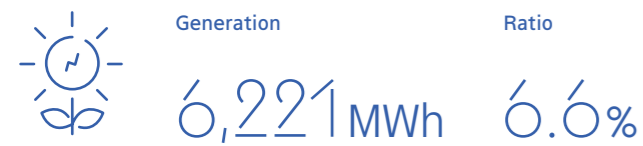
As a result, Amorepacific Group is preserving nature for a sustainable future and realizing a circular economy with a healthy beauty.

Climate Change Response

GHG Emissions Intensity (tCO₂e/tonnes of production)



Renewable energy in Amorepacific

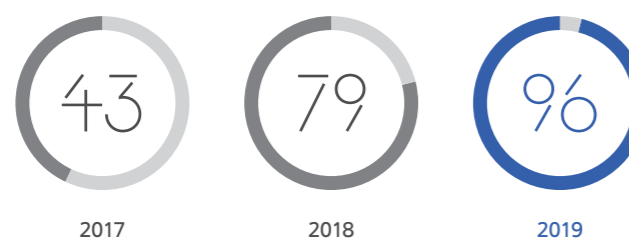


Reduction of GHG emissions per tonnes of production in Amorepacific (Compared to 2015)



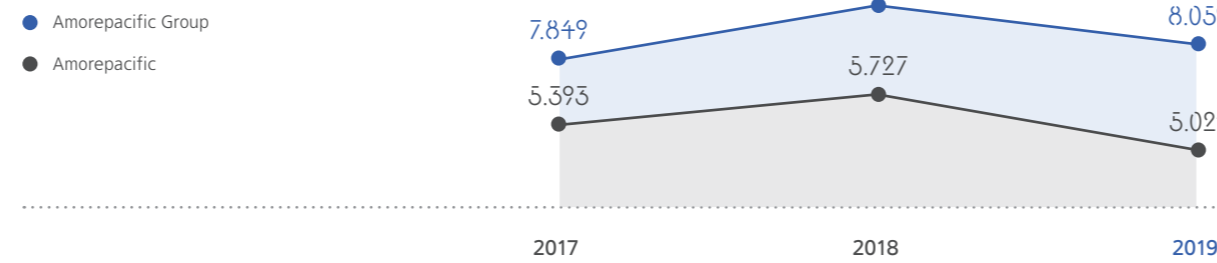
Number of products implementing energy-saving emulsion process

Products made with low-temperature manufacturing technology

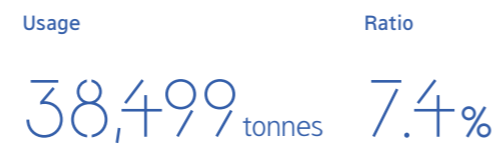


Innovation in Resource Efficiency

Water Use Intensity (tonne/tonnes of production)



Rainwater use in Amorepacific

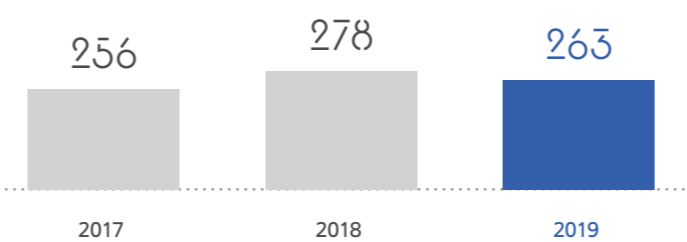


Reduction of water use per tonnes of production in Amorepacific (Compared to 2015)



Amount of empty containers collected (tonne)

Amount of empty bottles collected through GreenCycle campaign



A Beautiful Circulation for Better Future

Global environment and life-threatening climate change is making everyone around the world to work together for solutions. As a global corporate citizen, Amorepacific Group is partaking in the efforts to solve the climate issue by using resources more efficiently and reducing energy use and greenhouse gas emissions. As a result, Amorepacific Group is preserving nature for a sustainable future and realizing a circular economy with a healthy beauty.

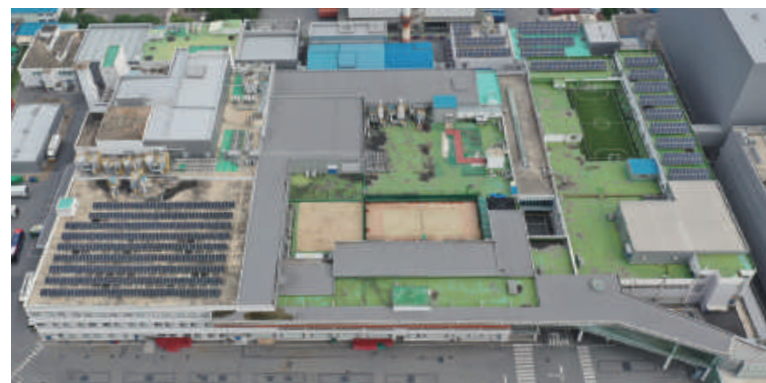
What is the Smart Way to Co-exist with Our Earth?

It is not difficult to preserve our planet and revive nature – increasing the use of green energy, reducing energy waste, and considering environment in everyday life can be more than enough. Now is the time for an action to save the environment of our planet.

Saving Energy, Reducing Greenhouse Gas

Amorepacific Group is leading the way to reduce greenhouse gas emissions by actively implementing renewable energy sources. In 2019, Amorepacific used 6,221 MWh of renewable energy. 6.6 percent of the total electricity consumption of Amorepacific was covered by solar energy. At the Amorepacific Headquarters geothermal, solar photovoltaic, and solar thermal energy accounted 11.2 percent of energy use.

'Energy Innovation Task Force' played a great role in saving energy. To reduce greenhouse gas emissions, lighting at every production and distribution facilities was replaced with LED lighting and AI systems were introduced for better energy efficiency. The facilities include a production site in Shanghai, China as well as distribution centers in Osan and Daejeon, Korea. In 2019, the Group implemented actions to respond to the climate change not only at production sites but also at non-production locations. As a result, Amorepacific Group reduced 3,851 tCO_{2eq} of GHG emissions – 7.4 percent less than the original goal and an equivalent of planting 1.39 million nut pine trees. To implement more professional and systematic responses to climate change, the Group will train a team of 15 energy management auditors.



Daily beauty production site with solar panels

3,851 tCO_{2eq}

The savings compared to expected emissions in 2019



100%

Replacement of lighting into LED at every production sites in Korea

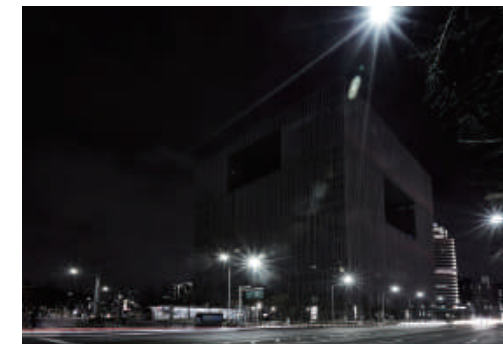


Campaigns to Protect Environment in Everyday Life



'Love the Earth' – A Summer Camp for Children

Protecting the environment is protecting the dreams and hopes of our children. In 2019, Amorepacific Group ran 'Love the Earth', a summer camp to educate children about eco-friendly lifestyle. 31 elementary school students from all around Korea participated in this two-day camp, discovering ways to protect the environment, sharing good influence, and growing into eco-influencers.



'Earth Hour' – An hour without Electric Lights

Amorepacific Group joined a global campaign to turn off non-essential electrical lights at the same time. Major corporate locations including the Group's headquarter participated in the campaign. A company-wide campaign was also implemented, encouraging employees to turn the lights off for an hour at their homes.



'Be Cool' – Saving Energy Together

Amorepacific Group conducted an 'Energy Saving Week' under the theme of 'Be Cool' in order to raise awareness of and encourage energy saving. During the week of campaign, various activities were done to save more energy. A total of 26 energy-saving activities were carried out at different locations, inviting every employee of Amorepacific Group to communicate the importance of saving energy and partake in the action.

I.  LOVE
THE
EARTH

An environment-focused summer camp, inspired by 'Taepyeongyang Green Movement' in 1993

#APEarthhour

Every corporate sites and employees' houses participated in 'Earth Hour'



26 campaigns

Every employee participated in different campaigns to save energy



What is Beautiful Circulation?

Amorepacific Group is striving to seek more efficient and effective ways to respond to the coming climate change. In order to realize this goal, the Group is investing in developing new technologies.

From Green Tea Byproducts to Green Technology Products

Amorepacific's Cosmetics Technology Institute discovered new functionality from green tea byproducts, nearly 200 tonnes being disposed each year. To increase recycling and reduce waste, the institute started a research in 2016 to extract new functional ingredients from green tea byproducts. As a result, 'Green tea polysaccharide powder' and 'Camellia sinensis leaf dietary fiber' were developed and received the Green Technology Certification(Certificate Number GT-19-00682). Thanks to the green technology, more than 90 percent of waste was reduced from the production process of green tea-based dietary supplements. VITALBEAUTIE's product 'Meta Green'(Certificate Number GT-19-01505) contains these functional ingredients extracted from green tea.

Upcycling Beauty, Found in Ingredients of Beer

innisfree initiated 'Upcycling Beauty' campaign to discover cosmetics ingredient from discarded resources. innisfree collaborated with Jeju Beer and discovered brewer's spent grain – a residue of barley and flour – as a raw material for hair and body care products. In addition, innisfree is continuing its effort to enhance the infrastructure of upcycling beauty.



innisfree's upcycling beauty products containing brewer's spent grain

90%



Thanks to the development of functional ingredients from green tea byproducts, more than 90 percent of waste was reduced



'Meta Green' is the first dietary supplement in Korea with a 'Green Technology Product' certificate



Can We Give Back the Power of Nature?

Every day, we gain a lot, owing to exploiting nature. Amorepacific Group endeavored to return these benefits to nature, which led to the preservation of biodiversity. Efforts to rejuvenate organic ginseng cultivation and use it as a beauty ingredient is the Group's new beautiful challenge.

A Beauty found in organic Ginseng

Amorepacific Group has a particular interest in Korean ginseng. The Group concentrates on maintaining agricultural sustainability and organic production of ginseng for the sake of safety of customers.

Amorepacific Group set out the 'Beauty Ginseng' plan to develop an optimal ginseng breed for cosmetic products and acquire techniques to cultivate organic ginseng. In 2018, the Group signed a contract for an approximately 1,000m² ginseng field with a farm in Anseong, Korea, and planted one breed of Panax ginseng and four potential new breeds. This is the first step for an experiment that requires more than four years of meticulous tracking. The Group's challenge for the organic, non-pesticide and highly functional 'Beauty Ginseng' has just started.



A ginseng farm developing a strong new breed for cosmetics

60%



Amorepacific Group uses 60 percent of organic ginseng produced in Korea (by area of production)

“To reflect on how precious our planet is, Amorepacific turned the lights off for an hour.”

Lee Haengjin, SHE Team



The participation to Earth Hour happened at different business locations as well as homes of the Group's employees, providing an opportunity to reflect on the weight of the impending climate change. As a way to partake in the positive change, Amorepacific Group will expand the participation in Earth Day to the Group's locations around the world.

Changes for Coexistence

Maintaining a clear direction is crucial in leading a journey. Although stopping from time to time or making detours, the compass always has to point to the direction of destination. The reasons and goals of the journey have to be constantly reminded to reach the destination with new possibilities.

Where is the destination the beautiful journey of Amorepacific Group has reached? We showed that beauty can change the world, by developing innovative products, enhancing customer experiences, innovating digital assets and spreading global networks. In 2019, we continued the beautiful journey towards sustainable management, discovering the future value of coexistence and inclusive growth. Facilitating such values, we will continue our efforts to make A MORE Beautiful World.

Innovative Products

Amorepacific Group has been loved by the customers over the decades, thanks to innovative new products that strengthen the brand's identity. The advanced technologies accumulated through years of research lead the evolution of the products, enabling us to lead the cosmetics market by launching new brands and products that reflect market trends and customer needs.



Delivering Brand Values with Innovative Products

Amorepacific Group is strengthening its competitiveness by developing innovative products that deliver the core values of the brands. Sulwhasoo focused on the marketing of anti-aging products. HERA released innovative make-up products such as 'Black Foundation.' IOPE released 'The Vitamin C23 Ample,' a lab-based functional skincare product, showing its outstanding technological capabilities.



'Ice Beauty' Skincare

Amorepacific Group launched a number of new skincare products under the category of 'Ice Skincare', an innovative technology developed after years of research. These products are to be used in a half-frozen condition on hot summer days. 8 brands launched the 'Ice' products, including HANYUL's 'Moonlight Citron Sleeping Mask.'



Targeting diverse market segments

In 2019, Amorepacific Group launched new brands to target the segmenting domestic cosmetic market and capture the Millennials. CUBE ME, the inner beauty brand, launched various products for different skin concerns. The amples and chewable tablets were sold at more than 700 online and physical stores, within a year of launching. We also launched BLANK, a makeup brand targeting different tastes with stylish designs, and Be Ready, a makeup brand for men of Gen-Z.



Surfactant-free Emulsifying Technology

Amorepacific R&D Center acquired NET(New Excellent Technology) certificate for the microemulsion technology. This unique emulsifying technology uses hydrophilic capsules to stabilize oil without surfactant, employing technologies from both cosmetics production and medicines.

Digital Innovation

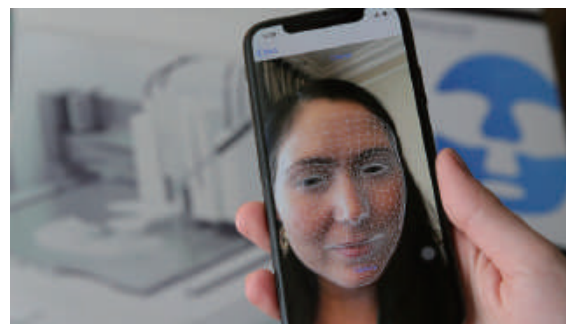
Digital transformation has become inevitable and is a core growth engine to enhance the future value in the midst of the Fourth Industrial Revolution. Amorepacific Group has implemented aggressive and preemptive measures to lead digital transformation by building a business environment based on big data, launching innovative products and services that incorporate digital technologies, and strengthening digital capabilities of our employees.



A business agreement ceremony with Alibaba Group

MOU with Alibaba Group

In September 2019, Amorepacific Group signed an MOU with Alibaba Group to expand its digital business. A collaboration office 'A2 Hangzhou Camp' has opened nearby Alibaba Group Campus in Hangzhou, where we executed big data-based consumer research and developed new products with Tmall Innovation Center. Also, 'Amorepacific x TMIC Innovation Plant' was established to develop, distribute and communicate products specialized in the Chinese market.



3D Printed Tailored Facial Mask Pack

3D Printed Tailored Facial Mask Pack Wins CES Innovation Award

At CES(Consumer Electronics Show) 2020, Amorepacific Group introduced a facial mask 3D printing system, which enables printing of a tailor-made hydrogel mask that matches the facial size and skin characteristics. The technology won the CES Innovation Award. We also exhibited 'LED Flexible Patch', a patch-shaped LED module that closely attaches to skin to provide personalized deep skincare.



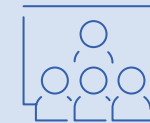
Sulwhasoo's digital pop-up store

Digital Marketing for Sulwhasoo and Osulloc

Sulwhasoo implemented on-line and off-line digital marketing campaigns 'BLOOMSTAY', a digital pop-up store for 'Sulin Cream' provided a variety of contents to customers. At physical stores, 'Into Bloomstay' events gave customers opportunities of VR experience of a mysterious plum tree garden. Osulloc revamped its website. The brand introduced an AI-assisted automation solution in its promotion activities, providing customized product recommendations.

Digital Transformation

Amorepacific Group aims to transform into a 'digital beauty company' to adapt to the 'On-Life' era. In 2019, the Group strengthened the foundation for digitization by establishing and implementing missions in different digital domains with a focus on the domestic market. In the coming years, the Group will also expand digital establishment in other countries. To achieve these, the Group will also accelerate e-commerce growth and optimize the omnichannel experience in 2020, and offer a personalized omnichannel experiences in 2021.



Build a Dedicated Digital Transformation Organization

- A dedicated digital transformation team directly responsible to the Chief Digital Officer
- Guiding and implementing digital transformation goals in business sectors and brands
- Establishing and expanding exemplary cases in different digital domains



Hire and Nurture Digital Workforce

- Strengthening and implementing capabilities for data-driven management
- Providing customized learning paths based on educational levels of the Group's digital academy
- Providing data literacy education
- Organizing digital conferences



Collaborate with Outside Partners for Strengthening Digital Capabilities

- Big Data Analytics at Alibaba Cloud
- Cloud Storage Services at Amazon Web Services



Digitalization Goals for Different Value Chains

| Category | Plan | Key Details |
|--------------------------|--|--|
| Planning | Enhance customer insight | - Young Millennial customers - Chinese Tmall-Taobao customers |
| Production/ Distribution | Increase efficiency of demand prediction and distribution system | - Improving order confirmation rate with advanced demand prediction algorithm |
| Marketing / Sales | Enhance digital marketing | - Advanced performance marketing - Better omnichannel experience - Better personalized experience through more diverse measures, such as subscription services |
| | Optimize customer experience in digital stores | - Advanced target marketing of AP Mall customers |
| | Increase growth of brands in other commercial premises | - Stronger partnership with domestic and international e-commerce markets (Amazon and Tmall) |
| Customer Service | Enhance CRM | - CRM personalization and automation |

Better Customer Experience

Amorepacific Group offers new and diverse experiences to customers. At the stores of Amorepacific brands, customers can experience different products and actively find their own beauty. Moreover, they can get makeup done by a professional and create their own products. The stores even hold concerts for customers. Amorepacific Group will continue the efforts to communicate beauty with customers.



Opening of Amore Seongsu

In October 2019, Amore Seongsu opened the doors to public as a new kind of beauty lounge that presents a novel spatial experience for customers. The place does not focus on the sales of products. Rather, it is a space where customers can experience diverse products from more than thirty Amorepacific brands.



Renewal of innisfree's Gangnam Flagship Store

innisfree renovated its Gangnam Flagship Store with a concept of 'nature in urban space.' The flagship store provides experiential contents such as 'My Recipe Bar,' where customers can produce their own cosmetics.



ARITAUM 'Pro Makeup Studio'

ARITAUM launched 'Pro Makeup Studio,' a new kind of store run by professional makeup artists. Customers can experience and purchase carefully selected products, along with professional makeup services.

AMOS 'Hair Design Concert'

AMOS held numerous concerts dedicated to its hair care products for professional customers in July and October 2019. Held in five major cities in Korea with hair designers from more than 3,500 hair salons, the concerts introduced practical and trendy hair technology guidelines.

AESTURA at More Stores

AESTURA, a medical beauty brand that previously focused on professional distribution channels, renovated itself as a consumer brand. The brand is now available at more than 1,500 Olive Young and ARITAUM stores. In addition, the brand also launched its own online store to raise customer accessibility.

Global Expansion

To fortify positions in the global market, Amorepacific Group strengthened ties with global retailers and distributors. In Europe and North America, we established status as a global brand by entering local distribution chains and retail stores. In Southeast Asia, we signed MOUs with leading e-commerce companies, Lazada Group and Alibaba Group, to enhance the foundations of online business. Through such partnerships beyond boundaries, Amorepacific Group spreads out to the wider world.



U.S.A

Strategic Partnership with 'Milk Makeup'

Cooperation and support for global expansion of the cruelty-free, 100% vegan 'clean beauty' brand

Sulwhasoo at Sephora

Available at stores in major US cities and sephora.com

Mamonde at Ulta Beauty

Available online and at more than 200 stores in USA

Europe

LANEIGE at Sephora

Available at more than 800 stores in 18 countries, including France, Spain, and Italy

Southeast Asia

MOU with Lazada Group and Alibaba Group

Partnerships to deploy e-commerce networks in Southeast Asia and China, strengthening digital business capabilities

Financial Performance

Amidst the long-term low-growth trend of the world economy that continued in 2019, Amorepacific Group strived to find ways through challenge and innovation. Innovative product development and digitization provided new experiences to customers. Active expansion in the international market and diversification of distribution channels enriched the foundation for growth.

Innovative new products of the brands brought new energy to the market. New brands targeting Millennials and Generation Z took the trend initiative. We also continued efforts to facilitate our future growth engine in Southeast Asia, Europe, and North America. With the main principle of ‘customer-centered management’, we pushed forward the agendas of ‘innovative product development’, ‘customer experience enhancement’, and ‘digitalization.’ As a result, revenue totaled 6,284.3 billion KRW, increasing 3.4 percent over last year. Operating profit totaled 498.2 billion KRW, decreasing 9.3 percent over last year.

Amorepacific Group Financial Performance

Unit: KRW bn

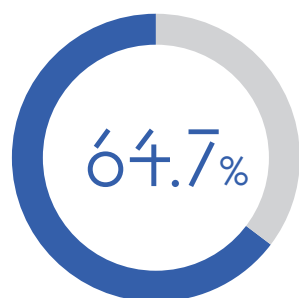
| Category | 2017 | 2018 | 2019 |
|------------------|---------|---------|----------------|
| Revenue | 6,029.1 | 6,078.2 | 6,284.3 |
| Operating Profit | 731.5 | 549.5 | 498.2 |
| Net Profit | 489.5 | 376.3 | 282.4 |

Amorepacific Financial Performance

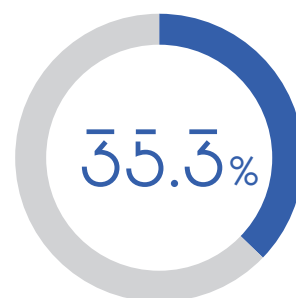
Unit: KRW bn

| Category | 2017 | 2018 | 2019 |
|------------------|---------|---------|----------------|
| Revenue | 5,123.8 | 5,277.8 | 5,580.1 |
| Operating Profit | 596.4 | 482.0 | 427.8 |
| Net Profit | 398.0 | 334.8 | 223.8 |

Revenue from
Domestic Business



Revenue from
Overseas Business



Amorepacific

Amorepacific, a major subsidiary of Amorepacific Group, actively responded to the changes of distribution structure in the market. Physical stores focused on enhancing quality in response to the growing online market while the brand's online mall focused on growth. As a way to strengthen communication with customers, 'Amore Seongsu' was launched as a space for customers to experience every brand of Amorepacific Group. We also focused on promoting digital pop-up stores and SNS channels, establishing direct communication channels that are up-to-date with customers. Sulwhasoo, LANEIGE, primera, HANYUL, and Ryo launched innovative new products, bringing new energy to the market and laying foundations for growth. In the international market, we paved ways to brand expansion and entrance to new markets with a heavy focus on five major global brands – Sulwhasoo, LANEIGE, Mamonde, innisfree, and ETUDE, driving growth through qualitative means.

Domestic Cosmetics Business

In cosmetics business, We maintained growth by attracting customers with the launch of innovative product lines that deliver the core brand values and flexibly responding to diverse distribution channels encompassing online stores, multi-brand retailers and duty-free shops. In 2019, the total revenue from domestic cosmetics sales engrossed 2,997.3 billion KRW, increasing by 5.7 percent over last year. Sulwhasoo strengthened its key anti-aging product line and launched pop-up stores emphasizing digital experiences to fortify its position as a leading luxury brand in the Korean market. HERA launched an array of new facial and lip makeup products, along with aggressive SNS marketing and entering multi-brand retailers. LANEIGE enhanced its brand competitiveness by reinforcing its key moisturizing products while focusing on communicative digital contents. IOPE launched innovative new skincare products to establish the foundation for growth as a lab-based functional skincare brand. We also launched smaller-scale brands to capture the diversifying trend of the Korean cosmetics market, including BeREADY, a makeup brand for men and BLANK.

Domestic Daily Beauty & OSULLOC Business

Daily Beauty & OSULLOC generated a total of 520.7 billion KRW revenue, increasing 1.5 percent over last year. In 2019, Daily Beauty & OSULLOC pushed forward the continued emphasis on the competitiveness of the brand and digital channels, establishing the ground for growth. In particular, Ryo secured its position as a premium haircare brand in the market by expanding the sales of key products. Meanwhile, OSULLOC, started anew as an independent subsidiary of Amorepacific Group, maintained its reputation as a premium tea brand.

International Business Activities

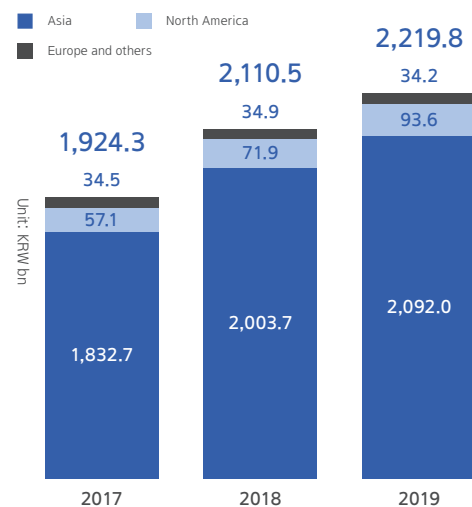
Corporate presence in the international market is a growth engine for future business, which requires long-term and consistent investment. We established paths for brand expansion and entering new markets, focusing on the five major global brands – Sulwhasoo, LANEIGE, Mamonde, innisfree, and ETUDE.

In Asian countries, Sulwhasoo, LANEIGE, and innisfree maintained consistent growth by launching innovative products and collaborating with global business partners, providing grounds for qualitative growth. Brands portfolio became more diverse and our brand competitiveness became stronger thanks to the expansion of digital marketing. In addition to the existing Chinese and ASEAN markets, we accelerated expansion into the new Asian markets, including India and Australia. As a result, the revenue generated in Asian countries totaled 2,092 billion KRW with an increase of 4.4 percent over last year.

In North America, skincare brands maintained consistent growth. The revenue totaled 93.6 billion KRW, increased by 30.1 percent over last year. LANEIGE products are now available at Sephora stores, expanding grounds for continued sales growth. innisfree made a debut in multi-brand retailers in North America. The brand also expanded its customer interface by launching its first flagship store in Canada. primera also debuted in the North American market, strengthening the brands portfolio in the region.

Due to the decline in the fragrance business in France, the revenue generated in European countries slightly decreased to 34.2 billion KRW. However, LANEIGE laid a foundation stone for expanding in the European market by entering eighteen countries through multi-brand retailers.

Amorepacific Overseas Revenue



innisfree

Despite difficult market circumstances with stale roadshop sales, innisfree widened the launch of natural and functional products to attract Millennial customers. To strengthen customer experience, Gangnam Flagship Store was opened and Jeju House, the site to experience the island's heritage, opened after renewal.

ETUDE

ETUDE decreased the number of company-operated stores in response to stale sales of the roadshop channel, and focused on its digital channels to overcome the situation. In particular, ETUDE launched ingenious products in collaboration with other brands such as KitKat and Disney, enhancing product competitiveness.

espoir

espoir maintained consistent revenue growth through sales at multi-brand retailers. The brand strengthened its image as a professional makeup brand, providing makeup suggestions at each quarter and providing personalized products and services via its showrooms and SNS channels.

AESTURA

With the launch of '365 Line,' AESTURA diversified its product categories and expanded multi-brand retailer channels, continuing trend of growth. It also increased brand awareness through continued digital marketing, collaborating with influencers and naming new models to represent the brand.

AMOS Professional

To gain dominance in the highly competitive hair product market, the brand renewed its representative 'Feel the Green Tea' product line and newly launched 'Moist Essence'. The brand also strengthened digital communication by launching 'AMOS TV,' a video content platform for professional hair care.

Performance of Subsidiaries

Unit: KRW bn

| | | 2018 | 2019 | YoY |
|-------------------|------------------|-------|-------|---------------------|
| innisfree | Revenue | 598.9 | 551.9 | -8% |
| | Operating Profit | 80.4 | 62.6 | -22% |
| ETUDE | Revenue | 218.3 | 180 | -18% |
| | Operating Profit | -26.2 | -18.5 | Reduced loss |
| espoir | Revenue | 42.1 | 46.7 | 11% |
| | Operating Profit | -1.8 | 0.1 | Positive turnaround |
| AESTURA | Revenue | 100.1 | 111.1 | 11% |
| | Operating Profit | 0.9 | 6.8 | 655% |
| AMOS Professional | Revenue | 84.5 | 83.4 | -1% |
| | Operating Profit | 17.1 | 16.8 | -2% |

Major Awards and Recognitions

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

DJSI Korea Index
for 10 Consecutive Years



FTSE4Good Index
for 9 Consecutive Years

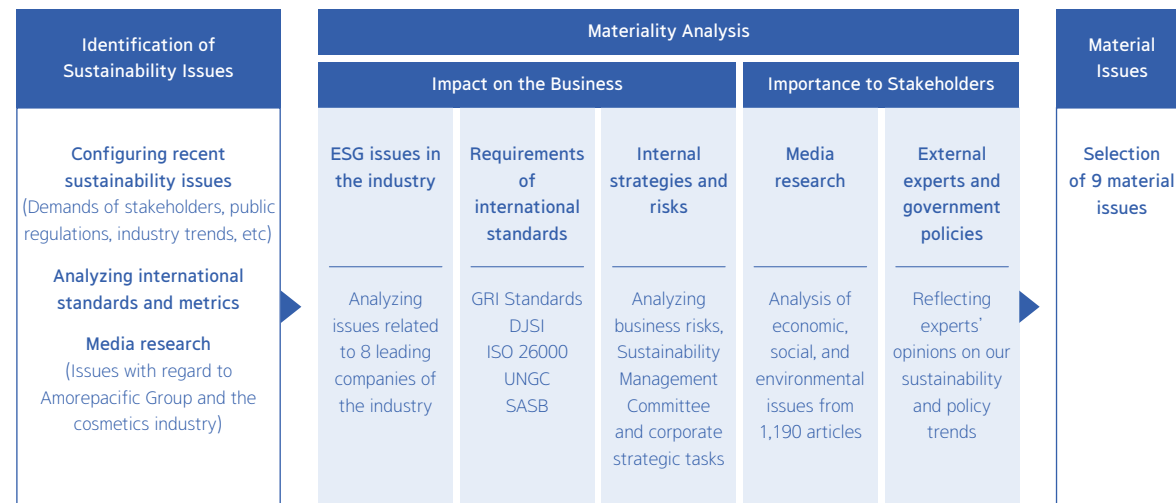


MSCI ESG Rating
Class A

Sustainability Management System

Materiality Analysis

Amorepacific Group carried out the materiality analysis in order to gain an accurate understanding of importance to stakeholders and impact on the business and use it to better achieve our sustainability goals. In compliance with the reporting topics recommended by GRI Standards, the analysis comprehensively included the perspectives of external stakeholders and media, domestic and global social and economic issues, and key issues regarding our business.

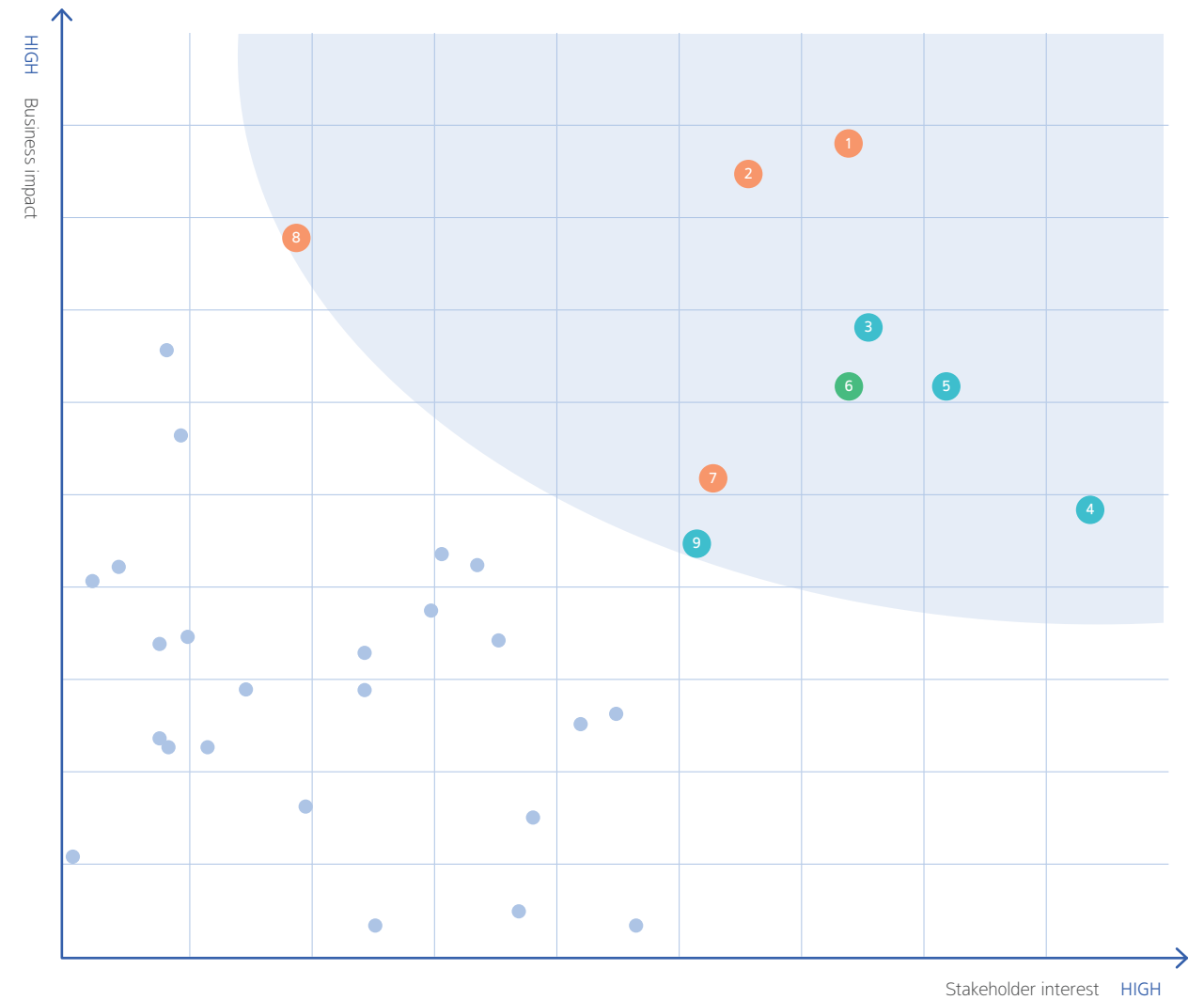


Impact on the Business

We carried out an analysis of major sustainability reporting issues in the industry, international standards, Amorepacific Group's internal strategies, and business risks. As a result, we identified the following as core issues: response to climate change, promotion of resource circulation, strengthening product sustainability, water resource management, respect for human rights and diversity, and enhancing employees' health and quality of life.

Importance to Stakeholders

To understand what is important to stakeholders, we analyzed media coverage, government policy trends, and experts' opinions related to Amorepacific Group. Our analysis of 1,190 media articles on the Group published between January 1 and December 31, 2019 identified several key issues including CSR activities such as '20 by 20 Commitment', economic outcomes, and innovative sustainable technologies. The 2019 Sustainability Report presents issues drew from various media coverages as well as our activities in response to government policies and demands of external experts.



| NO | Material Issue | Cost | Profit | Risk | 2020 Commitments | GRI Topic | Page |
|----|---|------|--------|------|---|---|--|
| 1 | Enhancing sustainability of products | ○ | ○ | ○ | Sustainable lifestyle | Customer health and safety | 20, 80 |
| 2 | Promoting circulation of resources | ○ | ○ | ○ | Sustainable lifestyle Circular Economy | Customer health and safety, Effluents and waste | 20-29, 46, 103-104 |
| 3 | Improving health, safety, and quality of life of employees | ○ | | ○ | Inclusive Growth | Occupational health and safety | 34, 83, 85-87 |
| 4 | Supporting suppliers' growth and development | | | ○ | Inclusive Growth | Supplier social environmental assessment | 37, 90-93 |
| 5 | Respecting human rights and diversity of employees | | | ○ | Inclusive Growth | Human rights assessment | 36, 84 |
| 6 | Minimizing the impact by corporate activities on global warming | ○ | | ○ | Circular Economy | Energy, GHG emissions | 42-45, 99-101, 105 |
| 7 | Technological innovation and innovative products | | ○ | | Sustainable lifestyle | N/A | 46, 52-57 |
| 8 | Strengthening product safety | ○ | | ○ | Sustainable lifestyle | Customer health and safety | 27, 80 www.apgroup.com/int/ko/sustainability/sustainable-life/incorporating-sustainability-into-new-products/stronger-product-safety.html |
| 9 | Promoting CSR activities aligned with the businesses | | | ○ | Inclusive Growth | Indirect economic impacts, Local communities | 38-41, 81-82, 94-98 |

Stakeholder Engagement

Amorepacific Group defines stakeholders comprehensively, 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 communicating with stakeholders and report them in our Sustainability Report transparently.

| Stakeholders | Communication Channels | Frequency | Key Opinions | Measures Taken |
|-------------------|---|--------------------------------|--|---|
| Customers | Corporate and brand website, SNS | On demand | Strengthen products and customer services | Expand the executives' and employees' accessibility to VOC through CGAP digital exhibitions |
| | Customer Service Center | On demand | | |
| Employees | Employee engagement survey | Once a year | Strengthen internal corporate communication on sustainability performances | Corporate engagement enhancement workshops Communication channels and participation opportunities enhancement |
| | Regular labor-management council | Once per quarter | | |
| | In-house online community (Workplace, survey, etc.) | On demand | | |
| Shareholders | Annual General Shareholders' Meeting | Once a year | Establish appropriate corporate value Enhance shareholder values Promote corporate accessibility | Quarterly and yearly earnings release Shared mid to long-term business strategies Presented market trends and future outlook Expanded 1:1 meetings with shareholders and investors |
| | Quarterly performance announcement conference calls | Once per quarter | | |
| | Domestic/Overseas investor conferences and NDR(Non Deal Realshow) | Two to three times per quarter | | |
| | Face-to-face meetings and conference calls for investors | On demand | | |
| | IR website and IR representative email account | On demand | | |
| | e-Disclosure system | On demand | | |
| Local communities | Local consultative meetings | On demand | Strengthen coexistence with local communities Act for '20 by 20' commitment Suggestions on collaborations or financial sponsorship Expand a sharing culture | Community based problem-solving activities Discovered partners to solve problems in local communities Promoted collaborative projects with local businesses Strengthened cooperation with major institutions in CSR sector |
| | BOD meetings of foundations | Once a year | | |
| | CSR portal sites SNS | On demand | | |
| | A MORE Beautiful Day | Once a month | | |
| Business partners | Mutual growth general meetings (for each sales channel) | Once a year | Strengthen customer experience Support business activities and establish inclusive growth culture | Strengthened the synergy of omnichannel networks Collaborative research and development, fundings and human resource support |
| | Win-Win practice seminar and general meeting | Once a year | | |
| | Business partners satisfaction survey | Once a year | | |
| NGOs | Talk with stakeholders | Once a year | Transparent disclosure Active responses to the climate change Resolution of plastic waste issues | Participated in the disclosure of ingredients of fragrances Participated in the Earth Hour event |
| | Collaboration and sponsorship | On demand | | |
| | Meeting with Korea Cosmetics Association | On demand | | |

Talk with Stakeholders



Talk with stakeholders

Since 2011, Amorepacific Group has been hosting the annual 'Talk with stakeholders.' In 2019, we invited our customers, NGO members, journalists, academics, and experts to share to discuss the topic 'What do future customers want from Amorepacific?' The event took place on October 15, 2019. The Group shared strategies to respond to the future customers, such as the establishment of sincere communication strategies in response to the new consumption paradigm and changing market situations as well as precise delivery of information through influencer networks.

What Do Future Customers Want from Amorepacific?

Panels Kang Junghwa (President, The Voice for Consumers), Cho Yoonmi (Director, C&I Consumer Research Institute), Choi Jihyun (Cosmetics critic), Kim Hakkyun (Professor, Sungkyunkwan University), Ko Seungyeon (Journalist, DongA Ilbo Future Strategy Research Institute)

Main Topics

- Topic 1 Understanding the New Consumption Paradigm and Assessing the Changes in Cosmetics Market**
- Introduction of the new lifestyles and consumption trends of the new consumer generation in the domestic and international markets
 - Assessment of changing consumption patterns in the diversified market environment with expansion of e-commerce and SNS
- Topic 2 Establishment of the Group-wide Response Strategy for the Future Consumers**
- Preemptive responses and practical goals to respond to the change of the consumer paradigm
 - Finding ways for establishing two-way communications with customers under the changing situations of distribution

Achievements and Future Goals

Understanding the New Consumption Paradigm and Assessing Consumer Trends

Digital-native Gen-Z consumers seek value and experience in consumption. They also have the culture of fandom. In addition, there are issues of misunderstanding and distrust caused by the incomplete information circulating on SNS and rise of influencer marketings, which raises the need for fostering appropriate judging abilities.

Amorepacific Group's Strategy to Respond to the Shift of Future Consumer Paradigm

As a leading company in the cosmetics industry, Amorepacific Group will continue its effort to generate a sustainable business environment by resolving potential risks caused by incomplete information such as misunderstanding of chemicals used in cosmetic products. To achieve the goal, the Group will establish strategies to communicate with customers using various means including one-person media platforms. The Group will also facilitate ways to deliver information for building a safe consumer environment by networks with influencers.

Business Ethics

Amorepacific Group continuously updates the Code of Ethics 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. In addition, the Group also conducts with diverse campaigns, education, and survey for employees, all of which intend to realize the social and ethical responsibility as a corporate citizen.

Reestablishment of Code of Ethics

Amendment of Code of Ethics

In order to respond to the changed business environment and social responsibilities, Amorepacific Group amended the code of ethics. As a result, the Group elevated the responsibility of unethical actions by our members and heightened the restriction of actions against the social consensus. The newly amended code of ethics also reflected the changed laws and regulations. The new code of ethics is applied in all subsidiaries of the Group in Korea. A campaign on the new Code will be implemented to enhance the ethical awareness of the Group's employees.

Changes in the Code of Ethics

New articles: Establishment of sound working environment, Compliance to laws and social norms
 Strengthened articles: Prohibition of corruption and private gains, Avoidance of conflict of interest, Protection of trade secret and information security, SNS activities guide

Establishment of the Ethical Action Guide

- AP Employee Dining Guide**
 The new edition of AP Company Dinner Guide recommends staff dining without alcohol. The guide also recommends that after-work dinners shall be notified at least one week prior to the events and end before 9 p.m. In addition, after-work dining events are monitored on a monthly basis to encourage employees' compliance to the guide.
- Guide to Prevent Workplace Harassment**
 The Korean Labor Standards Act was amended on July 16, 2019, to add the ban on workplace harassment. To comply with the amended law and enhance the understanding of employees, a guide was established to prevent potential risks and generate a sound corporate culture.
- Guide to Prevent the Conflict of Interest**
 The Group strengthened an assessment process to detect potential conflict of interest, requiring employees to apply strict measures on the conflict of interest and follow the 'principle of self-disclosure.' As a result, the Group enhanced the clear and fair process of nominating and selecting suppliers.
- Gentle AP(Business Manner) Guide**
 In order to enhance the inclusive growth of our suppliers and business partners and prevent disrespectful and unethical behaviors, an action guide was created to facilitate proper business manners.

Implementation of Business Ethics

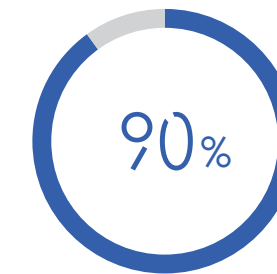
Campaigns

As a result of the 'AP Staff Dining Campaign,' there are less additional after-work dinners after 9 p.m. In addition to the 'No Gift Exchange Campaign,' the Group also operates a center to report bribes to eliminate unnecessary exchange of gifts and favors. The Group's 'Ethics Hot Line' also has contacts to report sexual harassment and workplace harassment.

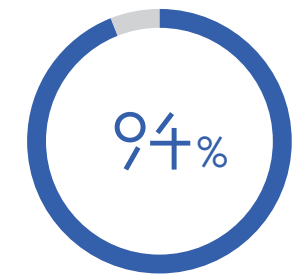
Education

In 2019, Group-wide online education was implemented to enhance the awareness of Business Ethics and major compliance guides. In the first half of 2019, the Group operated the 'AP Corporate Ethics Online Education' on business manners, conflict of interest, internal and external corporate communication. In the second half of the year, the Group implemented education sessions on 'Workplace Harassment Prevention.' New employees, promoted employees, newly appointed team leaders, and employees sent to overseas for the first time also receive off-line education sessions.

Completion Rate of Online Education



Participation Rate of Pledge for Business Ethics



Group-wide Ethical Awareness Survey

Amorepacific Group is conducting group-wide surveys every year in order to assess awareness of employees and draw issues to enhance ethical management, surveying culture of after-work dinners, sexual harassment, business manners, protection of trade secrets, and management of reputation. Organizations with potential risks or who need improvement go through consultation and education, preventing risks related to ethical issues.

Ethics Education and Campaigns at Amorepacific China

Amorepacific China conducted sixteen education sessions on workplace sexual harassment, prohibition of employment discrimination, protection of intellectual properties and trade secrets, and prohibition of bribery. Online education sessions were also conducted with the same subjects, followed by the signing of the Pledge for Business Ethics.

Number of Participants in Education and Compliance



Reporting of Unethical Conduct by Stakeholder Groups (2019)¹⁾

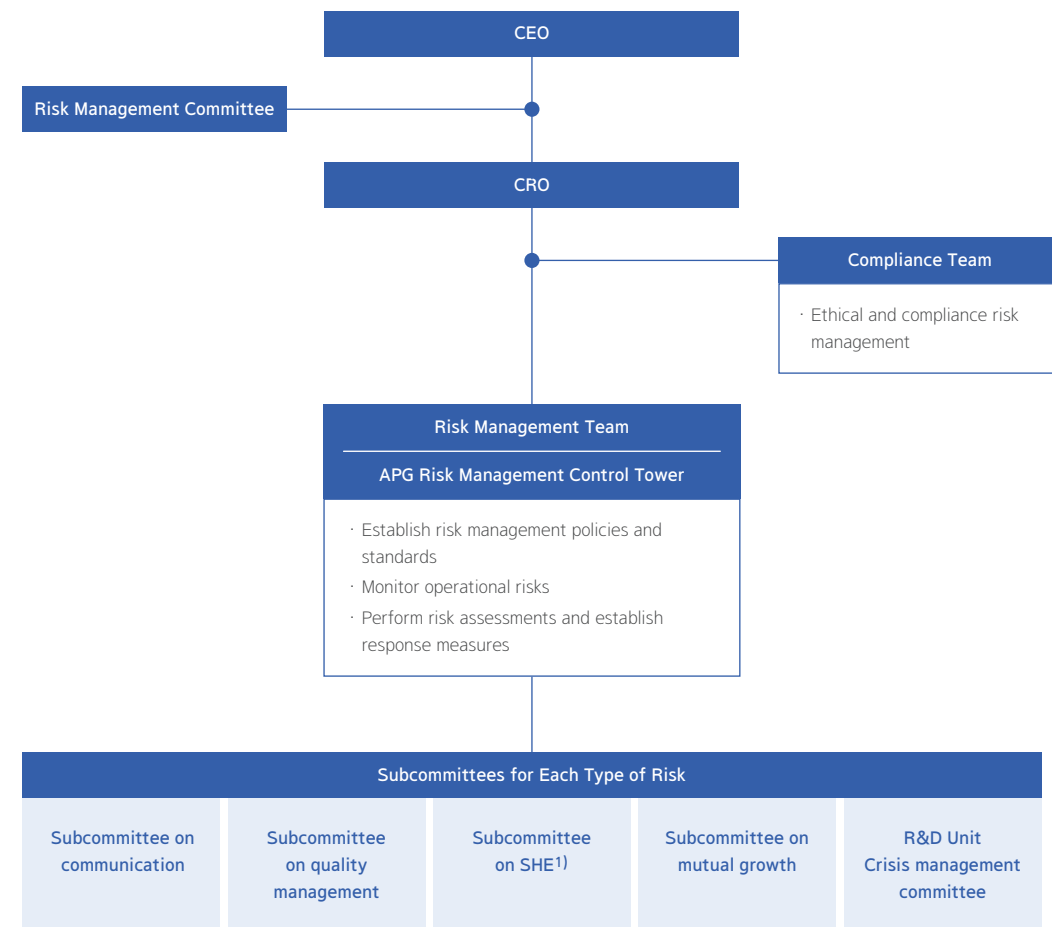
| Clients | Suppliers | Employees | Customers | Others | Total |
|---------|-----------|-----------|-----------|--------|-------|
| 7 | 4 | 27 | 8 | 21 | 67 |

1) Current status of disciplinary action: Heavy penalties 6 cases (Asset embezzlement and misappropriation 1 case, Sexual harassment 5 cases), Light punishment 4 cases

Risk Management

Risk Management System

Amorepacific Group has an effective risk management system to respond to various risks such as fastchanging 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 maintain stable business operations, we formed a group-wide risk management committee consisting of executives. Since the possibilities and impact of global risks continue to increase, Amorepacific Group established an advanced risk management system in its overseas branches. In the future, Amorepacific Group will build a solid basis for sustainable growth by gradually upgrading the risk response systems of overseas corporates.



1) Safety, Health, Environment

*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 is operated based on the following keywords: 'Precaution', 'Response' and 'Recurrence Prevention'.

Risk Detection and Prevention

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.

Risk Response

Risk managers in each division monitor and report risks pertaining to their division. A unified system enables prompt decision-making and immediate response in the case of risks.

RM Diagnosis and Prevention of Recurrence

Following the risk scenarios and risk management policies, we minimize the impact of risks. We also prevent 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 complaints | <ul style="list-style-type: none"> Increased importance of demand prediction and supply management in accordance with changes in the market environment Fluctuations in the supply environment of raw materials due to external influences | <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 Emerging Risks

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

| Description of risk | Change of Distribution and Sales Environment Due to the Outbreak of New Infectious Diseases | Emergence of reinforced environmental regulations and changes in physical external environments due to climate change |
|--|--|---|
| Economic and Social Environments | <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 of Korea, including the Act on the Fairness of Franchising Transactions and the Fair Transactions in Agency | <ul style="list-style-type: none"> Increased market and operational risks as each country strengthens regulations to mitigate climate change Increased physical risks caused by climate change such as extreme weather and natural disasters |
| Potential business impact of the risk | <ul style="list-style-type: none"> Decline in sales of existing offline retail channels due to increase in online or mobile purchasing Impediment to mutual growth due to recess in business of franchise and agent stores | <ul style="list-style-type: none"> Possibility of restrictions on the export of cosmetics to Europe according to the expected enforcement of EU's Product Environmental Footprint regulation Possibility of being included in legal management as Korean government tightens regulations on greenhouse gas emissions Fluctuation of prices and difficulties in stable sourcing of natural raw materials for cosmetics and household products due to climate change |
| Mitigating actions | <ul style="list-style-type: none"> Expansion of O2O services in offline stores Digital transformation Providing unique customer experience at offline stores Strengthening e-commerce strategies | <ul style="list-style-type: none"> Strengthening the development of products with improved environmental impacts and establishing lifecycle assessment system Through establishing mid- to long-term strategies for climate change, expand the use of renewable energy and increase the energy use efficiency Monitoring and reporting the changes in market price of critical raw material crop such as palm oil |

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, and we are committed to fulfilling their obligations to pay tax. In particular, we adopt a reasonable transfer pricing policy in global transactions with foreign companies, in accordance with the domestic tax laws and the OECD Guidelines, and do not utilize tax structures for tax avoidance and do not transfer value created to low tax jurisdictions. 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). 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. For important tax reporting affairs or any ambiguity in interpreting tax laws, the company receives consultation from external professionals such as accounting firms for best response measures and to minimize tax related risks in advance.

We do not employ a tax structure that abuses the differences and loopholes in the tax system between different countries to unreasonably reduce its tax liabilities. We legally allocate the taxable income depending on values generated in each country where we operate our business. In particular, we prohibit the transfer of values, including intangible or financial assets, to any region with a loose tax jurisdiction, such as low effective tax rates. We also stringently restrict the use of tax havens.

Tax Payment Status¹⁾

Unit: KRW bn

| Major Regions | Amount |
|----------------------------|--------|
| Korea (Amorepacific Group) | 122.15 |
| Korea (Amorepacific) | 94.83 |
| Asia | 47.39 |
| Europe | - |
| North America | - |

1) Paid in 2019 for tax charged from 2018

Tax Amount and Tax Rates²⁾³⁾

| Category | | 2018 | 2019 |
|---------------------------|--------------------------------|---------|---------|
| Amorepacific Group | Earnings before Tax (mil. KRW) | 534,836 | 431,371 |
| | Reported Taxes (mil. KRW) | 158,565 | 148,966 |
| | Reported Tax Rate (%) | 29.65% | 34.53% |
| | Cash Taxes Paid (mil. KRW) | 169,542 | 136,575 |
| | Cash Tax Rate (%) | 31.70% | 31.66% |
| Amorepacific | Earnings before Tax (mil. KRW) | 452,987 | 370,602 |
| | Reported Taxes (mil. KRW) | 118,142 | 146,841 |
| | Reported Tax Rate (%) | 26.08% | 39.62% |
| | Cash Taxes Paid (mil. KRW) | 142,221 | 113,848 |
| | Cash Tax Rate (%) | 31.40% | 30.72% |

2) The costs of paying corporate tax not included for overseas branches below as the 2019 corporate tax reporting deadline has not yet arrived (However, they are included in the pre-tax profit and nominal corporate tax breakdown)
: France, Hong Kong SAR China, Malaysia, Singapore, USA, India

3) Reasons for the difference between nominal and real tax rates
: Reduction of tax credits, adjustments to corporate income tax for the previous year, changes due to consolidated tax payments, deductions for carryover losses, effects of corporate tax on the net income of subsidiaries and affiliates, and changes in deferred tax not feasible, etc.

Customer Satisfaction

Customer Privacy Protection - International

Amorepacific Group is continuing the effort to protect personal information of customers. As the EU's GDPR(General Data Protection Regulation) came into effect in 2018, laws and regulations to protect personal information have been strengthened around the world. In response, Amorepacific Group analyzed and assessed personal information protection laws in different Asian countries including Thailand, Malaysia, Vietnam, and Indonesia in 2019. Sulwhasoo, LANEIGE, Mamonde, innisfree, and ETUDE respectively implemented detailed analyses of membership process, safety of storage, distribution, and termination of personal information, and customer rights infringement in marketing, and the Group discovered a total of 170 risk items. 63 of the items, including specific requirements from the law or high-risks, have all been resolved by the end of 2019.

The process of membership registration or marketing have been revamped to eliminate elements that might omit the customer consent or intentions. Personal information protection and ombudsman process have also been additionally implemented. In addition, the Group signed Data Transfer Agreements with suppliers and business partners to guarantee the safety of personal information. The efforts will continue in 2020. A new process to monitor the compliance to personal information protection laws and regulations will be implemented internationally.

Customer Privacy Protection - Domestic

Amorepacific Group is operating daily monitoring activities to prevent personal information breach caused by negligence or unfair actions in accessing or using the information for marketing purposes. In 2019, the Group launched the 'Breach Detection and Analysis System,' a more complex, advanced monitoring system to detect abnormal activities. The system is expected to effectively respond to attempts on bypassing the corporate data security measures. In 2020, the Group will establish the 'Security Risk Management System' to deal with customers' personal information risks, continuing our activities to value the personal information of customers, which are the fundamental element of the whole business.

Customer Relationship Management

Amorepacific Group has been holding an annual CGAP exhibition to deliver various VOCs to employees and executives so as to empathize with customers. In 2019, a digital exhibition overcoming time and space was held. Exhibition included E-commerce Experience where visitors could try out actual customer experience, and various VOCs arranged on social issues or products.

Satisfaction Management Performance¹⁾

| | 2017 | 2018 | 2019 |
|---|------|------|------|
| Percentage of Resolved Customer Complaints (%) | 99.3 | 99.6 | 99.7 |
| Satisfaction Measurement Results (scores) ²⁾ | 61.4 | 66.8 | 70.7 |

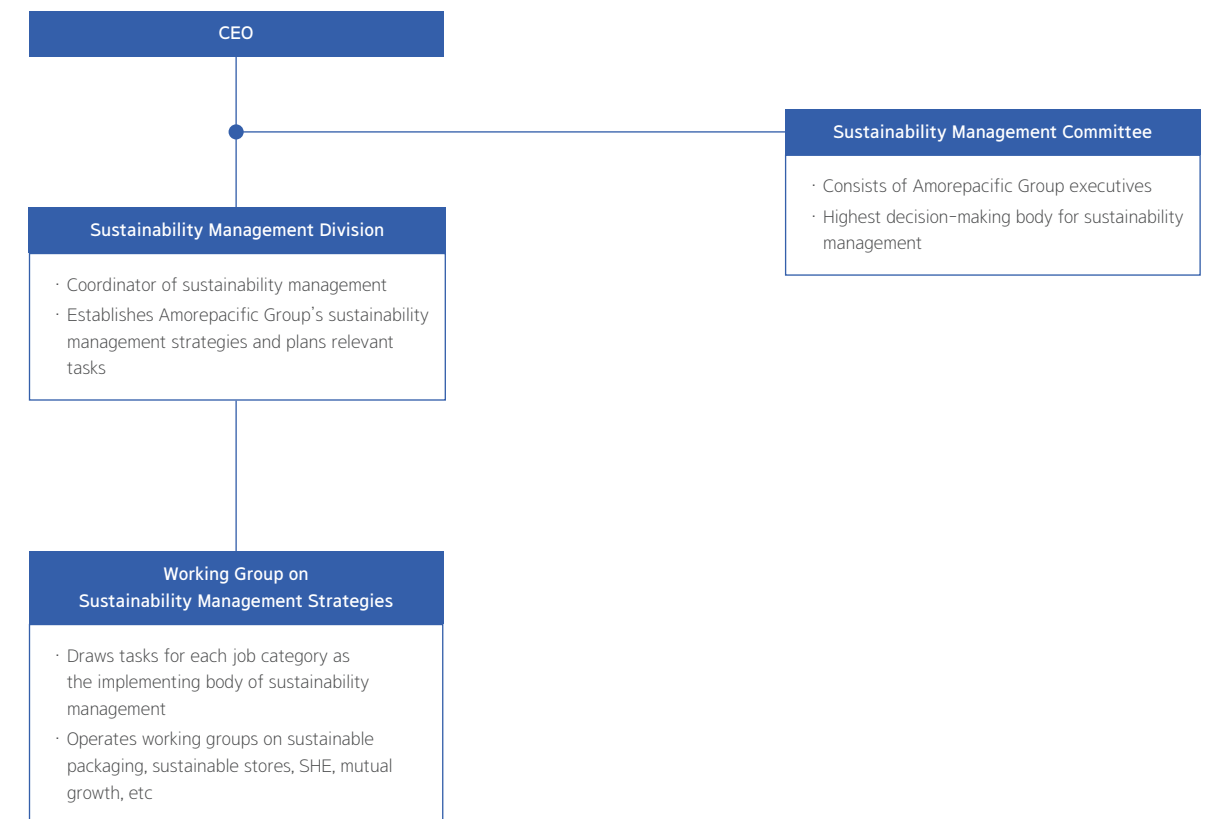
1) Calculation scope based on domestic Amorepacific businesses

2) NPS(NET PROMOTER SCORE)

Sustainability Management System

Sustainability Management Committee

In an effort to create A MORE Beautiful World, Amorepacific Group has set out three main Commitments-Sustainable Lifestyle, Inclusive Growth, Circular Economy- and eight goals of the 2020 Sustainability Commitments. Each year, we plan and implement new tasks to achieving these goals. In 2019, the Group built more systematic strategies and strengthened working group activities with employees through the Sustainability Management Division. Sharing the outcome of sustainability management with transparency, Amorepacific Group shares and spreads the value of sustainability by operating the Sustainability Management Committee, the highest decision-making body that makes strategic decisions on sustainability and monitors the implementation of core tasks. In 2019, the Committee was convened twice, enhancing the execution of sustainability management by reflecting key indexes on the performance evaluation of executives in charge.



Sustainability Management Performance

Developing Sustainable Products

Products with Less Environmental Impact



primera
Alpine Berry Watery Cream



HAPPY BATH
Eau thermale body wash



HERA
Black Foundation

Sustainable Paper Packaging

Amorepacific Group uses FSC-certified papers and papers made from plant by-products to produce paper boxes used in the secondary packaging of products. In 2019, APG brands including Sulwhasoo, LANEIGE, Mamonde, HERA, primera, IOPE, and HANYUL used FSC-certified papers in 303 products. primera used FSC-certified papers in packaging boxes for all of its products. inisfree, ETUDE, and LIRIKOS used product boxes made of by-products derived paper, which used the mixture of byproducts of tangerine, sugar cane, with seaweed and wood pulps.

Improving the Resource Efficiency of Packaging Materials

Amorepacific Group has been using plastic packaging mixed with plant-based plastic or recycled materials. In 2019, mise-en-scène implemented plant-based plastic or plastic in 26 products; HAPPY BATH in 21 products; and inisfree in 25 products, total of 83 products. ETUDE and primera applied recycled plastic in 27 products, improving the efficiency of resource usage. For packaging, Amorepacific used 3,450 tonnes of glass, 12,520 tonnes of plastics and 267 tonnes of metal in 2019 based on allocated charge by EPR(Extended Producer Responsibility) system.

Using Sustainable Palm Oil

Amorepacific Group is deeply aware of the environmental issues caused by the reckless cultivation of palm plantation. Through the compliance to RSPO certification system, we support the use of sustainable palm oil in the cosmetics industry and continue the effort to purchase sustainable palm oil without damaging forests. In 2019, a total of 283 products, including 99 products by inisfree and 33 products by HERA, used sustainable palm oil to improve the environmental impact of cosmetic products.

Products with Better Social Impact



primera
Mango Butter Comforting Body Lotion



mise-en-scène
Perfect Serum Original Shampoo



innisfree
Simple Label Lip Colorbam

Using Raw Materials from Beautiful Fair Trade

Amorepacific Group pursues mutual growth with local communities by using raw materials purchased through Beautiful Fair Trade and creating products with locally produced ingredients. In 2019, a number of Amorepacific brands, including Sulwhasoo, primera, HANYUL, mise-en-scène, and inisfree, developed products that include ingredients purchased through the Beautiful Fair Trade program. By using trustable ingredient in products, Amorepacific Group tries to ensure customers the quality of products and contribute to the local community through fair and proper trade.

Developing Product Containers with Universal Design

Amorepacific Group is expanding the application of universal design to its product containers so that anyone, regardless of their age or physical disability, can easily use our products. In 2019, Ryo applied tactile markings on the surfaces of shampoo containers of Camellia and Peppermint edition, and mise-en-scène on the pumps of Perfect Serum shampoo and conditioner to make it easy to distinguish between shampoo and conditioner.

Developing Vegan Certified Products

Amorepacific Group is developing vegan certified products to support valuable consumption of love and protection for animals. In 2019, inisfree launched vegan certified products for its total clean beauty and makeup lines. Mamonde also led animal protection by launching Rose Water, Pore Clean Toner, and Vital Vitamin Essence with no animal-based ingredients or animal testing.

Brand CSR Activities

Sulwhasoo



Poster for
'MICRO-SENSE: House of Pattern'

Beauty from Your Culture Campaign

In 2017, Sulwhasoo expanded its traditional culture preservation activity 'Sulwha Cultural Exhibition' into a global CSR campaign 'Beauty from Your Culture'. The exhibition program was initiated with a goal to establish communication between different generations through the encounter of tradition and contemporary issues for young generations, continuing for 14 years since 2006.

In 2019, 'MICRO-SENSE: House of Pattern' was organized as a way to present traditional patterns of butterflies, birds, and flowers as symbols of happiness and beauty in forms of contemporary drawings. The exhibition provided an opportunity to acknowledge the value and beauty of traditional patterns, showing such patterns in living spaces. Sulwhasoo also launched a limited edition product made of Shine Classic Multi Powder Compact and Color Pact, giving customers an opportunity to join the company's cultural Mecenat activities. The proceeds from sales were used to support activities to preserve cultural assets in different countries. In Korea, artisans were provided with support; in China, intangible cultural assets were restored; and in Singapore, the Asian Civilization Museum in Singapore received support for its maintenance.

LANEIGE

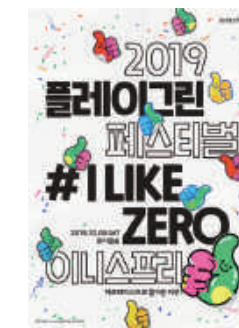


Refill Me campaign

Refill Me Campaign

As a campaign to provide drinking water to water deficit countries and conserve water resources, Refill Me campaign has been expanded as a global effort since 2016. Each year, the campaign has been proceeded with LANEIGE's key products. The proceeds from sales are donated to a Korean NGO to conserve water resources, supporting drinking water provisions and emergency projects around the world. In addition, the sales proceedings are donated to NGOs in ASEAN countries, helping children in water deficit countries by providing clean drinking water. Through the campaign, additional ten underground water wells were installed and a number of outdated water pumps were fixed.

innisfree



Poster for PLAYGREEN Festival

PLAYGREEN Festival

PLAYGREEN Festival delivers that eco-friendly life can be realized with fun and pleasure in everyday life. The 6th PLAYGREEN Festival took place in October 2019 at Seoul Forest under the slogan, "I like zero," promoting the practice of zero-waste life. At the festival, visitors were provided with multi-use food containers made of bamboo-based materials. Visitors with tumblers were given free beverages. The benefit made by the festival was donated to forestation projects through the innisfree moeum foundation.

Eco Handkerchief Campaign

Eco Handkerchief campaign promotes the use of handkerchiefs to save our green planet. Celebrating its 10th anniversary in 2019, the campaign delivered the positive message of doing small actions to save the environment under the slogan, "I play green, I like me." The eco handkerchiefs came in three different designs depicting PLAYGREEN actions. The handkerchiefs were distributed at innisfree stores and PLAYGREEN Festival.

Green Holiday Campaign

Every Christmas, innisfree launches limited editions to promote its Green Holiday campaign under the motto of "Make my joy become warmth for someone." Customers who buy the campaign's DIY kits participate in donation activities. In 2019, the campaign was presented under the theme of "Turning our minds on, sharing our joy with others." The proceeds from sales from the paper speaker DIY kit were donated to Save the Children's support program for foster care homes.

primera



Love the Earth campaign

Love the Earth Campaign

Since 2012, primera has been organizing Love the Earth campaign to preserve wetlands where the vitality of the Earth is accumulated. In April 2019, 'My Wetland Home in Seoul' was hosted in Seongsudong, Seoul, providing an opportunity to experience the ecological wetland in the urban environment. In October, primera also launched Alpine Berry Watery Cream Love the Earth Limited Edition. The product containers were designed with characters depicting cute otters – the endangered species living in the habitat of wetlands. The limited edition product was also packaged in recycled plastic containers, emphasizing Amorepacific's effort to preserve environment.

Let's Love Campaign

Every winter, primera launches the limited edition of Mango Butter Comforting Line and implements Let's Love campaign. Launched in 2013, the campaign improves the living conditions of girls in Jamui, India, who have no access to education due to poverty and gender discrimination. In 2019, a total of 1,500 trees were delivered to homes in Jamui. In November, the brand launched limited edition products inspired by letters and drawings by girls in the region, conveying the message of love and hope. In addition, the girls in Jamui were provided with an opportunity to visit Patna, the capital of Bihar Province, to experience the broader world.

HAPPY BATH



Less Plastic campaign

Less Plastic Campaign

HAPPY BATH implemented Less Plastic campaign to recycle plastic in everyday life for "Happier Earth and the Environment" realizing the core brand value of 'wishing every moment of encounter to be happy.' On the World Environment Day in June 2019, promotional campaigns to reduce plastic were implemented both on and offline. Along with the campaign, HAPPY BATH applied easy-peel film in its essence body wash products and donated part of the proceeds from sales to World Wildlife Fund. From the development of easy-to-recycle product packaging of body wash products, HAPPY BATH will actively respond to the plastic waste issue and expand its campaign to promote convenient ways to preserve the environment in everyday life.

mise-en-scène



mise-en-scène Short Film Festival

mise-en-scène Short Film Festival

For the past 18 years, mise-en-scène has been sponsoring the mise-en-scène Short Film Festival, believing that genuine support for culture and arts makes the world a more beautiful place. By sustaining its support for the minor artistic genre of short films, the film festival is contributing to the production of short films and the long-term development of Korean film industry. In 2019, the 18th mise-en-scène Short Film Festival was held under the theme of 'Imagination of Genre'. A total of 1,184 entries were submitted to the film festival, of which 59 were shown at theaters.

Implementing a Great Workplace

Great Workplace

Employee Engagement

In order to create an organizational culture where everyone enjoys their work and are creative, Amorepacific Group conducts annual Engagement Surveys. Since 2017, the assessment model was improved by revising certain criteria and specifying the definition of engagement. Through the assessment, Amorepacific Group comprehends the direction of improvements and reflect them in overall business activities.

Engagement Survey Results

| Category | Amorepacific Group | | | Amorepacific | | |
|----------------|--------------------|------|------|--------------|------|------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| Engagement (%) | 46.6 | 48.2 | 45.5 | 42.0 | 45.1 | 41.5 |

Support for the Pregnants and Parents

Amorepacific Group operates the 'Care for Expectant Moms' program to create a working environment better for the pregnant. The program promotes shortened working hours, prenatal testing during working hours and compliance to no excessive working hours. The program also provides ergonomic chairs, footrests and radiation shielding blankets to help relieve physical discomfort of the pregnant and stretch mark creams and supplements for the pregnant to stay healthy.

Furthermore, we encourage the parents of newborns to use parental leave and we also operate on-site daycare centers at Amorepacific headquarters, Amore Future Park, and Amore Beauty Park. The Group also implemented maternity and parental leaves according to laws and regulations of respective country, including shortened working hours during the early years of parenting.

Parental Leave Status (Domestic)

| Category | Amorepacific Group | | | Amorepacific | | |
|---|--------------------|------|------|--------------|------|------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| Number of Employees Using Parental Leave | 289 | 289 | 321 | 259 | 248 | 273 |
| Return-to-work Rate After Parental Leave (%) | 99.0 | 92.4 | 96.4 | 98.8 | 92.2 | 97.3 |
| One-year Retention Rate After Returning to Work (%) | 84.3 | 84.9 | 81.4 | 84.6 | 83.1 | 80.2 |

Support of Health and Well-being

| Category | Key Programs |
|--------------------------------|--|
| Stress Management | - AP-Severance Clinic: Autonomic Nervous System testing (stress test) and mental health clinic - Happy Life Consulting: Psychological counseling service operated regardless of time and space |
| Healthy Working Environment | - Management of lighting, noise, air quality, humidity and temperature to create an ergonomic working environment |
| Physical Health Training | - On-site fitness centers and healing facilities |
| Supporting Health of Employees | - AP-Severance Clinic: Vaccination, nutrition counseling, gynecology, otorhinolaryngology, physiotherapy and manipulative therapy facilities for musculoskeletal treatments. - Post-examination care service for employees with potential health risks. - Operation of health fund and no-smoking fund - Success rate of health fund in 2019: 42% |

Human Rights

Amorepacific Group endorsed the UN Global Compact 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 in its supply chain and subsidiaries by considering past incidents and frequency and the seriousness. The human rights assessment focuses on weak areas based on the characteristics of each subsidiary and local laws and regulations, and the results are reflected in the Group's action to correct and to prevent recurrence of issues.

Human Rights Assessment



On-site Assessment of Human Rights

Amorepacific Group conducts self-inspections of human rights status in all of its 11 subsidiaries including Amorepacific on labor and human rights such as the compliance to Labor Standards Act as well as wage standards and the non-discrimination principle. In 2019, two areas for improvement were found in two subsidiaries and corrective measures have been requested. They initiated plans for improvements, which will be monitored by departments in charge of inspection. Each year, Amorepacific inspects the human rights status of our suppliers through third-party agencies, identifying and requiring corrective actions for areas of improvement such as providing education and training to employees and ensuring the freedom of association.

Sexual Harassment Prevention Education

Amorepacific Group conducts sexual harassment prevention education to prevent sexual harassment in the workplace. In July 2019, the Group ran the regular online education on sexual harassment prevention. In December, additional courses were held for new employees and those who did not complete their courses.

Education to Improve the Perception of Disability

To broaden the value of living together and improve perception on employees with disabilities, Amorepacific Group conducts 'disabilities perception improvement education'. In September 2019, the regular online education session was held. For new employees and those who did not complete the session, an additional session was held in December 2019.

Establishing a Trustworthy Labor-Management Relationship

For the past 28 years, Amorepacific has maintained a dispute-free labor-management relationship by building mutual trust and communication. Amorepacific and every subsidiary carry out self-inspections of work conditions at least once a year Amorepacific's Labor-management Cooperation Team and HR Team provide active support to areas that need improvement from inspection results. As of the end of 2019, the Amorepacific Labor Union consists of 2,846 members, which accounts for 50.5% of all employees. Employees are entitled to freely join or withdraw from the union and the biennial collective agreement applies to all employees. Amorepacific labor-management council is held each quarter as a place to discuss employee welfare, grievance handling, safety management and other ways to achieve mutual growth.

SHE Management

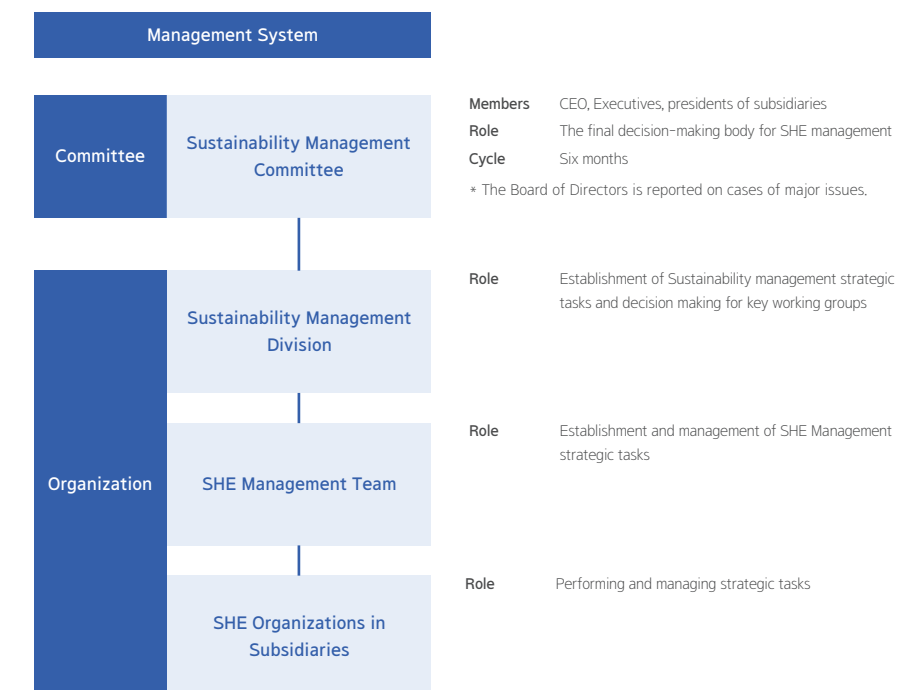
Amorepacific Group is putting effort in protecting employees from various risk factors related to SHE(Safety, Health, Environment) and observe our social responsibilities and duties. In addition, the Group is making efforts to support assessment and improvement of suppliers to enhance SHE management in the supply chain.

SHE Response as Preemptive Measures

Amorepacific Group introduced advanced group-wide management standards in order to manage global SHE risks and respond to different regulations. By establishing the group-wide SHE standards and SHE audit system, Amorepacific Group proposed the minimum standard of management and built a system to monitor, assess, maintain, and improve. In particular, Amorepacific Group established 31 management items that are related to SHE issues and operate the entire PDCA structure as the Group SHE standard from the perspective of SHE administrator. The Group operates SHE risk-based audit system and continuously manage quantified SHE performances. Also, high-risk issues are given higher priorities in improvement measures.

SHE Management System

Amorepacific Group regularly holds sustainability management committee, chaired by the CEO. In the cases of major SHE issues including occupational health and safety, climate change, chemical substances, resource circulation, and environmental pollution, the executives as well the board of directors receive reports on them. Through group-wide approaches and collaborations, Amorepacific Group continues to invest in responding to risks and finding potential opportunities.



Amorepacific Group's Seven Principles on Safety and Health

Amorepacific Group is making the best efforts to create safe and healthy working environment following the seven principles of occupational safety and health based on the SHE standards.

| Awareness | Behavior | Check |
|---|--|---|
| <ul style="list-style-type: none"> - Safety and health training - Expert 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 |

SHE Audit & Assessing Compliance to Laws and Regulations

In order to manage global SHE risks as well as laws and regulations, Amorepacific Group has introduced groupwide advanced management standards and established SHE standard and SHE audit system. As a result, the Group constantly monitors, assesses, and improves related issues and risks. SHE achievements are constantly managed through various means ranging from self-audit at business sites, cross-audit between different sites, as well as third-party audits by professional external institutions, resolving and improving issues by prioritizing higher risks. In 2019, 16 sites in Korea were assessed in response to the scheduled amendment on the Occupational Health and Safety Act in 2020. A total of 946 risk issues were identified and they are in the process of improvement.

Strengthening Safety Management of Suppliers

Amorepacific Group is continuing its effort to reduce industrial disasters. In 2019, professional safety and assessment sessions were implemented through thirdparty assessment institutions for the Group's suppliers to reduce health and safety risks and enhance management levels. In addition, the Group produced safety education videos for all suppliers that enter every Amorepacific business sites. In 2020, additional safety education supplements and videos will be provided. In 2020, the Group will also participate in Health and Safety Collaboration Program and obtain the Grade A certification once again.

Safety Leadership Tour

Amorepacific Group runs 'Safety Leadership Tour' Program to foster the safety culture at business sites. It is a safety assessment program directed by employees in charge of management of business sites. The goal of the program is establishment of safe working environment by enhancing the level of safety and health management and improving awareness of employees. The program is based on Amorepacific Group's SHE standard and related laws and regulations and inspects working environment, health and sanitation, education management, emergency response, chemical substance management, and supplier management.

Amorepacific Group Occupational Safety and Health

| Category | 2017 | 2018 | 2019 |
|-------------------|-------|-------|-------|
| Accident Rate (%) | 0.042 | 0.116 | 0.051 |

Amorepacific Occupational Safety and Health

| Category | | 2017 | 2018 | 2019 |
|---------------------------|-------------------------------|-------|-------|-------|
| Domestic | Accident rate (%) | 0.032 | 0.097 | 0.065 |
| | Injury frequency rate (%) | 0.166 | 0.504 | 0.340 |
| | Occupational disease rate (%) | 0.000 | 0.000 | 0.000 |
| Overseas (Mainland China) | Accident rate (%) | 0.119 | 0.286 | 0.000 |
| | Injury frequency rate (%) | 0.617 | 1.490 | 0.000 |
| | Occupational disease rate (%) | 0.000 | 0.000 | 0.000 |

Amorepacific Partners' Occupational Safety and Health¹⁾

| Category | | 2017 | 2018 | 2019 |
|---------------------------|-------------------------------|-------|-------|-------|
| Domestic | Accident rate (%) | 0.066 | 0.027 | 0.021 |
| | Injury frequency rate (%) | 0.343 | 0.139 | 0.108 |
| | Occupational disease rate (%) | 0.000 | 0.000 | 0.000 |
| Overseas (Mainland China) | Accident rate (%) | 0.129 | 0.084 | 0.042 |
| | Injury frequency rate (%) | 0.672 | 0.439 | 0.218 |
| | Occupational disease rate (%) | 0.000 | 0.000 | 0.000 |

1) In-house partners and Beauty partners

Employment Status

Overall Employment Status

Unit: Persons

| Category | 2017 | 2018 | 2019 |
|----------|--------|--------|--------|
| Total | 12,348 | 13,032 | 13,257 |
| Domestic | 7,703 | 7,596 | 7,603 |
| Overseas | 4,645 | 5,436 | 5,654 |

Domestic Employment Status

Unit: Persons

| Category | Amorepacific Group | | | Amorepacific | | | |
|---|--------------------|-------|-------|--------------|-------|-------|-------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 | |
| Employment Status | Permanent | 7,375 | 7,195 | 7,215 | 5,871 | 5,773 | 5,700 |
| | Temporary | 328 | 401 | 388 | 265 | 318 | 276 |
| Gender | Men | 2,790 | 2,717 | 2,689 | 1,932 | 1,926 | 1,898 |
| | Women | 4,913 | 4,879 | 4,914 | 4,204 | 4,165 | 4,078 |
| Age Group | Under 30 | 2,948 | 2,578 | 2,288 | 2,408 | 2,101 | 1,788 |
| | 30-49 | 4,522 | 4,760 | 5,047 | 3,558 | 3,809 | 3,992 |
| | 50 or higher | 233 | 258 | 268 | 170 | 181 | 196 |
| Employees with Disabilities ¹⁾ | 56 | 76 | 96 | 52 | 70 | 87 | |

1) Including the number of employees with disabilities hired by Amorepacific subsidiary WeDream

Employment Status in Overseas Offices

| Category | 2017 | 2018 | 2019 | |
|-------------------------------------|--------------------|-------|-------|-------|
| Number of Local Employees (persons) | Total | 4,515 | 5,286 | 5,493 |
| | Asia ²⁾ | 4,270 | 5,009 | 5,242 |
| | Europe and others | 118 | 124 | 69 |
| | North America | 127 | 153 | 182 |
| Ratio of Local Employees (%) | 97.2 | 97.2 | 97.2 | |
| Ratio of Local Women Employees (%) | 85.3 | 85.2 | 84.4 | |
| Ratio of Local Managers (%) | 65.4 | 65.0 | 59.6 | |
| Ratio of Local Women Managers (%) | 68.6 | 74.1 | 75.6 | |

2) Overseas corporation in Australia is counted as Asia

New Employees (Domestic)

| Category | Amorepacific Group | | | Amorepacific | | |
|-----------------------------------|--------------------|------|------|--------------|------|------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| Number of New Employees (persons) | 996 | 731 | 744 | 756 | 549 | 459 |

Turnover (Domestic)

| Category | Amorepacific Group | | | Amorepacific | | |
|-------------------|--------------------|------|------|--------------|------|------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| Turnover Rate (%) | 6.6 | 7.1 | 5.9 | 6.1 | 6.8 | 5.2 |

Securing Women Leadership

Amorepacific Group is committed to securing women leadership considering the cosmetics industry where the majority of consumers are women. To generate a working environment where everyone can act upon leadership, the Group implements diverse cultural activities. In particular, the Group is focusing on creating a corporate culture where employees in all genders work with other employees with consideration. The Group also introduced flexible working hours as a policy to ensure the maximum efficiency of work and find a balance between work and life.

Women Employees and Managers¹⁾

| Category | Amorepacific Group | | | Amorepacific | | |
|------------------------------|--------------------|------|------|--------------|------|------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| Ratio of Women Employees (%) | 71.0 | 72.0 | 72.0 | 74.7 | 75.2 | 74.9 |
| Ratio of Women Managers (%) | 30.4 | 33.4 | 33.6 | 32.8 | 35.6 | 35.5 |

1) Recalculation including the number of overseas employees

Employee Education and Training Status

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

Training Cost and Hours per person (Domestic)

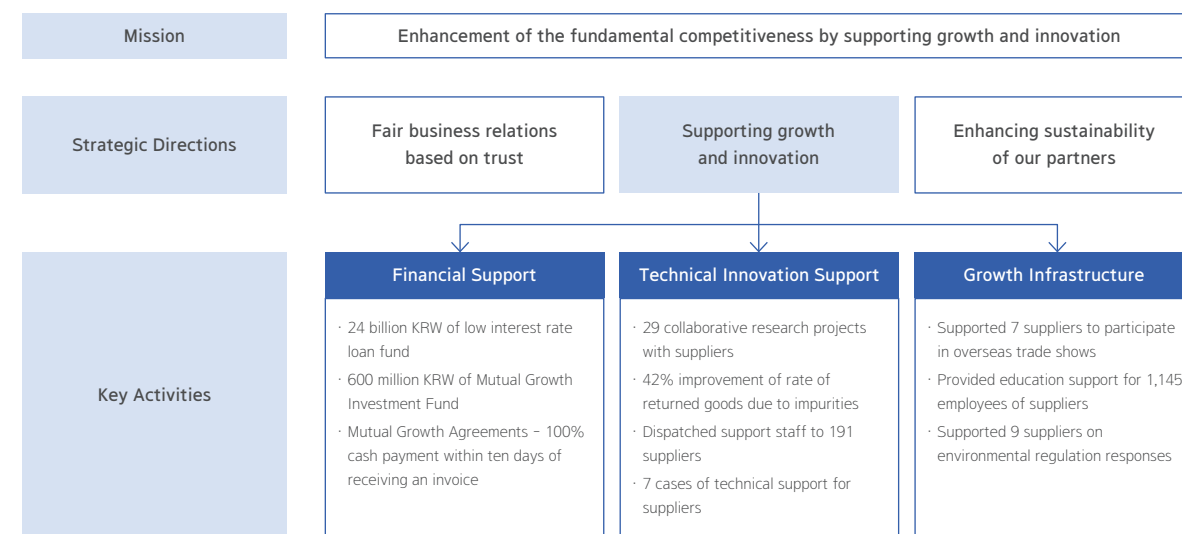
| Category | Amorepacific Group | | | Amorepacific | | |
|---------------------------------------|--------------------|-------|------|--------------|-------|------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| Training Cost per Person (KRW 10,000) | 119.3 | 103.3 | 67.5 | 122.2 | 102.9 | 71.4 |
| Training Hours per Person (Hours) | 76.4 | 66.1 | 53.6 | 82.8 | 69.3 | 56.7 |

Building Trustworthy Business Partnership

In the global business environment, competitiveness of overall corporate environment is the driver of sustainable growth. Coexistence and mutual growth with business partners is also the Group's responsibility as a corporate citizen. Through fair trade, Amorepacific Group strives to build trustworthy business partnerships by supporting our partners' growth and innovation.

Mutual Growth

Mutual Growth Strategy



Financial Support

Amorepacific Group provide direct assistance to suppliers using the 15.9 billion KRW Win-Win Partnership Fund. The Group also runs Mutual Growth Fund of 8.1 billion KRW and low interest rate loan fund of 24 billion KRW. As of 2019, the Group is also operating 600 million KRW of Mutual Growth Investment Fund. As of 2019, the Group is providing 100% cash payment within 10 days of receiving invoices with more than 120 suppliers. In September 2019, the Group introduced a mutual growth payment system to more than 130 suppliers to enhance the payment flow to primary suppliers, which resulted in the better payment process for secondary suppliers. As of November 2019, 85 billion KRW was paid through the mutual growth payment system.

Supporting Technological Innovation

In 2019, Amorepacific Group signed an MOU with the Korean Ministry of SMEs and Startups to participate in the Private and Public Joint R&D Project. As a result, the Group will provide a total of 5.1 billion KRW across three years. In 2020, the Group will partake in joint R&D projects to develop eco-friendly packaging for reducing plastic waste and circulating resources and create devices for digital transformation. In 2019, the Group supported two suppliers for developing a smart manufacturing execution system. As a result, real-time manufacturing and operation systems, supply plans in sync with the Amorepacific's system, and data-based inventory management system were developed.

Additionally, the Group provided consulting for 6 suppliers to improve issues with product impurities. As a result, the rate of returned products due to impurities has been improved by 42%. In 2019, a total of 29 R&D projects were done in collaboration with suppliers through various measures, including the sharing of research results, providing 350 million KRW to suppliers.

Expected Effects of Implemented Manufacturing Execution System



Supporting Growth Infrastructures

Since 2015, Amorepacific Group has provided suppliers with both manpower and financial support for participating in trade exhibitions held overseas. In 2019, the Group sorted overseas trade exhibitions into packaging and raw material and supported 7 suppliers. Suppliers that participated in Cosmoprof in Hong Kong at 2018 and 2019 signed ten new export contracts. Although HRD Consortium, an education program for employees of small and medium suppliers, is discontinued as of the end of 2018, the Group is continuing to provide education programs for suppliers to enhance employee capabilities and stabilize human resources. In 2019, the Group launched 21 training courses on key professional tasks in the cosmetics industry and provided education to 1,145 employees of 163 suppliers.

Sustainable Supply Chain Management

Recently, laws and regulations on labor standards, safety, and environment are strengthened as a result of various incidents such as forced labor and child labor within the global corporate supply chain and environmental disasters and accidents. In response, stakeholders are also requesting stronger measures on such issues. As Amorepacific Group is expanding to the global market, the sustainability of business partners within the corporate ecosystem both serves as a risk and an opportunity. To manage business risk and observe social responsibility of the overall value chain, Amorepacific Group is building a healthy corporate ecosystem and realizing its 2020 sustainability management vision of inclusive growth. In order to achieve the goals, the Group established sustainable management guidelines to provide ways to assess their sustainable management and help suppliers to improve inadequacy in sustainability.

SCM Status

Amorepacific Group designates and manages its key suppliers by strategic significance in response to the change of business environment, scale and importance of business transactions, and capacity of supply and development. As of the end of 2019, the Group categorized 52 suppliers as key suppliers out of its 450 suppliers. Among them, 22 supply packaging materials, 17 supply raw materials, and 13 provide ODM products. Amorepacific Group purchased a total of 970 billion KRW from the suppliers. To share the business performance with local communities, Amorepacific Group promotes purchasing products and materials from local businesses.

Amorepacific Group Supplier Status

| Category | 2017 | 2018 | 2019 |
|---|--------|-------|-------|
| Number of Suppliers | 431 | 456 | 450 |
| Number of Key Suppliers | 52 | 52 | 52 |
| Total Purchasing Amount (KRW 100 million) | 10,387 | 9,793 | 9,690 |
| Purchasing Amount from Key Suppliers (KRW 100 million) | 5,872 | 4,250 | 4,065 |
| Rate of Local Purchasing in Overseas Business Sites (%) | 69.6 | 70.0 | 75.5 |

Main Target and Performance of Supplier Sustainability Management

| Target | KPI | Progress | | | |
|--|--|--|-------|-------|-------|
| | | 2017 | 2018 | 2019 | |
| 80% of 'Good Performance' rated suppliers by 2020 | To improve our partners' sustainability performance, we will increase the percentage of business partners who are able to meet 'good performance' rated | Supplier sustainability index | 63 | 70 | 92 |
| Doubling the number of the benefit sharing projects by 2020 | To support and collaborate with suppliers for technology development and productivity increase, we will double the number of the benefit sharing projects (At the base year 2016, 15 projects were in place) | Number of the benefit sharing projects | 30 | 35 | 29 |
| Over 1,000 suppliers' employees participating in the Supplier Training Program yearly | To operate Amorepacific Group's Training Center consistently ¹⁾ | Number of suppliers' employees participating in the training program | 1,538 | 2,364 | 1,145 |

1) HRD consortium contract with the Ministry of Labor expired in 2018 and have operated spontaneously since then.

Supplier Selection Policy

Amorepacific Group conducts business transactions only with those that satisfy the minimum sustainability requirements at the point of the business contract. The Group executes sustainability assessment of all new suppliers reviewing compliance with legal requirements regarding quality, product safety, labor standards, safety and health, and environment, which is a standard by which the Group decides whether to make the contract. When signing contracts, Amorepacific Group requires 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, the 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. The Group has also prepared a manual on how to translate the guidelines into actions, publishing it on Amorepacific Group website.

Amorepacific Group conducts annual sustainability assessment of key suppliers, reflecting the results in supplier assessment. Based on the results, the Group offers 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, 89 suppliers including all of the key suppliers and new suppliers have received 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 the risks and follow up with measures to confirm that such risks have been dealt with.

| Category | 2017 ~ 2019 |
|---|-------------|
| Ratio of new suppliers that have received sustainability assessment (%) | 100 |
| Ratio of key suppliers that have received independent assurance on their sustainability in the past three years (%) | 100 |
| Number of key suppliers that have received independent assurance on their sustainability in the past three years | 89 |

Supplier Sustainability Assessment and Improvements

Through supplier sustainability assessment, Amorepacific Group identifies potential risks and requires suppliers to take corrective measures. Through the 2019 sustainability assessment, all suppliers found potential risks. In cases where suppliers did not meet our standard or had critical violations, the Group applied 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 suppliers in need of building capacity of sustainability.

Corrective Action for High Risk Suppliers (2019)

| Category | Corrective Action Request Rate | Corrective Action Plan Establishment Rate | Completion Rate |
|---------------------|--------------------------------|---|-----------------|
| High Risk Suppliers | 100% | 100% | 100% |

Corrective Action by Areas (2019)

| Category | Item | Risk Level | Corrective Action Request Rate | Corrective Action Establishment Rate |
|----------------------------------|---|------------|--------------------------------|--------------------------------------|
| Human Rights and Labor Standards | Inadequate regulations and procedures on hiring minors under 18 | High | 100% | 100% |
| | Inadequate policies to prevent workplace harassment | High | 100% | 100% |
| | Inadequate regulations on minimum wage and ordinary wage | High | 100% | 100% |
| Safety and Health | Inadequate procedures of reporting disease and illness | High | 100% | 100% |
| Environment | Lack of dedicated organization for environment management | Low | 100% | 100% |
| | Inadequate measures to reduce resource consumption | Low | 100% | 100% |
| Corporate Ethics | Lack of contribution to local communities | Low | 100% | 100% |

Positive Social Impact

Amorepacific Group strives to realize a more beautiful world. To achieve this vision, the Group operates diverse CSR programs to contribute to Gender Equality and Responsible Consumption and Production, which are the 5th and 12th agendas of UN Sustainable Development Goals(SDGs).

Amorepacific Group CSR Activities

| Category | | 2017 | 2018 | 2019 |
|--|---|--------|--------|--------|
| Expenditures on Philanthropic Activities | Amount of Expenditure (KRW million) | 20,600 | 22,644 | 23,610 |
| | Ratio Compared to Sales (%) | 0.34 | 0.37 | 0.38 |
| Employee Volunteer Activities | Participation Rate (%) | 80.8 | 74.7 | 64.8 |
| | Average Hours of Volunteer (hours per person) | 9.2 | 8.8 | 6.9 |
| Public Foundation Disbursement | Amorepacific Foundation (KRW million) | 923 | 1,275 | 1,086 |
| | Amorepacific Welfare Foundation (KRW million) | 650 | 792 | 816 |
| | Korea Breast Cancer Foundation (KRW million) | 2,761 | 2,839 | 3,042 |
| | innisfree Moeum Foundation (KRW million) | 926 | 885 | 602 |

Types of Contributions

| Category | 2018 | 2019 |
|--|--------|--------|
| Cash Contribution (KRW million) | 12,962 | 15,132 |
| In-kind Giving: product or services donations, projects/partnerships and etc (KRW million) | 1,013 | 899 |
| Management Overhead (KRW million) | 5,475 | 4,594 |

Activities and Beneficiaries by Corporation (2019)

| Region | Program | Beneficiaries (persons) | Expenditure (KRW million) |
|----------------|--|-------------------------|---------------------------|
| Korea | Makeup Your Life, Pink Ribbon Campaign(Pink Tour, Pink Run), Hope Store, Beautiful Life, MEET YOUR DREAM | 52,396 | 5,746.6 |
| Mainland China | Makeup Your Life, MORI Run, Screening for Two Major Cancers(Breast cancer/Cervical cancer) | 101,420 | 2,156.4 |
| Taiwan | Makeup Your Life | 120 | 124.2 |
| Hong Kong | Makeup Your Life | 127 | 9.7 |
| Singapore | Makeup Your Life | 50 | 5.1 |
| Thailand | Makeup Your Life | 59 | 3.1 |
| Malaysia | Makeup Your Life | 69 | 22.1 |

20 by 20 Commitment



Hope Store

Hope Store

Hope Store is a 'micro credit' program that supports single mothers to launch businesses, making positive changes to the lives of their families. It was started by 'Heemang Seed Money,' a fund donated by family members of Jangwon Suh Sungwhan, the founder of Amorepacific Group, on June 30, 2016 to commemorate his efforts to support welfare of women and children.

Hope Store seeks to help single mother households to achieve the stabilization of livelihood by supporting single mothers to launch new businesses in various fields from food, beauty, service, retail and wholesale manufacture, and education. Since the launch of the first 'Hope Store' in 2004, the program saw the launch of 100th store in 2011, the 200th and 300th stores in 2011 and 2013. In 2019, Hope Store steadily grew by opening its 400th store. The cumulative number of stores opened as of the end of 2019 was 402.

In 2019, store owners who have received and redeemed financial support from Hope Store program participated in a mentoring program as mentors. As a result, new participants to the program could learn know-hows of operating businesses. Health and childcare support were also expanded. As of the end of 2019, the average income of beneficiaries of the program is 2.42 million Korean Won with the average repayment rate of 83%.

Beautiful Life

Beautiful Life is a corporate social responsibility program launched in 2008 in partnership with the Community Chest of Korea through a designated donation made by Amorepacific Group. The program helps underprivileged women(immigrants, North Korean defectors, single mothers, elderly women, youths from correctional facilities, etc.) to achieve economic autonomy, providing support for them to find new jobs. Along with support programs through designated contributions, Beautiful Life also organizes open calls to extend beneficiaries such as small organizations helping women in need.

In 2019, 662 women received education for job seeking and license acquisition. Among the beneficiaries of Beautiful Life 2018, 48%¹⁾ of women who received designated contributions and 42%²⁾ of women who received support through open call found employment. In 2019, the program launched a new service for supporting women's economic autonomy which got a high rate of beneficiary satisfaction, the average times of care service received per person reaching 19.53. The rate of quitting the support program also decreased by 1% over the previous year.

In 2020, Beautiful Life will adjust programs to strengthen its brand identity. Amorepacific China will also implement a global campaign of Beautiful Life in collaboration with China Women Development Fund and UNDP, contributing to the advancement of women's social status by helping impoverished women in rural areas through home services, education, and occupational support.



Beautiful Life employment training

1) Designated contributions: 48.4%(59 persons) found employment(122 of 139 beneficiaries responded to the survey)

2) Open call: 42%(92 persons) found employment(219 of 281 beneficiaries responded to the survey)

MEET YOUR DREAM

MEET YOUR DREAM is a mentoring and technical education program run by Amorepacific employees to advise and educate teens who dream of becoming makeup artists, hair designers, cosmetics researchers, marketers, and designers. As one of Amorepacific Group's key pro bono activities, the program has continued since 2013. In 2019, the program was renamed as MEET YOUR DREAM, expanding its scope to provide more opportunities to teens with various dream and passion.

In 2019, the program supported a total of 1,242 teens through monthly talent donations by Amorepacific employees. 18 participants received a 50 million KRW worth of scholarship (10 persons for makeup and 8 persons for hair design). In 2020, the program will expand its scope to include environmental consciousness in the career mentoring sessions, helping the teens to grow as responsible citizens.



Youth career education

Promoting Sustainable Consumption **GREENCYCLE**



MOU with TerraCycle

GREENCYCLE campaign promotes coexistence with nature by collecting used cosmetic containers from customers, recycling them as new resource or upcycling them as artworks. In 2017, innisfree opened 'Gong Byeong Gong Gan' in Samcheong-dong, Jongno-gu, Seoul, upcycling 230,000 used containers. In 2018, Amorepacific Group collaborated with a social enterprise to develop a new technology for reusing used bottles as raw material for containers. In addition, in 2019, the Group signed an MOU with TerraCycle, a global recycling company, to recycle more than 100 tonnes of plastic containers every year for the next three years. The MOU is part of the Group's goal of recycling 100% of the collected containers and 50% of them to be recycled into products and appliances by 2025. Amorepacific Group will continue the research on expanding the use of collected product containers.

Empty Container Collection by Channels

Unit: tonne

| Category | | 2017 | 2018 | 2019 |
|-------------------|---------|------------|------------|------------|
| ARITAUM | Glass | 38.5 | 38.2 | 39.3 |
| | Plastic | 30.5 | 36.2 | 33.0 |
| Large Retailers | Glass | 4.1 | 6.1 | 16.2 |
| | Plastic | 3 | 4.1 | 8.1 |
| Department Stores | Glass | 33.2 | 22.7 | 22.1 |
| | Plastic | 7.1 | 7.1 | 5.9 |
| innisfree | Glass | 1.7 | 3.5 | 2.3 |
| | Plastic | 144.3 | 158 | 134.9 |
| ETUDE | Glass | 0.3 | - | 0 |
| | Plastic | 2 | 2 | 1.7 |
| Total | | 265 | 278 | 263 |

Beauty Inside Journal



Beauty Inside Magazine publication

Amorepacific Group strives to take its social responsibility by supporting more people to develop awareness on UN's SDGs and take part in realizing them. As part of the effort, Amorepacific Group introduces contents of UN General Assembly that are not easily accessible to many people. The Group also delivers stories about activities to accomplish global goals and make various efforts to make everyone be aware of sustainable lifestyle by 2030. A special monthly journal presents themes that can be practiced in everyday life and ways to understand SDGs more easily, activating communication inside and outside the company. In 2019, 'Beauty Inside Magazine' was published to introduce the details of the UN General Assembly week in 2018. The magazine will help more people understand SDGs. Sales proceeds of the magazine were donated to World Wildlife Fund in order to support 'Life Below Water,' the 14th goal of SDGs.

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 and using the research findings to communicate with the world and generate new values.

Women and Culture

Since 2007, the foundation has been supporting personal research of academics with doctoral degrees. 'Women and Culture' is a long-term research topic of Amorepacific Foundation. This support program is organized to discover excellent studies in various research fields, helping complex research projects on the life and culture of women's lives throughout different space and time. Outstanding research results are published as books, raising public awareness of the topic and fostering communication with the public.

Asian Beauty

The research on 'Asian Beauty' has been continued since 2011, focusing on the Asian concept of beauty that values the beauty in everyday life and aesthetic experiences, which is different from the Western concept of art and the beauty of the human body that centers around visual senses. The research results are published in a series entitled 'Asian Beauty,' which was first published in 2014. The series is planned as an anthology of twenty books and ten books have been published.



Asian Beauty publications

Asian Beauty Lectures

Asian Beauty Lectures was launched in 2012 to share the research results of Asian Beauty program with the public. The lecture series focuses on the communication between experts from various fields and the participating audience. In 2019, two lectures were held under the theme 'beautiful people' with more than 200 participating audiences. With Asian Beauty Lectures, Amorepacific Foundation will continue the communication with the public with interesting and unique themes.

Amorepacific Welfare Foundation

Amorepacific Welfare Foundation aims to 'improve well-being through the beauty of space,' providing support for women who need social care. Through different programs, the foundation helps its beneficiaries change their lives and find ways to achieve autonomy.

Space Design Improvement Project

Space Design Improvement Project transforms facilities and space for women and non-profit organizations in poor condition into space of caring and healing, fostering the change of women's lives. Launched in 2005, the project has transformed a total of 206 facilities and non-profit organizations for women.

Cleaning and Reorganization Consulting Project

Launched in 2016 as a new project of Amorepacific Welfare Foundation, the Cleaning and Reorganization Consulting Project educates women with interrupted careers with a cleaning and reorganization consultant course and provide consulting to the beneficiaries of the project. The project operates along with Space Design Improvement Project, improving satisfaction and work efficiency of facility users. Moreover, it contributes to the job creation for women with interrupted careers and empowers the women to lead their lives with more autonomy.



Cleaning and reorganization consulting

Space Utilization Support Program

Since its launch in 2016, Space Utilization Support Program has been held every year to select outstanding programs to utilize the space improved by the foundation's other support programs. By supporting various activities at the improved spaces, the program intends to generate positive impacts on the lives of women who had been marginalized. The program is not limited to a concept for improving the physical space. It provides active support to improve the quality of life by enhancing the self-esteem and capacity of women through various programs.

Korea Breast Cancer Foundation

Korea Breast Cancer Foundation is Korea's first non-profit organization dedicated to breast health, established entirely funded by Amorepacific Group in 2000. The Foundation runs 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. Celebrating its 20th anniversary in 2020, the Foundation will take a step further and promote the awareness of healthy practices for better and healthy life.

Support for Cancer Exam and Operation

By providing free breast cancer X-ray through mobile screening vehicles, Korea Breast Cancer Foundation raises awareness of the importance of regular exam and early diagnose and provides financial support for operation and treatment of underprivileged cancer patients.

Support for Academic Research Fund

Through the support of academic research funds for breast cancer and breast health, we contribute to the direct and indirect use of the Pink Ribbon Campaign and the development of research for practical benefits of patients.

innisfree Moeum Foundation

innisfree Moeum Foundation is a public foundation established in Jeju Island in 2015. The foundation is funded entirely by innisfree with a donation contract of 10 billion KRW. The Foundation discovers and preserves the value of Jeju's natural and cultural heritage, creating new values by combining nature and culture. Through its activities, innisfree Moeum Foundation also strives to foster future talents that will open the future of Jeju.

Preservation of Nature

innisfree Moeum Foundation organizes 'Jeju-daumi,' a program to preserve and promote the value of Jeju with university students. In 2019, more than 100 university student volunteers from across the country participated in the maintenance of 2,675 meters of Mae-oreum and Docheong-oreum trails. 60 overseas employees of innisfree also participated in the restoration of Gotjawal trail, which had been damaged by typhoons. The Foundation also planted pine trees with more than 80 local volunteers to restore the pine tree habitat affected by nematode infestation.



Jeju-daumi activities

Support for Culture and Arts

2019 Jeju Recipe Concert was organized to add new values to local food ingredients of Jeju Island and promote growth of farms and local economy. Through the event, six eco-friendly farms were connected with six cafes in Jeju under the premise of creating new menus made of local ingredients. With a mentorship of Yang Yongjin, a chef specialized in Jeju Island's local food ingredients, six new menus were created so that customers of participating cafes could realize the excellence of food ingredients of the island.



2010 Jeju Recipe Concert

2019 Jeju Recipe Concert introduced the following ingredients: Samdachal, a traditional millet flour that has been discontinued during the Japanese occupation; Jeju bananas that have been grown without any preservatives and chemicals; Samdong, an indigenous fruit of Jeju Island; Borigaeyeok, a Jeju-style mixed grain powder made of Korean barley; tangerine flower honey harvested by young beekeepers who hope to revitalize the beekeeping industry of Jeju; and organic tangerine harvested in Jeju Island. innisfree Moeum Foundation will continue to promote the value and excellence of food ingredients from Jeju Island to grow together with local farmers and communities.

Fostering Future Talents

Through its Tangerine Scholarship Program, innisfree Moeum Foundation discovers and supports outstanding talents to lead the tangerine industry, a business that represents the island of Jeju. In 2019, the Foundation increased the number of scholarship recipients from 9 to 20 people. The range of beneficiaries was also expanded from high school and university students to graduate school students. The amount of scholarship was also increased from 13 million KRW to 30 million KRW.



Tangerine Scholarship Program

In addition, the Foundation also inaugurated Jeju Heritage Science Award, awarding 5 million KRW to a scientist who raised value and awareness of precious legacies of Jeju Island. The award was organized with a goal to elevate the heritage value of the island through scientific research and award scientists for their visions for the future. The award will continue to support scientists for the future of Jeju Island.

Response to Climate Change

As a responsible global corporate citizen, Amorepacific Group is aware of the seriousness and urgency of climate change. Accordingly, the Group strives to reduce GHG emissions throughout all processes of production and overall business activities by introducing renewable energy and improving efficiency of energy consumption. Especially, we strive to reduce regulatory risks, produce recovery scenarios on natural disasters and expand various low-carbon or water-efficient products. In addition, our long-term climate change mitigation and adaptation strategies reflect the decisions of the head executives, and their performance statuses are also followed up.

Expanding Renewable Energy Generation

Amorepacific Group is continuously investing in renewable energy. In 2019, the amount of generation from renewable energy at Amorepacific domestic business sites reached 6,221MWh, accounting for about 7% of total energy use. The amount of global generation of Amorepacific from renewable energy increased by 63% compared to 2018.

Amorepacific's Renewable Energy Generation

| Category | 2018 | 2019 |
|--|-------|-------|
| Total Renewable Energy Generation (MWh) | 3,821 | 6,221 |
| Amore Beauty Park | 718 | 2,660 |
| Daejeon Production Site | 124 | 297 |
| Amorepacific Headquarters | 2,979 | 2,953 |
| Logistics | - | 251 |
| Overseas | - | 60 |

Reduction of Energy Consumption in Production Sites

At Amorepacific Group's production sites, the Group continues to find tasks to reduce the GHG emissions. In particular, the Group regularly organizes an internal 'Energy Technology Exchange Meeting,' sharing notable energy reduction technologies at different business sites as well as providing incentives to employees based on the performance of improvements. As a result, COSVISION developed an automatic control system to regulate thermo hygostats and air conditioners at the peak of electricity use. PACIFICGLAS reduced energy consumption by enhancing the efficiency of the heat exchanger of furnaces.

Key Reduction at Amore Beauty Park

| Items | Energy Reduction (KWh) | Cost Savings (KRW million) |
|---|------------------------|----------------------------|
| Solar panels | 2,902,343 | 587.72 |
| AI system and inverter in air conditioning equipment | 219,839 | 29.68 |
| Enhancement of efficiency of air compressor and refrigeration equipment | 94,860 | 4.84 |
| Insulation of packaging facilities for makeup products | 29,168 | 3.94 |

Low-Carbon Logistics

Amorepacific Group's every distribution center replaced all of its lighting with high-efficiency LED lighting and optimized the operation of heating and cooling facilities. In 2019, the distribution center in Gwangju enhanced energy efficiency by installing high-capacity and low-velocity ventilators. As a result, Amorepacific logistics operations saw their GHG emissions drop by 13.8% year-on-year.

Amorepacific Group Energy Consumption

| Category | 2017 | 2018 | 2019 |
|--|--------|--------|--------|
| Total Energy Consumption (TOE) | 31,882 | 44,602 | 44,548 |
| Amorepacific (Domestic) | 10,881 | 23,589 | 23,194 |
| Amorepacific (Overseas) | 2,199 | 2,508 | 1,938 |
| PACIFICGLAS | 10,508 | 11,155 | 12,804 |
| PACIFICPACKAGE | 2,180 | 2,246 | 1,933 |
| COSVISION | 2,892 | 2,339 | 2,077 |
| AESTURA | 2,206 | 1,548 | 1,257 |
| OSULLOC | 1,017 | 1,217 | 1,345 |
| Total Consumption by Fuel Types (TOE) | | | |
| Electricity | 22,698 | 33,201 | 32,241 |
| LNG | 5,649 | 8,319 | 8,188 |
| Bunker-C Oil | 2,753 | 1,950 | 2,893 |
| Others | 782 | 1,132 | 1,225 |
| Energy Intensity (TOE/tonnes of production) | 0.265 | 0.357 | 0.322 |

Amorepacific Energy Consumption (Domestic)

| Category | 2017 | 2018 | 2019 |
|--|--------|--------|--------|
| Total Energy Consumption (TOE) | 10,881 | 23,589 | 23,194 |
| Total Consumption by Fuel Types (TOE) | | | |
| Electricity | 8,884 | 19,494 | 18,786 |
| LNG | 1,983 | 3,930 | 4,272 |
| Diesel | 13 | 43 | 38 |
| Others | 0 | 122 | 98 |
| Energy Intensity (TOE/tonnes of production) | 0.134 | 0.282 | 0.241 |

Amorepacific Energy Consumption (Overseas)

| Category | 2017 | 2018 | 2019 |
|--|-------|-------|-------|
| Total Energy Consumption (TOE) | 2,199 | 2,508 | 1,938 |
| Total Consumption by Fuel Types (TOE) | | | |
| Electricity | 1,847 | 2,075 | 1,513 |
| LNG | 343 | 425 | 416 |
| Diesel | 0 | 0 | 0 |
| Others | 9 | 9 | 9 |
| Energy Intensity (TOE/tonnes of production) | 0.447 | 0.368 | 0.285 |

Performance of Reducing GHG Emission (tCO₂eq/tonnes of production)¹⁾



1) Compared to 2015

Amorepacific Group GHG Emissions

| Category | 2017 | 2018 | 2019 |
|---|--------|---------|---------|
| Total GHG Emissions (tCO₂eq) | 87,627 | 100,496 | 101,143 |
| Amorepacific (Domestic) | 35,163 | 48,881 | 48,096 |
| Amorepacific (Overseas) | 6,739 | 7,643 | 5,801 |
| PACIFICGLAS | 27,332 | 28,090 | 32,818 |
| PACIFICPACKAGE | 4,510 | 4,645 | 3,995 |
| COSVISION | 6,057 | 4,880 | 4,334 |
| AESTURA | 4,670 | 3,263 | 2,642 |
| OSULLOC | 3,156 | 3,094 | 3,457 |
| Total Consumption by Fuel Types (tCO₂eq) | | | |
| Direct (Scope 1) | 29,558 | 30,892 | 34,197 |
| Indirect (Scope 2) | 58,070 | 69,604 | 66,947 |
| GHG Emissions Intensity (tCO₂eq/tonnes of production) | 0.729 | 0.805 | 0.732 |

Amorepacific GHG Emissions (Domestic)

| Category | 2017 | 2018 | 2019 |
|--|--------|--------|--------|
| Total GHG Emissions (tCO₂eq)¹⁾ | 35,163 | 48,881 | 48,096 |
| Direct (Scope 1) | 7,356 | 9,620 | 10,279 |
| Indirect (Scope 2) | 27,807 | 39,261 | 37,817 |
| Other indirect (Scope 3) | 3,531 | 3,757 | 1,994 |
| GHG Emissions Intensity (tCO₂eq/tonnes of production)¹⁾ | 0.434 | 0.584 | 0.500 |

1) Other indirect (Scope 3) excluded

Amorepacific GHG Emissions (Overseas)

| Category | 2017 | 2018 | 2019 |
|--|-------|-------|-------|
| Total GHG Emissions (tCO₂eq)²⁾ | 6,739 | 7,643 | 5,801 |
| Direct (Scope 1) | 736 | 899 | 884 |
| Indirect (Scope 2) | 6,003 | 6,744 | 4,917 |
| GHG Emissions Intensity (tCO₂eq/tonnes of production)²⁾ | 1.371 | 1.122 | 0.853 |

2) Other indirect (Scope 3) excluded

Improving Resource Efficiency

Improving Water Resource Efficiency

Amorepacific Group is deeply aware of the need for efficient use of water resources, optimizing its water consumption under the principle of 3R – Reduce, Recycle, and Reuse. On a 2015 baseline, Amorepacific Group aims to reduce water consumption per tonne of production by 22% in Korea and 41% overseas by 2020. In 2019, the rainwater was used for washing, and we enhanced the structure of the rainwater tank to procure more amounts of rainwater. Through such tasks to save water resources, we reduced the amount of water used per unit of production. In 2020, the Group will continue to minimize the use of water resource and maintain effective resource use by implementing various measures such as expanding the use of rainwater. PACIFICPACKAGE recycled the city water from the cooling tower and reused the purified heavy water from waste water purifying system, into gardening water. As a result, the amount of water consumption decreased by 37% in 2019 compared to 2018.

Amorepacific Group Water Consumption

| Category | 2017 | 2018 | 2019 |
|--|---------|-----------|-----------|
| Total Water Consumption (tonne) | 943,691 | 1,044,441 | 1,113,792 |
| Amorepacific | 463,523 | 518,426 | 517,276 |
| PACIFICGLAS | 89,597 | 96,070 | 104,925 |
| PACIFICPACKAGE | 26,059 | 30,077 | 18,940 |
| COSVISION | 81,914 | 80,586 | 71,772 |
| Others | 282,598 | 319,282 | 400,879 |
| Water Consumption by Source of Water (tonne) | | | |
| Municipal water (tap water) | 602,364 | 670,923 | 658,430 |
| Industrial water | 36,118 | 36,962 | 34,892 |
| Ground water | 268,794 | 295,524 | 381,971 |
| Rainwater | 36,415 | 46,510 | 38,499 |
| Intensity of Water Consumption (tonne/tonnes of production) | 7.849 | 8.369 | 8.059 |

Amorepacific Water Consumption

| Category | 2017 | 2018 | 2019 |
|--|---------|---------|---------|
| Total Water Consumption (tonne) | 463,523 | 518,426 | 517,276 |
| Water Consumption by Source of Water (tonne) | | | |
| Municipal water (tap water) | 384,799 | 440,432 | 437,323 |
| Industrial water | 35,293 | 31,484 | 34,892 |
| Ground water | 7,016 | - | 6,562 |
| Rainwater | 36,415 | 46,510 | 38,499 |
| Intensity of Water Consumption (tonne/tonnes of production) | 5.393 | 5.727 | 5.021 |

Reduction of Water Consumption (tonne/tonnes of production)¹⁾

| | Domestic | Overseas |
|-------------|------------|------------|
| 2019 | 12.6% | 44.2% |
| | Goal 7.7% | Goal 43.5% |
| 2020 | Goal 22.0% | Goal 41.0% |

1) Compared to 2015

Wastewater Discharge and Reuse

Amorepacific Group tries to minimize the impact of effluent water discharged from its business sites on adjacent ecosystems. In particular, the Group reuses wastewater as gardening water and others. In 2019, the Group enhanced the membrane in the wastewater processing, making wastewater cleaner and safer. The Group also installed additional aeration tanks to enhance the wastewater processing efficiency and reduce the use of chemicals for water treatment.

Amorepacific Group Wastewater Discharge and Reuse

| Category | 2017 | 2018 | 2019 |
|------------------------------------|---------|---------|---------|
| Reuse of Wastewater (tonne) | 22,191 | 41,046 | 33,169 |
| Amorepacific | 18,544 | 36,880 | 31,322 |
| PACIFICGLAS | 3,647 | 4,166 | 1,847 |
| Discharge (tonne) | 431,070 | 481,520 | 469,969 |
| Amorepacific | 268,702 | 305,530 | 296,566 |
| PACIFICGLAS | 88,359 | 94,754 | 97,006 |
| PACIFICPACKAGE | 153 | 152 | 159 |
| COSVISION | 60,232 | 61,946 | 57,749 |
| Others | 13,624 | 19,138 | 18,489 |
| Total COD (tonne) | 23.4 | 26.4 | 15.2 |
| Amorepacific | 17.3 | 20.3 | 11.3 |
| PACIFICGLAS | 0.9 | 0.8 | 1.5 |
| COSVISION | 4.6 | 5.0 | 2.3 |
| Others | 0.6 | 0.3 | 0.2 |

Waste and Recycling

Amorepacific Group has developed detailed categories of wastes by particular properties and types, implementing optimized measures to recycle each category of waste. The Osan Beauty Park is especially designated as a closely watched business site for resource circulation by the Ministry of Environment. By continuously enhancing the recycling of waste, the Group will contribute to the establishment of circular economy.

Amorepacific Group Waste Generation and Recycling

| Category | 2017 | 2018 | 2019 |
|---|--------|--------|--------|
| Waste Generation (tonne) | 18,483 | 13,035 | 13,164 |
| Amorepacific | 15,516 | 9,822 | 10,249 |
| PACIFICGLAS | 1,671 | 1,706 | 1,758 |
| PACIFICPACKAGE | 207 | 373 | 368 |
| COSVISION | 714 | 820 | 610 |
| Others | 376 | 314 | 178 |
| Recycled (tonne) | 10,663 | 10,465 | 11,055 |
| Rate of Recycling (%) | 58 | 80 | 84 |
| Waste Amount by Disposal Methods (tonne) | | | |
| Non-hazardous waste | 16,293 | 11,226 | 11,274 |
| Landfill | 395 | 132 | 82 |
| Incineration | 6,899 | 1,829 | 1,488 |
| Recycling | 8,999 | 9,159 | 9,704 |
| Others | - | 107 | - |
| Hazardous waste | 2,189 | 1,808 | 1,889 |
| Landfill | 34 | 41 | 25 |
| Incineration | 491 | 461 | 513 |
| Recycling | 1,664 | 1,306 | 1,351 |

Amorepacific Waste Generation and Recycling

| Category | 2017 | 2018 | 2019 |
|---|--------|-------|--------|
| Waste Generation (tonne) | 15,516 | 9,822 | 10,249 |
| Recycled (tonne) | 8,633 | 8,488 | 9,081 |
| Rate of Recycling (%) | 56 | 86 | 89 |
| Waste Amount by Disposal Methods (tonne) | | | |
| Non-hazardous waste | 13,965 | 8,612 | 9,012 |
| Landfill | 339 | 97 | 80 |
| Incineration | 6,418 | 1,097 | 974 |
| Recycling | 7,209 | 7,387 | 7,958 |
| Others | - | 31 | - |
| Hazardous waste | 1,550 | 1,210 | 1,238 |
| Landfill | 7 | 9 | - |
| Incineration | 118 | 101 | 114 |
| Recycling | 1,425 | 1,101 | 1,124 |

Reduction of Air Pollutants

Amorepacific Group strives to reduce the emissions of air pollutants. The Group regularly inspects facilities through SHE Audit sessions. Furthermore, the Group regularly monitors the emission of air pollutants at each production site in order to minimize the impact upon local communities. In addition, the standard environmental impact assessment process enforces investigation, projection, and assessment of the environmental impact of new business sites, eliminating or reducing harmful impact on the environment. Environmental impact assessment is performed and audited in accordance with the standard process.

Amorepacific Group Emission of Air Pollutants

| Category | 2017 | 2018 | 2019 |
|---------------------------------|------|------|------|
| Dust (tonne) | 3.7 | 4.3 | 2.4 |
| Amorepacific | 2.7 | 3.0 | 1.7 |
| PACIFICGLAS | 0.3 | 0.5 | 0.3 |
| Others | 0.7 | 0.8 | 0.4 |
| SOx (tonne) | 18.8 | 19.5 | 19.3 |
| Amorepacific | 1.6 | 0.0 | 0.0 |
| PACIFICGLAS | 17.2 | 19.5 | 19.3 |
| NOx¹⁾ (tonne) | 24.8 | 30.2 | 22.7 |
| Amorepacific | 10.4 | 14.5 | 10.3 |
| PACIFICGLAS | 14.3 | 15.7 | 12.4 |

1) Change in calculation applied, from basing on capacity design to actually discharged emission

Environmental Investment

In 2019, Amorepacific Group developed a number of eco-friendly processing technologies and products, continuing to add managerial efforts and investment in environmental protection. The Group invested a total of 4.93 billion KRW in environmental operations and investments in 2019. There have been no heavy violations of environmental regulations and no penalties.

Amorepacific Group Environmental Operations and Investments

| Category | 2017 | 2018 | 2019 |
|-------------------------------------|------|------|------|
| Total Cost (KRW 100 million) | 55.1 | 53.9 | 49.3 |
| Amorepacific | 37.0 | 35.5 | 33.1 |
| PACIFICGLAS | 11.4 | 10.2 | 9.5 |
| Others | 6.6 | 8.2 | 6.7 |

Environmental Education

As a way to actively implement preemptive measures to changing environmental laws and regulations, Amorepacific Group provided employees education sessions on related issues such as plastic waste, micro dust, climate change, and chemical substances. In 2019, a total of 188 employees received 489 hours of education. In particular, the Group trained climate change specialist, considering the introduction of ISO-50001 certified energy management system in a serial process. As a result, the Group established sixteen internal audit members for energy management.

Appendix

- 01 Consolidated Statements of Financial Position
- 02 Consolidated Statements of Comprehensive Income
- 03 Independent Assurance Statement
- 04 Verification Statement GHG Inventory
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Consolidated Statements of Financial Position

End of 2019: As of Dec. 31, 2019
End of 2018: As of Dec. 31, 2018

| Unit: KRW mn | Amorepacific | | Amorepacific Group | |
|---|------------------|------------------|--------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Assets | | | | |
| Current assets | 1,803,064 | 1,567,236 | 2,905,906 | 2,489,626 |
| Cash and cash equivalents | 673,580 | 735,511 | 1,417,441 | 1,297,453 |
| Bank deposits | 70,600 | 15,100 | 245,100 | 225,100 |
| Available-for-sale financial assets | 0 | 0 | 0 | 0 |
| Financial assets at fair value through net income | 137,523 | 0 | 157,610 | 20,174 |
| Financial assets at amortized cost | 0 | 30,000 | 0 | 30,000 |
| Trade receivables | 365,884 | 286,689 | 394,717 | 308,917 |
| Other receivables | 32,485 | 31,275 | 25,818 | 29,150 |
| Current tax assets | 4,015 | 4,287 | 4,160 | 4,467 |
| Other current assets | 66,387 | 61,070 | 80,296 | 76,079 |
| Inventories | 452,589 | 403,305 | 524,544 | 498,286 |
| Non-current assets as held for sale | 0 | 0 | 56,221 | 0 |
| Non-current assets | 4,185,944 | 3,803,901 | 5,375,487 | 4,897,748 |
| Bank deposits | 16,426 | 14,828 | 19,654 | 17,657 |
| Other receivables | 145,165 | 168,382 | 194,891 | 223,091 |
| Available-for-sale financial assets | 0 | 0 | 0 | 0 |
| Financial assets at fair value through net income | 4,119 | 3,956 | 36,774 | 9,466 |
| Financial assets at amortized cost | 2,131 | 3,092 | 3,286 | 4,247 |
| Financial assets at fair value through other comprehensive income | 1,114 | 2,690 | 4,945 | 10,676 |
| Property, plant, and equipment | 2,661,842 | 2,713,128 | 3,200,097 | 3,321,645 |
| Investment Property | 493,011 | 501,437 | 364,765 | 367,138 |
| Right-of-use assets | 432,396 | 0 | 571,432 | 0 |
| Intangible assets | 226,517 | 254,115 | 739,426 | 773,737 |
| Investments in associates | 2,160 | 2,346 | 4,641 | 4,771 |
| The net defined benefit assets | 106,099 | 58,529 | 129,044 | 68,935 |
| Deferred income tax assets | 72,705 | 57,526 | 83,657 | 69,816 |
| Other non-current assets | 22,261 | 23,871 | 22,876 | 26,569 |
| Total assets | 5,989,008 | 5,371,137 | 8,281,393 | 7,387,374 |
| Liabilities | | | | |
| Current liabilities | 1,066,567 | 763,212 | 1,225,876 | 897,638 |
| Trade payables | 172,459 | 111,833 | 104,780 | 88,803 |
| Short-term borrowings | 99,347 | 71,453 | 204,136 | 169,422 |
| Other payables | 264,809 | 249,629 | 304,811 | 276,585 |
| Current income tax liabilities | 67,399 | 62,967 | 79,366 | 75,914 |
| Deferred revenue | 0 | 0 | 0 | 0 |
| Contract liabilities | 50,059 | 56,178 | 57,382 | 66,838 |
| Provisions for other liabilities | 12,872 | 11,085 | 14,543 | 12,131 |
| Current lease liabilities | 197,592 | 0 | 245,845 | 0 |
| Other current liabilities | 202,032 | 200,067 | 215,012 | 207,945 |
| Non-current liabilities | 423,600 | 161,508 | 575,371 | 247,266 |
| Long-term borrowings | 0 | 44,687 | 0 | 44,687 |
| Retirement benefit obligations | 3,425 | 3,211 | 3,437 | 3,252 |
| Deferred income tax liabilities | 101,731 | 78,769 | 167,130 | 167,998 |
| Provisions for non-current liabilities | 19,136 | 13,781 | 21,409 | 15,382 |
| Non-current lease liabilities | 267,922 | 0 | 363,985 | 0 |
| Other non-current liabilities | 31,386 | 21,060 | 19,410 | 15,948 |
| Total liabilities | 1,490,167 | 924,720 | 1,801,246 | 1,144,904 |
| Equity | | | | |
| Equity attributable to owners of the parent | 4,489,497 | 4,422,047 | 3,367,322 | 3,118,833 |
| Capital stock | 34,508 | 34,508 | 47,997 | 44,451 |
| Additional paid-in capital | 712,702 | 712,702 | 903,711 | 672,987 |
| Capital surplus | 10,807 | 7,770 | (21,656) | 22,624 |
| Other components of equity | (117,632) | (17,624) | (196,032) | (145,997) |
| Accumulated other comprehensive income | (24,679) | (41,312) | (14,983) | (21,030) |
| Retained earnings | 3,873,790 | 3,726,003 | 2,648,286 | 2,545,799 |
| Non-controlling interests | 9,344 | 24,371 | 3,112,824 | 3,123,637 |
| Total equity | 4,498,841 | 4,446,417 | 6,480,147 | 6,242,470 |
| Total liabilities and equity | 5,989,008 | 5,371,137 | 8,281,393 | 7,387,374 |

Consolidated Statements of Comprehensive Income

Years Ended December 31,
2019 and 2018

| Unit: KRW mn | Amorepacific | | Amorepacific Group | |
|--|--------------|-----------|--------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Sales | 5,580,142 | 5,277,845 | 6,284,255 | 6,078,179 |
| Cost of sales | 1,500,516 | 1,434,876 | 1,641,834 | 1,618,695 |
| Gross profit | 4,079,627 | 3,842,969 | 4,642,421 | 4,459,485 |
| Selling and administrative expenses | 3,651,792 | 3,360,988 | 4,144,171 | 3,910,011 |
| Operating profit | 427,835 | 481,981 | 498,250 | 549,474 |
| Finance income | 14,739 | 12,690 | 31,767 | 33,079 |
| Finance costs | 19,977 | 2,687 | 26,987 | 7,332 |
| Other non-operating gains (losses)-net | (51,693) | (39,028) | (72,313) | (41,319) |
| Share of profit of associates | (302) | 31 | 654 | 935 |
| Profit before income tax | 370,602 | 452,987 | 431,371 | 534,836 |
| Income tax expense | 146,841 | 118,142 | 148,966 | 158,565 |
| Profit for the year | 223,761 | 334,845 | 282,405 | 376,271 |
| Profit attributable to: | | | | |
| Owners of the Parent | 238,804 | 332,195 | 133,733 | 142,286 |
| Non-controlling interests | (15,043) | 2,649 | 148,672 | 233,985 |
| Post-tax other comprehensive income (loss) | 7,287 | 23,558 | 4,993 | 25,301 |
| Items that will not be reclassified to profit or loss | | | | |
| Actuarial loss on post-employment benefit obligations | (8,917) | 21,500 | (10,918) | 25,811 |
| Financial assets at fair value through other comprehensive income | (426) | 1,646 | (792) | (923) |
| Items that may be reclassified to profit or loss | | | | |
| Change in value of available-for-sale financial assets | 0 | 0 | 0 | 0 |
| Share of other comprehensive income of associates | 19 | (55) | 19 | (55) |
| Loss on currency translation of foreign operations - net | 16,611 | 467 | 16,684 | 469 |
| Total comprehensive income for the year | 231,048 | 358,402 | 287,398 | 401,573 |
| Attributable to: | | | | |
| Owners of the Parent Company | 246,324 | 355,628 | 134,385 | 151,118 |
| Non-controlling interests | (15,276) | 2,774 | 153,013 | 250,455 |
| Earnings per share | Unit: KRW | | | |
| Basic earnings per share for profit attributable to the ordinary equity holders | 3,477 | 4,815 | 1,444 | 1,708 |
| Basic earnings per share for profit attributable to the preferred equity holders | 3,490 | 4,820 | 1,453 | 1,713 |

Independent Assurance Statement

Introduction

Amorepacific Group ("APG") commissioned DNV GL Business Assurance Korea Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2019 (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 and Basis of assurance

Based on non-financial data and sustainability activities and performance data of 2019 generated from APG, we have evaluated the adherence to GRI (Global Reporting Initiative) Sustainability Reporting Standards Principles and assessed the quality of sustainability performance information. We have reviewed that the Topic-specific disclosures of GRI Standards which are identified in the process for defining report content:

| No. | Material topic | GRI Disclosure | No. | Material topic | GRI Disclosure |
|-----|---|----------------------------------|-----|---|---|
| 1 | Strengthening product sustainability | 416-1 | 6 | Minimizing the impact on global warming by corporate activities | 302-1, 2, 3, 4, 5 305-1, 2, 3, 4, 5, 7 |
| 2 | Promoting circulation of resources | 303-3, 4, 5 306-1, 2, 3, 4, 5 | 7 | Corporate & Product innovation | - |
| 3 | Enhancing employee health and quality of life | 403-8 | 8 | Strengthening product safety | 416-2 |
| 4 | Supporting suppliers' growth and development | 414-1, 2 | 9 | Carrying out strategic CSR activities aligned with our businesses | 203-1, 2 413-1, 2 |
| 5 | Enhancing human rights and diversity of employees | 412-1, 2 | | | |

We performed our work using DNV GL's assurance methodology VeriSustain™¹, 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 June 2020. The site visits were made to APG Head Office and Factories. We undertook the following activities as part of the assurance process:

- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated conducted document reviews, data sampling and interrogation of supporting databases and associated
- reviewed the materiality assessment report.
- test of data gathering process;
 - Site visit: Beauty Campus in Osan
 - Online video conference: Amorepacific China office and Shanghai Beauty Campus in China

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

Limitations

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

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. 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, Business Partners and NGO (Non-Governmental Organization). 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.

Sustainability Context

APG has stated the '2020 sustainability vision and goals' and three directing points such as 'Sustainable lifestyle', 'Inclusive growth', 'Circular economy'. In addition, APG presents how 2020 sustainability goals in line with UN SDGs (Sustainable Development Goals). In particular, APG makes an effort to achieve gender equality through '20 by 20 Commitment' activities aimed at promoting women's health, well-being and economic competitiveness, and is leading responsible production and consumption through continuous improvement of environment-friendly products. APG presents the sustainability goals and 3 directing points through the website. (<https://sr.apgroup.com/index.html>)

Materiality

APG has conducted the materiality assessment to prepare the Report. 'Business impact' such as peer review, international standards, internal strategy and 'stakeholder interest' are considered during the materiality assessment, issue pools were used on internal and external stakeholder survey to rate the material topics and 9 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:

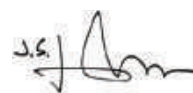
Report quality: Accuracy, Balance, Clarity, Comparability, Reliability and Timeliness

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 we have interviewed the person-in-charge, reviewed the process of gathering and processing data and information, and the supporting documents and records. APG could compare the performances related to the material topics with appropriate benchmarks and use them to develop and adjust the sustainability goals. 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.

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - 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 Conduct²⁾ 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 2019 that could compromise the independence or impartiality of our work. DNV GL has conducted the verification of GHG emissions in 2020, which isn't considered a conflict of interest in the Report verification.

2) DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)

June 2020
Seoul, Korea



Jang Sup Lee
Country Representative
DNV GL Business Assurance Korea Ltd.

Competence and Independence

Verification Statement GHG Inventory

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 2019("the report") based upon a limited 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 2006 IPCC Guidelines for National Greenhouse Gas Inventories, 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(Beauty 1 in Osan, Daejeon and Jincheon, 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 (in Jeju, Republic of Korea)
- Organizational boundary for AMOREPACIFIC SHANGHAI: Shanghai(China)

Verification Approach

The verification has been conducted by DNV GL from 19th February through 23rd April 2020 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 verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton 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

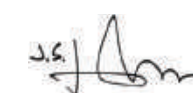
Conclusions

Based on the above verification of core elements, it is the DNV GL's opinion that nothing comes to our attention to suggest that GHG emissions are not properly calculated, and a significant uncertainty and error are included in the GHG Emissions from AMOREPACIFIC Group for the year 2019 below:

| AMOREPACIFIC Group | Direct emissions (Scope 1) | Energy indirect emissions (Scope 2) | Other indirect emissions (Scope 3) | Total emissions |
|-----------------------|----------------------------|-------------------------------------|------------------------------------|-----------------|
| AMOREPACIFIC | 10,279 | 37,817 | 1,994 | 50,090 |
| PACIFICPACKAGE | 323 | 3,672 | | 3,995 |
| COSVISION | 889 | 3,445 | | 4,334 |
| OSULLOC | 2,295 | 1,162 | | 3,457 |
| AESTURA | 684 | 1,958 | | 2,642 |
| AMOREPACIFIC SHANGHAI | 884 | 4,917 | | 5,801 |

Unit: tCO₂-eq
 ※ 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 include Scope 3 emissions)

23rd April 2020



Lee, Jang Sup
Country Representative
DNV GL Business Assurance Korea Ltd

This Assurance Statement is valid as of the date of the issuance (23rd April 2020). 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.

GRI Standards Index

1. General Disclosures

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* Amorepacific Group Business Report can be viewed on the following website.
<http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20200429000864>

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| Public Policy | 415-1 | Political contributions | *There was no political donation *Amorepacific's expenditure for industry associations and tax-free organizations is listed below* |
| Customer Privacy | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | There was no violation of the applicable laws |
| Socioeconomic Compliance | 419-1 | Non-compliance with laws and regulations in the social and economic area | Amorepacific Group Business Report 314, 315 page |

* Expenditure (for 3years) : 572 million KRW (in 2019), 1,105 million KRW (in 2018) and 837 million won (in 2017)
Major Expenditures : Korea Cosmetic Association 217 million KRW, The Korea Employers Federation 62 million KRW

Ten Principles of the UNGC

Ten Principles of the UNGC and Amorepacific Group's Activities

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| 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 encourage the development and diffusion of environmentally friendly technologies. | 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. |

Governance

Amorepacific Group BOD¹⁾

| Category | Name | Position / Responsibility | Gender | Date of the first appointment | Expert area |
|-------------------------|---------------|---|--------|-------------------------------|-------------------------------|
| Executive Directors | Suh Kyungbae | - Chairperson of the board - Member of Management Committee - Member of Risk Management Committee | M | 1994. 03. 18 | Business Administration |
| | Bae Donghyun | - Chairperson of Management Committee - Chairperson of Risk Management Committee - Member of Executive Compensation Committee | M | 2016. 03. 18 | Business Administration |
| | Kim Seunghwan | - Member of Management Committee - Member of Risk Management Committee - Member of Internal Transaction Review Committee | M | 2013. 03. 22 | HR |
| Non-executive Directors | Choe Jonghak | - Chairperson of Audit Committee - Member of Independent Director Candidate Recommendation Committee - Chairperson of Internal Transaction Review Committee - Member of Executive Compensation Committee | M | 2019. 03. 15 | Account (Professor) |
| | Kim Eonsoo | - Member of Audit Committee - Member of Internal Transaction Review Committee | M | 2020. 03. 20 | Business Strategy (Professor) |
| | Kim Youngsun | - Member of Audit Committee - Chairperson of Independent Director Candidate Recommendation Committee - Chairperson of Executive Compensation Committee | M | 2020. 03. 20 | Diplomacy |
| | Lee Kyoungmi | - Member of Independent Director Candidate Recommendation Committee | F | 2020. 03. 20 | Marketing (Professor) |

Amorepacific BOD¹⁾

| Category | Name | Position / Responsibility | Gender | Date of the first appointment | Expert area |
|-------------------------|--------------|---|--------|-------------------------------|--|
| Executive Directors | Suh Kyungbae | - Chairperson of the board - Member of Management Committee - Member of Risk Management Committee | M | 2006. 06. 07 | Business Administration |
| | Ahn Saehong | - Chairperson of Management Committee - Chairperson of Risk Management Committee - Member of Executive Compensation Committee | M | 2018. 03. 16 | Business Administration |
| | Lee Sangmok | - Member of Management Committee - Member of Risk Management Committee - Member of Internal Transaction Review Committee | M | 2016. 03. 18 | Business assist (Certified Accountant) |
| Non-executive Directors | Eom Yeongho | - Chairperson of Audit Committee - Chairperson of Independent Director Candidate Recommendation Committee - Member of Internal Transaction Review Committee | M | 2016. 03. 18 | Finance (Professor) |
| | Kim Jinyeong | - Member of Audit Committee - Member of Independent Director Candidate Recommendation Committee - Chairperson of Executive Compensation Committee | M | 2018. 03. 16 | Customer Service (Professor) |
| | Kim Gyeongja | - Member of Executive Compensation Committee | F | 2019.03. 15 | Customer (Professor) |
| | Lee Hwiseong | - Member of Audit Committee - Member of Independent Director Candidate Recommendation Committee - Chairperson of Internal Transaction Review Committee | M | 2019. 03.15 | IT |
| | Cha Sangkyun | | M | 2020. 03. 20 | ICT (Professor) |

1) As of May 2020

Shareholders²⁾

Amorepacific Group

| Category | Proportion |
|--|------------|
| Major shareholder and affiliated parties | 62.9% |
| Foreign Investors | 21.7% |
| Domestic Institutional Investors | 5.8% |
| Treasury Stock | 7.5% |
| Domestic Individual Investors | 2.1% |

2) As of Dec. 2019

Amorepacific

| Category | Proportion |
|--|------------|
| Amorepacific Group | 35.6% |
| Foreign Investors | 29.7% |
| Major shareholder and affiliated parties | 14.1% |
| Domestic Institutional Investors | 13.6% |
| Domestic Individual Investors | 6.1% |
| Treasury Stock | 0.9% |

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, 2019 and data from 2017 and 2018 were included for comparative purposes.

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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