

AMOREPACIFIC

The interior pages of this report used environment-friendly papers that used timbers which have been grown in an environmentally developed and managed forestry.
www.amorepacific.com

AMOREPACIFIC SUSTAINABILITY REPORT 2012

AMOREPACIFIC

AMOREPACIFIC SUSTAINABILITY REPORT 2012 2012.01.01 - 2012.12.31

Purpose

This report was created to disclose AMOREPACIFIC's sustainability management activities to stakeholders and to collect various opinions to reflect them in management. AMOREPACIFIC plans to issue this report every year to advance into a company that contributes to sustainable development and to engage in active communication with all of you stakeholders.

Scope

This report specifies the activities and performances of the AMOREPACIFIC Head Office, R&D Center, Human Resources Development Center, Provincial Offices, Beauty Production Sites, Mass Cosmetics Production Site, and Sulloc tea Production Site. Basic information is provided on overseas offices and subsidiaries. We plan to gradually disclose information on detailed activities in future reports according to sustainability management action plans.

Period Covered

This report covers AMOREPACIFIC's activities from January 1, 2012 to December 31, 2012. Data from 2010 and 2011 were included for comparative purposes.

Report Verification

To verify the accuracy and enhance the credibility of the contents of this report, we received an independent outside verification.

Standards Followed

The 2012 AMOREPACIFIC Sustainability Report has been prepared in accordance with the G3.1 guidelines set forth by the Global Reporting Initiative (GRI) and the main agenda of ISO 26000.

AMOREPACIFIC

Creating a
Beautiful
Life™

Creating a
Beautiful
Life

Special Section

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08	Innovating for the Customers	<p>Technological Innovation We are conducting experiments and meeting challenges to provide better products and services.</p> <p>Enhancing the Sustainability of Products AMOREPACIFIC is focused on strengthening the sustainability of products and packaging to minimize the environmental impact by developing new and improved materials.</p> <p>Innovating our Brands and Services We are committed to building a long-lasting relationship with our customers by providing a wide range of value-added products and events geared toward customer participation.</p>
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We will use beauty to change the world and become a company that customers love.

To our stakeholders, During the past 67 years, AMOREPACIFIC has embarked on a long journey of beauty to provide happiness and pleasure to people all around the world with AMOREPACIFIC's creation of beauty products. We have stood the test of numerous crises resulting from uncertain management conditions to achieve continuous growth by caring about our customers and taking quick actions to seek new opportunities. Even at this very moment, AMOREPACIFIC is striving to satisfy global customers by discovering the values of sustainable beauty found in Asia's profound wisdom, while also making concerted efforts to create a sustainable company.

AMOREPACIFIC has minimized the negative impacts on the environment and strengthened

the development of sustainable products and packaging materials to deliver the values of environment-friendly consumption to customers. We continually expanded the Beautiful Fair Trade to acquire outstanding local raw materials and support the local communities and concentrated the corporate competency on developing eco-friendly packages that used botanical raw materials and recycled materials. Also, the AMOREPACIFIC beauty production site equipped with production and logistics systems of global standards acquired the certifications for eco-friendly building and CGMP (Cosmetics Good Manufacturing Practice) and we constructed a botanical garden of raw materials, which is an environment-friendly natural park. Based on these efforts, we will become a

beauty creator to the world by providing high-quality products with the best raw materials for our customers and contributing to the environment and local communities.

The global brand company that AMOREPACIFIC is seeking to achieve will be realized by talented people who are ready to challenge on the world stage. Therefore, AMOREPACIFIC has worked towards developing the global competencies of employees based on its management philosophy of valuing people above everything else and creating a workplace where employees can grow as individuals. Through the Smart Work and Happy Plus campaigns, we increased employee engagement to be more devoted to customers and helped find a balance between work and personal life.

Also, we consolidate the dreams and vocations of a variety of talented employees into one by implementing a corporate culture activity of One AMOREPACIFIC from a global perspective.

AMOREPACIFIC has continually strengthened a win-win relationship with business partners to create a healthy business ecosystem. To strengthen the competitiveness of business partners, we expanded the Supplier Support Fund for suppliers and opened a win-win portal site for suppliers to effectively resolve complaints from business partners. As a result, AMOREPACIFIC and its business partners will maintain a beautiful relationship where they will help each other to achieve growth. Furthermore, in order to fulfill our responsibility as a global citizen, we support the ten principles

of UN Global Compact (UNGC), including human rights, labor, environment and anti-corruption. We will continually work towards reflecting these principles in AMOREPACIFIC's management activities.

To our stakeholders,

The management policy of AMOREPACIFIC for 2013 is 'TEAM Together'. It shows AMOREPACIFIC's commitment to look from the apex of where two points meet together instead of dividing the world into what is mine and others, thereby walking side by side with our partners in the business ecosystem, including suppliers. Furthermore, if we walk together with the world and the society, we can grow much faster and healthier.

AMOREPACIFIC has the dream of changing the world with our beauty products. All employees at AMOREPACIFIC will make concerted efforts to achieve the dream and become a company that customers love the most in Asia.

Thank you.

Chairman & CEO,
AMOREPACIFIC Corporation
Kyung-bae Suh



AMOREPACIFIC



We will use beauty to change the world and become a company that customers love.
Chairman & CEO, AMOREPACIFIC Corporation Kyung-bae Suh

Innovating for the Customers



HERA UV mist cushion

Innovating for the Customers

With AMOREPACIFIC, the roads you walk become more beautiful. This year, AMOREPACIFIC emphasized the creation of innovative solutions to provide even better products and services to our customers. We will continue to innovate our technologies, products, and services to achieve and maintain high-level of customer satisfaction.



HERA UV mist cushion,
 Mise-en-scène. Easy&speedy foam hair color

**Mise-en-scène foam type hair dye's
 GH quality certification:**

GH quality certification is given to health-related products that passed the Korea Health Industry Development Institute's quality certification standards, which is an institution supported by the Ministry of Health & Welfare.



**HERA UV mist cushion:
 development of sponge compact cases
 using the cell-trap technology**

AMOREPACIFIC developed a 'cell-trap sponge compact case' in the process of conducting researches on sunscreens that are convenient to use and easy to carry. The existing sunscreens were inconvenient to use and had absorption issues when reapplied on the skin. Therefore, AMOREPACIFIC developed a form of 'non-flowing liquid' that is light and easily absorbed after reapplication. Also, we developed the cell-trap technology, which contains liquid contents in the sponge by using AMOREPACIFIC's specialized technology of hyper-ultrafine dispersion technology.

HERA UV mist cushion and IOPE air cushion products, which are applied with the cell-trap technology, created a new type of makeup called 'cushion type' by receiving recognition as innovative sunscreens in compact type. This technology awarded AMOREPACIFIC with an excellence award at the 2012 Korea Technology Award. Furthermore, AMOREPACIFIC has 24 patent applications and 5 patent registrations in South Korea, as well as 4 PCT applications, 12 overseas patent applications including the United States, Japan, and one patent registration in China.

**Mise-en-scène foaming hair dye:
 easy & speedy aerosol foam-type hair dye**

As a result of increased interest in beauty care, lots of products that focused on the convenience of dyeing hair were released, which led to a huge growth in hair dye products for the hair care industry. In order to provide convenience to the customers, AMOREPACIFIC developed a variety of products, including quick hair dye, hair dye shampoo, and hair dye with a comb. We have worked on developing new forms of hair dye products that can bring more convenience to the users throughout the whole process of dyeing hair, whether it is the preparatory stage or the cleaning up stage. AMOREPACIFIC subdivided the stages for dyeing hair into 5 stages, including preparation, application, leaving alone, washing, and cleaning up. In order to provide convenience for all stages, we conducted researches on the following: no need to use a container for mixing; easy to apply in the foam type; a short time of ten minutes for leaving alone; form with excellent washing; and simplified cleaning up. As a result, AMOREPACIFIC commercialized 'Mise-en-scène, the quick and easy to use aerosol foam-type hair dye', which innovatively combined the features of foam and hair dye into an easy to use all-in-one container. Based on this, we acquired Korea's first quality certification of Goods of Health (GH) for hair dye products by passing the Korea Health Industry Development Institute's quality certification standards.

Technological Innovation

AMOREPACIFIC received an excellence award at the 2012 Korea Technology Awards for its Cell-trap technology. Also, AMOREPACIFIC has 24 patent applications and 5 patent registrations in South Korea, as well as 4 PCT applications, 12 overseas patent applications including the United States, Japan, and one patent registration in China.



LANEIGE Water Supreme Creamy Foundation
 HAPPY BATH Whiteclay Blackhead Foam (One-Touch Cap)
 HERA Moist Multibutter (Cap)
 HAPPY BATH Lavender Essence Relaxing Body Wash

Development of Sustainable Packages

AMOREPACIFIC is focused on strengthening the sustainability of products and packaging to minimize the environmental impact by developing new and improved materials. To achieve our mission to reduce the amount of package used per product by 25% by the year 2020, we are working to develop sustainable and eco-friendly packages based on four key aspects: Recyclable, Reducible, Reusable, and Renewable.

Reduce: development of non-coated high-gloss material

LANEIGE Water Supreme Creamy Foundation
 0% Coating

Non-coated plastic materials are easier to recycle. We have developed high-gloss, non-coated plastic materials which are scratch resistant. This innovated plastic will be applied in the development of containers for LANEIGE Water Supreme Creamy Foundation, which is expected to be sold in stores starting April 2013.

Reduce: Weight reduction of the one-touch cap

HAPPY BATH Whiteclay Blackhead Foam
 (One-Touch Cap)

Reduced weight by 15%

The total weight of the one-touch cap (50 pie tube) used in the HAPPY BATH blackhead foam products was reduced by 15% from the original 14 grams to 12 grams. The new lightweight cap is expected to be used in the molding of new products in other brands.

Enhancing the Sustainability of Products

AMOREPACIFIC is focused on strengthening the sustainability of products and packaging to minimize the environmental impact by developing new and improved materials.

Renewable: application of plant-oriented plastic materials

HERA Moist Multibutter (Cap)

37% of raw materials used are plant-oriented

Instead of thermosetting plastics that are difficult to recycle, we applied bio plastics to our products, which use 37% of plant-originated raw materials while maintaining the existing quality of plastics. In 2012, we applied it to HERA's moist multibutter cap.

Recycle: increased the application of PCR materials

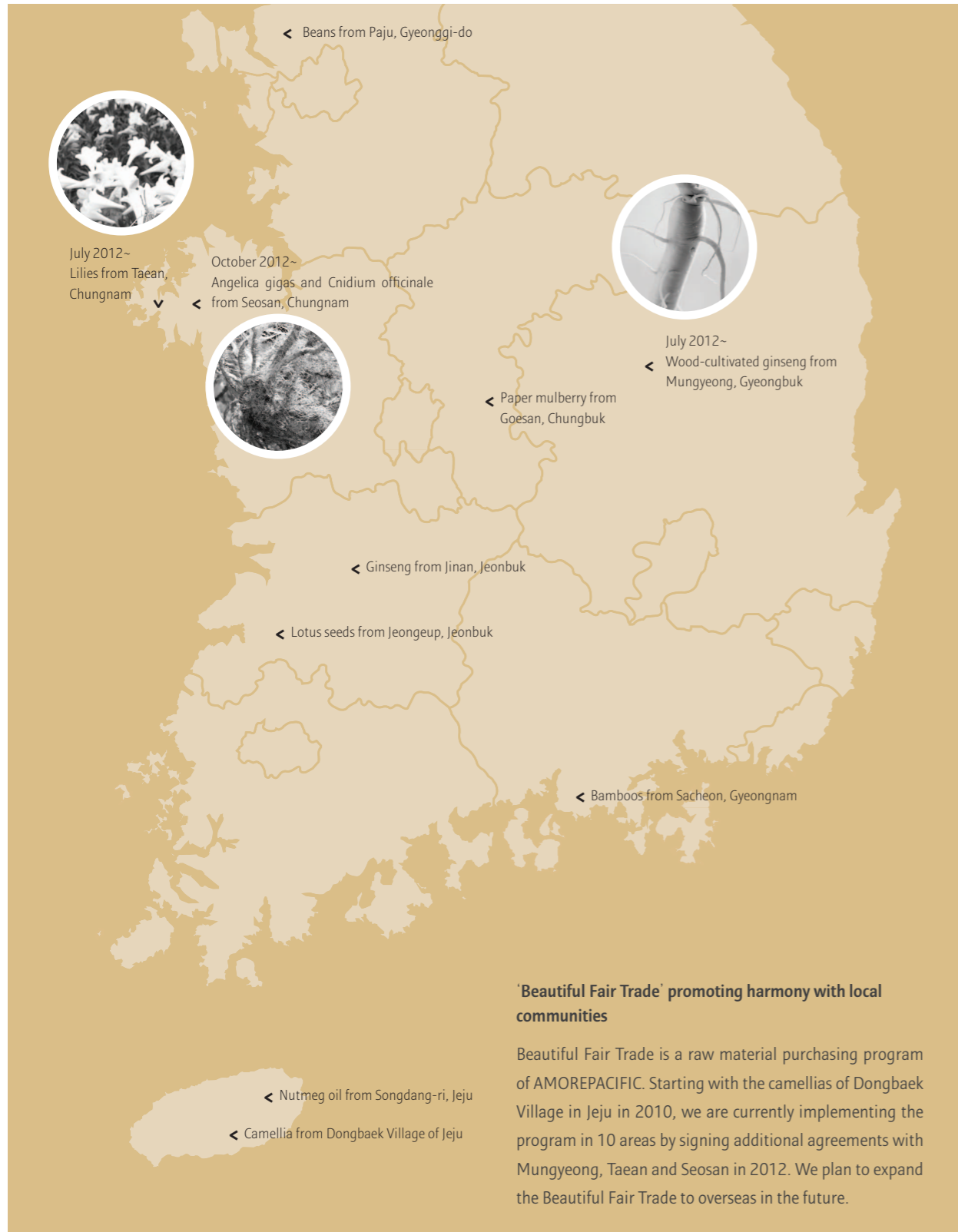
HAPPY BATH Lavender Essence

Relaxing Body Wash

5 PCR PET products in 2011

→11 PCR PET products in 2012

While maintaining the function and durability of the existing PET containers, we continuously increased the application of packages that utilize PCR PET (Post-Consumer Recycled PET) materials, which reduce greenhouse gases occurring during the manufacturing of packing materials. In 2012, we expanded our application to 10 products, including HAPPY BATH's lavender essence relaxing body wash.



'Beautiful Fair Trade' promoting harmony with local communities

Beautiful Fair Trade is a raw material purchasing program of AMOREPACIFIC. Starting with the camellias of Dongbaek Village in Jeju in 2010, we are currently implementing the program in 10 areas by signing additional agreements with Mungyeong, Taeon and Seosan in 2012. We plan to expand the Beautiful Fair Trade to overseas in the future.

Beautiful Fair Trade

Beautiful Fair Trade is a raw material purchasing program of AMOREPACIFIC. It is aimed at making positive contributions to the customers, environment and society by keeping the three important principles in the process of selecting plant materials and purchasing them, which include: safety of raw materials; environmental preservation; and contribution to local communities.

**Harmony with Local Communities
July 2012, purchasing lilies in Taeon, Chungnam**

Lilies in Taeon, Chungchungnam-do use environment-friendly cultivation method that does not use any chemical fertilizer and agricultural pesticides. These lilies are usually exported to Japan and China, but they usually generate little profits because of large price fluctuations. After signing the Beautiful Fair Trade agreement, farms in these areas are able to sell their lilies to AMOREPACIFIC without having to worry about price fluctuations and other market insecurities.

July 2012, purchasing wood-cultivated ginseng in Mungyeong, Gyeongbuk

The Mungyeong area organically grows wood-cultivated ginseng in a desolate mountain area of more than 600m above sea level without using agricultural pesticides or chemical fertilizer, making it excellent to be used as raw materials for Sulwhasoo, AMOREPACIFIC's oriental medicine skin care brand. We were able to purchase wood-cultivated ginseng grown in a clean environment by signing the Beautiful Fair Trade agreement with Mungyeong-si, Gyeongbuk in 2012.

October 2012, purchasing Angelica gigas and Cnidium officinale in Seosan, Chungnam

Seosan is an area with climate conditions that are favorable to growing Angelica gigas and Cnidium officinale and preventing damage from diseases and harmful insects. AMOREPACIFIC signed an agreement to purchase Angelica gigas and Cnidium officinale from the Gyeo-Seong Farming and Agriculture Association, which is a farming association set up in 2010 by Seosan's farmers who want to use environment-friendly cultivation methods for agricultural products. It acquired the pesticide-free environment-friendly certification mark in the first year of its establishment. Angelica gigas and Cnidium officinale that are cultivated in a clean environment without using agricultural pesticides and chemical fertilizers are being used in AMOREPACIFIC's products, including our cosmetic brand Hanyul's 'Optimizing Serum'.

Enhancing the Sustainability of Products

AMOREPACIFIC seeks to visit farms which use environment-friendly cultivation methods for plant materials and purchases them at reasonable prices, enabling us to build and maintain mutually beneficial relationships with local farmers and contribute to regional development.



illi's main product 'illi Total Age Body Lotion'

Major Korean Herbs of illi

'illi' products are created with "Korean Herbal Bio Synergy Complex™" technology, which is based on the harmonization of four key ingredients indigenous to Korea: Ginseng, beans, green tea, and camellia.



Launching of the Korean herbal medicinal body care solution 'illi'

We launched the Korean herbal medicinal body care solution brand 'illi', which embodies AMOREPACIFIC's devotion to both skin science research and herbal medicines indigenous to Korea.

The main ingredients are the 'Korean Herbal Bio Synergy Complex™', which is based on the harmonization of four key ingredients indigenous to Korea: Ginseng, beans, green tea, and camellia. We collected and analyzed the original scent of flowers, including Korean ginseng flower and lotus, and put them into the products.

AMOREPACIFIC has continuously studied the 'beautiful figure' of Korean women. In the hopes of sharing AMOREPACIFIC's scientific knowledge of skin care essentials and the Asian beauty know how with the customers, we published the book 'Jataebogam illi'. This book, which contains 'the secrets to a woman's beautiful figure', explains in detail the traditional beauty methods of famous women of Korea's long history such as Hwang Jini, Jang Heebin, Empress Myeongseong, and Shin Saim Dang. Also, it contains the cosmetic effects of illi's key ingredients, including ginseng, beans, green tea and camellia oil, are explained clearly.

Since the launch of the product illi, it has become very popular with many customers by accounting for 12% of market share in just 6 months and ranking 4th in Korea's body moisturizer market.

Innovating our Brands and Services

We launched the Korean herbal medicinal body care solution brand 'illi', which embodies AMOREPACIFIC's devotion to both skin science research and herbal medicines indigenous to Korea.

Launching of the Global Niche Perfume House Annick Goutal in Korea

Last year, AMOREPACIFIC acquired the French luxury perfume brand 'Annick Goutal'. In August of 2012, it opened its own store in the Luxury Hall of Galleria Department Store. Annick Goutal is a famous French pianist and fashion model who introduced this luxury perfume brand that expressed her sensitivity by using high-quality perfume raw materials. Annick Goutal is famous for making the perfect fragrance by dropping each drop with hands. Besides that, the perfume bottles are also produced directly from France. There are currently 12 Annick Goutal stores in Europe, and is also sold in 1,350 stores in 40 different countries.



Annick Goutal's main product 'PETITE CHERIE'



Annick Goutal's store in Galleria Department Store

Donation Activity with the Customers 'AMOREPACIFIC BEAUTYPOINT Exchange Campaign'

AMOREPACIFIC is operating 'BEAUTYPOINT Service' where the customers can use the points accumulated from purchasing products to purchase other products. In 2012, we introduced products that the customers can purchase exclusively by using BEAUTYPOINT. Also, we are implementing 'BEAUTYPOINT Exchange Campaign', which donates some of the profits from selling products to the neighbors in need.

Share Your Umbrella Campaign

In June of 2012, AMOREPACIFIC conducted 'Share Your Umbrellas' campaign where the customers can purchase umbrellas at our stores by using the BEAUTYPOINT. Due to a huge response from the customers, altogether 56,000 umbrellas were exchanged with BEAUTYPOINT. We once again remembered the meaning of the campaign by donating some of the profits from selling umbrellas to an organization that helps out in the recovery from flood damages.



'Share Your Umbrella' campaign where the customers can purchase umbrellas by using their BEAUTYPOINT.

Be Eco-Chic Campaign

In October of 2012, we launched 'Min-A Shin's Eco Bag', which the customers can exchange with BEAUTYPOINT. It was born through collaboration between Australia's eco bag brand 'Envirosax' and Min-A Shin who is the model of AMOREPACIFIC's famous brand HERA and Mise-en-Scène. The actress Min-A Shin personally designed the eco bag. It is an environment-friendly product that only used dyes that passed the environment-friendly dye test. Two months after its launch, about 155,000 'Min-A Shin's Eco Bags' were exchanged for BEAUTYPOINT at stores, which was a meaningful campaign that promoted the use of environment-friendly products.



'Min-A Shin's Eco bag' that the customers can exchange with BEAUTYPOINT.

Reducing our Environmental Impact



AMOREPACIFIC Beauty Production Site

Reducing our Environmental Impact

We have established an environmental management system of global standards to implement various activities, including the reduction of GHG emissions, the development of clean technologies and the establishment of environment-friendly logistics system, while also emphasizing the protection of biodiversity.

Completion of AMOREPACIFIC Beauty Production Site

The newly completed 'AMOREPACIFIC Beauty Production Site' is an integrated production and logistics center that consolidates the skin care production sites, the makeup production sites, and regional logistics centers that were scattered all over the nation into one place.

Efforts to Strengthen Quality Management

Since the establishment of AMOREPACIFIC, our production sites introduced innovative systems which continue to be developed into world-class facilities that exhibit world-class standards and emphasize on 'quality first'. We introduced the 'Recipe Control System', a prescription and process control system where computers accurately manufacture the cosmetic products, as well as the 'Fool Proof System' that automatically detects human and machines errors. Also, we safely manage heavy metals, hazardous substances and microorganisms, and thoroughly manage the process for checking active ingredient contents and ingredient labels.

Activities to Reduce GHG (Greenhouse Gas) Emissions

Activities to Reduce Water





Integrated Logistics Center

AMOREPACIFIC Beauty Production Site's logistics center operates automatic storage system and 11 stacker cranes. Also, we shortened the time taken to deliver products to the customers by improving the efficiency of the logistics system, such as designing the system to carry out the works of picking up in boxes or individually according to different customers.



AMORE Raw Material Botanical Garden

'AMORE Raw Material Botanical Garden' is a botanical garden that reflects the philosophy of AMOREPACIFIC's founder that 'good products come from good raw materials' by researching and directly cultivating medicinal plants that are good for the skin.



Mother Chrysanthemum

Mother chrysanthemum is the only chrysanthemum that can be used for eating and medical purposes out of about 500 types of chrysanthemums in the world. According to Donguibogam, a Korean traditional medical book, it is recorded that the White Mother Chrysanthemum are better than other chrysanthemums. Until now, there has been very little research conducted on the White Mother Chrysanthemum.



Hanyul
Rich Effect Whitening Powder Serum

Restored the Endangered White Mother Chrysanthemum and Utilized it in Hanyul's Whitening Products

AMOREPACIFIC is the world's first to restore the endangered Korean White Mother Chrysanthemum (*Chrysanthemum indicum* var. *albescens*) and applied it as a main ingredient in whitening products.

In order to restore the endangered White Mother Chrysanthemum, AMOREPACIFIC conducted joint research with Gukya Farm since 2010. As a result of the research, we developed new species ('Kukyasulwha' and 'Kukyasuyul') in 2012, and acquired exclusive protective rights on these species.

AMOREPACIFIC found that the White Mother Chrysanthemum shows more whitening effect than the Yellow Mother Chrysanthemum and the whitening raw material 'Arbutin' by 2 times and 4 times, respectively. Therefore, we conducted researches to use the White Mother Chrysanthemum as raw materials for whitening, and received the certification as a raw material with whitening effects from the Korea Food and Drug Administration. As a result of these efforts, the details of the researches were announced in the 2012 International Biotechnology Symposium and

Exhibition (IBS), an international academy, and filed for 2 patent applications (one in Korea and 1 overseas for PCT). The White Mother Chrysanthemum will be used as the key ingredient for whitening in Hanyul's Rich Effect Powder Serum, which launched in March of 2013.

Held the International Symposium on Conservation of Biodiversity

AMOREPACIFIC held the 'Symposium on Conservation of Biodiversity and Sustainable Development' together with the Korea Federation of Women's Science & Technology Associations. The Symposium included the announcement of winners of the "Conservation of Biodiversity and Sustainable Development" contest held for university students, as well as lectures from industry experts and panel debates. There were also introductions of AMOREPACIFIC's best practices on conservation of biodiversity and sustainable utilization. The symposium was a venue for publicizing the issues on biodiversity with the government, academic circle, the media and NGOs, while also allowed AMOREPACIFIC to share its values on sustainable management activities.

Protection of Biodiversity

AMOREPACIFIC has contributed in protecting biodiversity through various activities based upon the purpose of the Convention on Biodiversity.



Supported the 2012 World Conservation Congress (WCC)

AMOREPACIFIC has participated the 2012 World Conservation Congress (WCC) as an official sponsor. The WCC was held in the Jeju International Convention Center for ten days in September 2012 under the theme of 'Resilient nature'. This is the first time in 60 years the event was held in Northeast Asia. There were about 10,000 participants from about 1,100 organizations from 180 countries, including governmental agencies, NGOs and experts from all over the world. AMOREPACIFIC presented a poster under the theme 'Sustainable Use of Natural Resources and Traditional Knowledge for Indigenous People in Jeju'. Also, we held a presentation on best practices of preserving and utilizing Jeju's traditional knowledge at the workshop of 'Expansion of Biocultural Diversity through Preserving the Ecological Knowledge of Island and Coastal Areas' hosted by the Ecological Society of Korea.

What is the World Conservation Congress?

The World Conservation Congress is an environmental meeting that is held every 4 years by the IUCN (International Union for Conservation of Nature), which has a long history and influence in the environmental field. It is a venue for discussing various issues on the environment, including climate change, environmental preservation, and biodiversity.



Beautiful Story of Native Plants in Jeju

Published the 'Beautiful Story of Native Plants in Jeju'

AMOREPACIFIC has continued to conduct studies on Jeju's plants. In 2012, in order to improve the understanding on Jeju's native plants and contribute to conserving them, we published the 'Beautiful Story of Native Plants in Jeju', which include traditional knowledge about Jeju's native plants.

This book includes detailed information regarding the raw materials used in AMOREPACIFIC products, such as camellia, nutmeg, and over 20 native species in Mount Halla. This book was provided at the World Conservation Congress (WCC) held in Jeju in 2012, and introduced Jeju's native plants to the participants.

Building a Partnership for Conducting Research on Jeju's Native Plants

AMOREPACIFIC is working towards finding and utilizing the plant resources in Jeju, which is a valuable storage of biodiversity in sustainable way. Also, in order to find and preserve the values of Jeju's native plants, we are keeping a close cooperative relationship with local authorities.

In 2012, AMOREPACIFIC carried out the task of pursuing Jeju's traditional knowledge in cooperation with the National Institute of Biological Resources. Also, innisfree is supporting research and restoration programs for Jeju's native plants in accordance with the agreement signed with Jeju Technopark to find and preserve the values of Jeju's native plants.



Protection of Biodiversity

We make books with stories about studies done on Jeju's native plants, as well as conduct researches to preserve and find out the values of Jeju's native plants.



primera's Ecocert certified product 'primera baby Intense Cream'

What is Ecocert?

Ecocert is a certificate institute established in France in 1991 to certify organic farming products by reissuing organic certification every year through inspection.



Ensuring Product Safety

primera aims to strengthen the feeling of safety for the customers by excluding artificial ingredients from its products. In particular, all products in the baby care line exclude artificial ingredients as much as possible to prevent the possibility of irritations and other harmful side effects. Also, we received the ecocert certification on some products from the raw material stage to the quality management stage, enabling the customers to feel safe in using these products.

Environment-Friendly Packages

primera's packages are not plastic coated to make it easier for recycling. We used the FSC certified papers, and also we make efforts to minimize the environmental impact by using soy ink for printing.

Environment-Friendly Campaigns Earth Month Campaign

In conjunction with Earth Month in April, primera launched the "primera Sprouting Limited Edition" set which contains a sprouting pot which customers can plant seeds and experience first-hand the energy of the plant sprouting cycle. We plan to donate some of the profits from selling the products to 'Roots and Shoots'.

primera Promise Campaign

primera launched the watery cream limited edition that contains its 5 philosophies in the package. Together with the launch of the product, we held an event on the Facebook, which helped the customers achieve the promise they made for the Earth. Many customers shared photos on the Facebook to show that they kept their promise to conserve the environment.

Sponsorship for 'Roots and Shoots' Activities

'Roots and Shoots' is an environmental and humanitarian educational project established by Dr. Jane Goodall who is a world-famous primatologist and environmental activist. primera sponsored the public lecture of Dr. Goodall in Korea and the publication of 'Roots and Shoots Guide Book'.

primera's Eco Philosophy

primera is continuously conducted green communication with the customers through the development of sustainable products and the implementation of various environmental campaigns.

Growing through Harmony in Societies



'Color Change' Project

Growing through Harmony in Societies

AMOREPACIFIC is striving to fulfill its social responsibility for the society, while also achieving growth for the company. We aim to cultivate healthy beauty for females and create an abundant society through harmonious relationship between the people, nature and society. To achieve this, we have implemented various activities that contribute to the customers, employees and local communities.



AMOREPACIFIC Childcare Facility

Creating Harmonious Working Environment

AMOREPACIFIC is actively working on creating a workplace where male and female employees can work harmoniously and achieve a balance between work and personal life. As a result of these efforts, in April of 2012, we received the highest honor of 'Presidential Citation', at the 12th Equal Employment Opportunity Week Celebration Ceremony' hosted by the Ministry of Employment and Labor.

Ratio of female employees (ratio by position)



AP Smart Work System 'ABC Working Time System'

The time for arriving at the office is flexible from 7am to 10am and employees can choose from them, which promoted the work convenience of all employees who wish to adjust their time because of childcare or self-development.

Operation of flexible lunch time

Employees can adjust their lunch time from 11am to 2pm, which create a flexible working environment that provides opportunities for self-development.

Introduction of new vacation culture

Vacations, which were mostly gone during the summer time, have been expanded to all year round, while the days in between public holidays and weekends are designated as holidays to allow employees to take time off to get recharged.

Introduction of on-site commuting system

In the case of salespeople who mostly work on site, we create an on-site working environment by reducing the unnecessary time in commuting to office and improving the work efficiency.

Operating the AMOREPACIFIC Childcare Facility

In order to reduce the burden of childcare and education for the employees, AMOREPACIFIC is operating the 'AMOREPACIFIC Childcare Facility', which is a childcare facility inside the workplace. We provide high-quality childcare programs for 12 hours by taking into consideration of the convenience of the employees working, while also providing meals that use the best raw materials for the nutrition and health of the children, including organic products. Also, we implement educational programs where children can see, listen and feel through a variety of outstanding field trips. In addition, we continuously improve the working conditions so that the teachers at the Childcare Facility maintain a high level of standards.

Operating Resting Room for Female Employees

We have installed and are operating resting rooms for female employees at 9 production sites all across the nation, including the head office, so that female employees can enjoy a comfortable work life. There are the resting space (bar table, sofa) and the resting facility (bed, foot massager) in the resting room. In the case of the head office, there are services that provide health checkup and health advice to the users, helping in improving the welfare of female employees. In addition, we provide educational programs and career development programs for developing female leaders, which provide guidelines on how to develop into a talented female employee.

Family-friendly Management

We are working on establishing a smart working environment to enhance the engagement of workers.



Products distributed to Greenus:
anti-fatigue mat, stretching board, Greenus Thanks kit (composition: cooling massage gel, cooling leg mist, skinny massager), etc.

Greenus

Greenus is the official name of beauty partners who work at innisfree stores.



Satisfaction Survey

The result of the satisfaction survey conducted on workers at 22 innisfree stores regarding the Greenus Well-Being Program showed that the areas that hurt the most, including the pain in their feet and legs, got better.



Greenus Interview

"The compression stockings come up to my stomach above the waist. Since it supports tightly as if I am wearing a waist support, my back hurts less and it makes me stand up straight."

- Greenus of Myeongdong store, Hyun-a Cho

Greenus Well-Being Program

This program comes from innisfree's management philosophy that the satisfaction of Greenus leads to the satisfaction of the customers. It is a voluntary welfare activity. In order to accurately diagnose the health status of Greenus who are working standing up for a long period of time, we designed a program together with a consulting professor of the Department of Industrial Medicine and beauty partners' agencies.

Implementing the Stretching Education

During the regular education for Greenus, we provide the stretching education to prevent fatigue by inviting a lecturer specializing in the field of welfare. It allows you to diagnose your stiffened body status on your own and carry out various movements that you can do in a confined space. Also, we made various stretching movements into posters and videos so that Greenus can voluntarily do stretching in between their working hours.

Distributing Products for Preventing Fatigue

In the case of people who work at stores, there is a high prevalence rate of the lower part of the body, such as the legs getting swollen and numbed, which is characteristic of those working in the service industry. In fact, the interview results with Greenus showed that most of them frequently feel pains in their lower part of the body.

In order to resolve these problems, innisfree prepared products that help prevent fatigue and ease the musculoskeletal diseases, which were distributed to about 2,000 Greenus at about 600 stores.

Providing Resting Time

All Greenus look forward to resting and taking time off considering the busy schedule at the stores. In order to prevent fatigue from working and ensure as much time possible for resting, we efficiently organized shifts so that the monthly afternoon-off system was operated on a trial basis in directly managed shops, which received positive responses. innisfree will continue to improve the working conditions of Greenus.

Greenus Well-Being Program

For the purpose of protecting the health of Greenus who works standing up all day long, innisfree is implementing the 'Greenus Well-Being Program', which is a project for improving the working condition.



Beauty Expedition, Finding Beauty from Science



Jungri Elementary School in Pocheon, Gyeonggido, 'Color Change' project

Hours of Employee's Participation in Sharing Activities



Total number of employees participated in 2012



'Color Change' Project of Brand & Design Lab's Employees

AMOREPACIFIC's Brand & Design Lab implemented the 'Color Change' project (activity of donating the talent of drawing mural paintings) by displaying their job characteristics. In the first half of 2012, we beautifully painted the basement hall of Sungrowon in Seoul to turn into a new space, while in the latter half, we beautifully changed the wall fence and parts of the playground of Jungri Elementary School in Pocheon, Gyeonggido where there are only about 40 students altogether. Until now, the school was left alone with the paint peeled off because of lack of support from the outside. However, it changed into a bright and healthy environment with the help of AMOREPACIFIC's designers.

'Education Donation' Program by the Employees of R&D Center

As part of the education donation activity to foster the children's dream of becoming a scientist, the Beauty Food Research Team at AMOREPACIFIC's R&D Center implemented the 'Beauty Expedition, Finding Beauty from Science' program. We invited students from girls' middle schools in Suwon and Yongin, which are near AMOREPACIFIC's R&D Center, and provided career mentoring and science experience programs to students who dream of becoming a scientist. The Beauty Food Research Team's experience programs enabled students to easily understand and feel the genuine beauty through various programs, including 'Science of Beautiful Skin and Story of Skin Color' and 'Science of Hair and Scalp'. The researchers of Beauty Food Research Team said, "We thought students no longer took interest in science, but it was great to see them so immersed in the program and enjoying it." They hoped that the students realized that there is more to what is seen, including the inner beauty.

Strengthening of Social Responsibility

In 2012, the employees of AMOREPACIFIC participated in AMOREPACIFIC's move to beautifully change the society by serving the community through their talent.



China's 'Make Up Your Life' Campaign Pamphlet

1) GONGO
Government Organized
Non-governmental Organization

'Make Up Your Life' Campaign in China

The Make Up Your Life Campaign, which first began in 2008, is AMOREPACIFIC's representative social contribution activity. Starting from 2011, we expanded the campaign to China to provide hopeful messages to Chinese cancer patients. In 2012, AMOREPACIFIC China held events together with 4 hospitals and NGOs located in Shanghai, including the Shanghai Cancer Rehabilitation Club, Angel Care Breast Cancer Foundation, the Jinyeo Hospital, and the Ruijin Hospital. The volunteer group mainly consists of counselors from AMOREPACIFIC China, which received positive responses from the cancer patients by holding various events, including professional beauty lectures, skin care and make up practices, and provision of cosmetic kits. The 'Make Up Your Life' Campaign in China was also introduced in the 'CSR Best Practices Booklet of the Consulate General of Shanghai', which is distributed to national organizations, GONGO¹⁾, and major medias. AMOREPACIFIC plans to expand the Campaign

that began in Shanghai to other areas of China so that we spread the positive energy of making more Chinese cancer patients to be healthy and beautiful.

Since I was little, I dreamt that one day a prince charming will come and save me like the fairy tale. Of course, as I got older, I realized that it was never going to happen, but deep inside, I always carried that dream. However, my dream was shattered when I got cancer. (omitted) But after putting make up on, I realized that I was a beautiful female and I just forgot how to love myself because of the disease. As I look at my beautiful appearance, I feel new hopes and many dreams that I had as a child. The Make Up Your Life Campaign helped me realize that I can continue to carry on dreaming if I work hard to achieve it, as well as helped me regain my confidence in life. I am very pleased to have participated in the Campaign.

- Thank You Message from a Cancer Patient

Strengthening of Social Responsibility

The Make Up Your Life campaign, AMOREPACIFIC's representative social contribution activity, gives hopeful messages to Chinese cancer patients that transcend boundaries.



Seogwang tea field in Jeju

Making Sustainable Values

Creating a Beautiful Life

We will not think about the immediate profit and prepare a seed of hope for the future, enabling us to prepare for our future and also be considerate of others.

BRAND PORTFOLIO



Sulwhasoo

Completion of harmonious beauty through holistic beauty wisdom from Korea
Sulwhasoo is Korea's leading luxury holistic brand that introduces holistic approach to skincare combining herbal medicinal traditions with most advanced technology. It provides glowing complexion from deep inside through the balance of Yin and Yang. Unchallenged in its segment in Korea, the line's overseas sales are growing steadily, based on its effectiveness from carefully selected oriental medicine ingredients. www.sulwhasoo.co.kr



AMOREPACIFIC

True care for ageless beauty

AMOREPACIFIC, a flagship brand of AMOREPACIFIC Co. Ltd, promises True Care for women's beauty and health through the synergy of advanced skin science and precious Asian botanical ingredients, increasing its reputation in global trend-setting markets such as Japan and US. kr.amorepacific-cosmetics.com



IOPE

Brings back the original beauty of your skin through biology and life science researches

IOPE is a brand of biology and life science researches that brings back the original beauty of your skin by infusing innovative vitality into it. By taking note of the vital activity of skin, we met the needs of our customers by coming up with different solutions for their skin problems, including Bio Essence, Retinol, Super Vital and Whitegen. www.iope.co.kr



LANEIGE

Completes pure & healthy beauty by LANEIGE Water Science in their twenties

LANEIGE pursues the artistic sense of 'snow', and completes the beauty of young women between 24 and 32 through the hydrating science of 'water'. LANEIGE scientifically studies 'water', the most important element of healthy skin, for optimal hydration and moisturization. www.laneige.com



primera

Natural sprout energy restoring the innate vital power of skin

primera, containing the meanings of "the prime" and "the era", primera pursues the healthy beauty through sprout energy that holds all of the nutritional ingredients condensed inside the seed during its germinating time. Pure eco philosophy of Naturalism brand, primera of AMOREPACIFIC, is coming to you now with long experience and differentiated technological know-how. www.primera.co.kr



HERA

The beauty of vitality

HERA creates modern beauty that is full of vitality with trendsetting sense. It has established itself as the brand of choice for confident and sophisticated women with distinct identity and overwhelming passion. www.hera.co.kr



Hanyul

Wisdom and beauty of Korean medicine

Based on Korean herbal medicinal ingredients, Hanyul exemplified Korean thinking on health and beauty. Hanyul completes women's dazzling beauty that blooms every morning with the ingredients of Korean herbal medicine that owns the power and the vitality of nature. It also completes your beauty by establishing the balance of yin and yang of your skin. www.hanyul.co.kr



Mamonde

The brand that blooms women's beauty with power of flowers

Mamonde brand always studies women and their beauty, which makes researches about the power of nature that blooms flowers and invents the wisdom of beauty. Mamonde products made from these philosophies and AMOREPACIFIC's scientific research make women the heroine of their own world. www.mamonde.co.kr

BRAND PORTFOLIO



Annick Goutal

France's high-class perfume house delivers the French elegance and high-quality perfumes

Annick Goutal is a high-class perfume house from France that brings you the French life style of sensitivity and elegance. It provides top quality natural essence perfumes that are bottled in containers made by the handworks of French craftsman.



HAPPY BATH

A mass cosmetic brand that gives you happiness

HAPPY BATH is the natural mass cosmetic brand which makes body and soul happy with natural ingredients and pleasing fragrances. www.happybath.co.kr



illi

The only principle to a woman's beautiful figure

illi is a premium Korean herbal medicinal body care brand made from AMOREPACIFIC's skin science research and the traditional beauty methods of famous women of Korea's long history by using herbal medicines indigenous to Korea. www.illi.co.kr



RYO

Premium hair care based on Korean traditional medicine

RYO is a Korean herbal medicinal hair care brand with the name meaning 'a rhytmical balance of Yin and Yang to keep the scalp in its optimal condition'. Based on the AMOREPACIFIC's own methods and technologies on beauty that have been accumulated over many years, the products not only help prevent hair loss but also provide hair with a healthy sheen. www.ryoe.co.kr



ETUDE

Wanna besweet? Play ETUDE

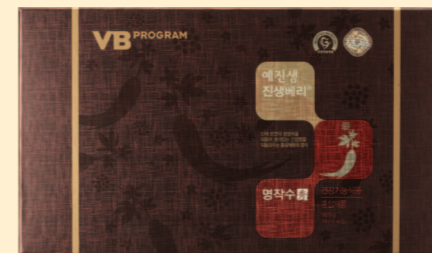
ETUDE believes that make-up should be fun and playful. With its full of girlish emotions, unique and trendy products and stores, ETUDE has been cheering sweet dreams of all women to be more beautiful and confident. ETUDE is strongly positioned as an iconic global brand in the whole Asia. www.etude.co.kr



innisfree

Natural benefit from Jeju

'innisfree' refers to the clean island where the clean nature and healthy beauty coexist in harmony. The benefits from the clean nature of the pristine island, Jeju, are delivered to customers through the products of innisfree for their healthy beauty. Launched as Korea's first cosmetics brand on naturalism, it is implementing the Green Life to become the Asian Natural No.1 brand. www.innisfree.co.kr



VB PROGRAM

Beauty comes from good health, while health is completed by beauty

VB PROGRAM started from AMOREPACIFIC's philosophy that the genuine beauty will show on the outside if you take care of the inside. Health comes hand in hand with beauty. VB PROGRAM is designed to give beautiful health and healthy beauty by providing innovative functional foods and services developed through scientific researches to suit individual lifestyles. www.vbprogram.co.kr



OSULLOC

High-class tea culture derived from the best natural ingredients

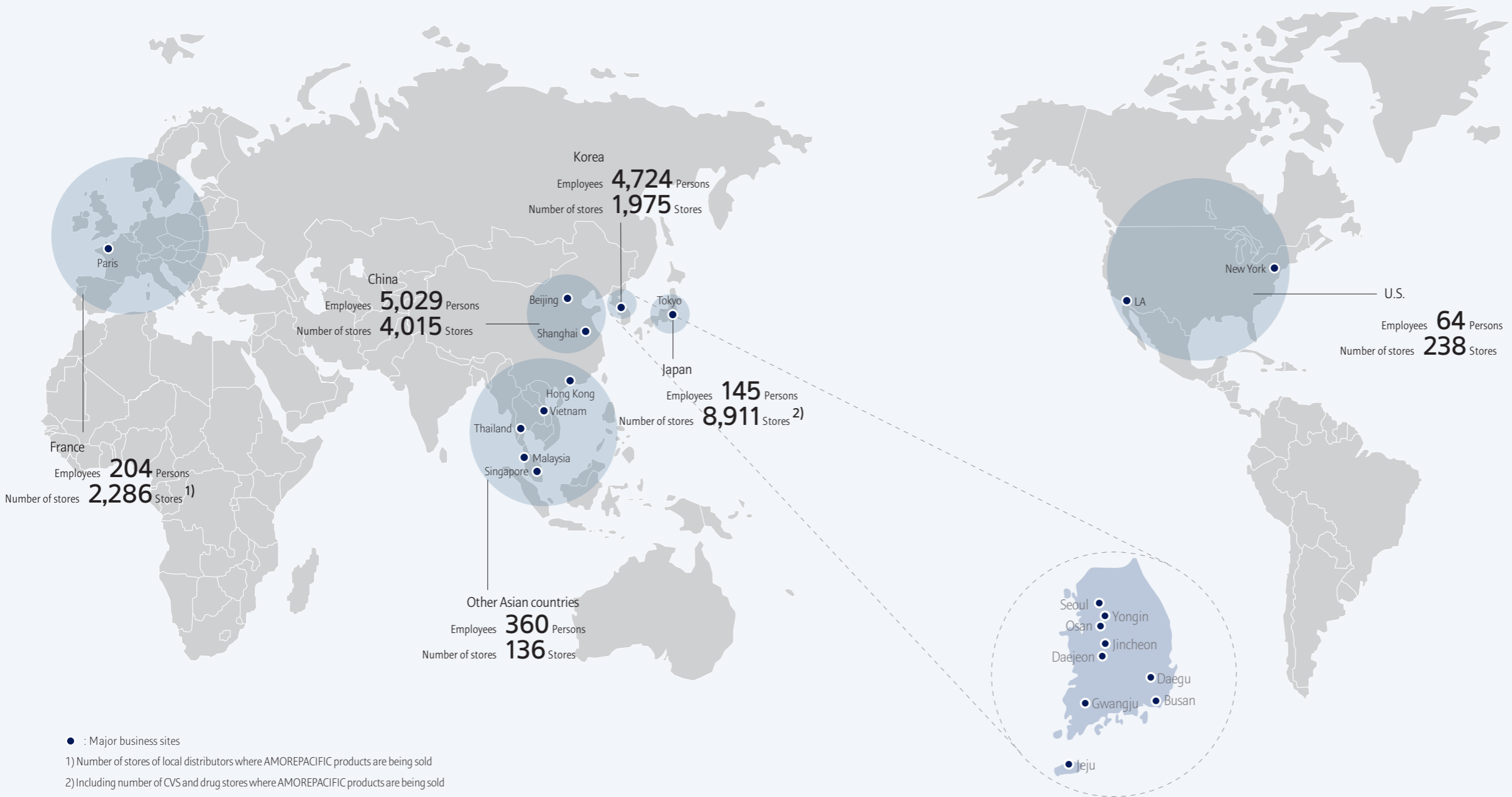
As Korea's representative tea culture brand operated by AMOREPACIFIC, OSULLOC sells products in the forms of leaf, teabag and powder made from high-quality raw materials that are directly cultivated in OSULLOC tea gardens in Jeju, and also introduces to a healthy and relaxing world of tea through OSULLOC tea houses and tea shops. www.osulloc.com

COMPANY INTRODUCTION



Company Overview

AMOREPACIFIC has worked on improving customer's quality of life by leading the Korean beauty industry during the past 67 years. We will strive to become a global beauty company that represents Asia to fulfill our mission as the Asian Beauty Creator.



● : Major business sites

1) Number of stores of local distributors where AMOREPACIFIC products are being sold

2) Including number of CVS and drug stores where AMOREPACIFIC products are being sold



Corporate vision

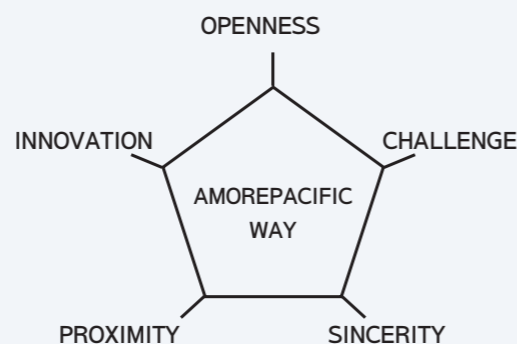
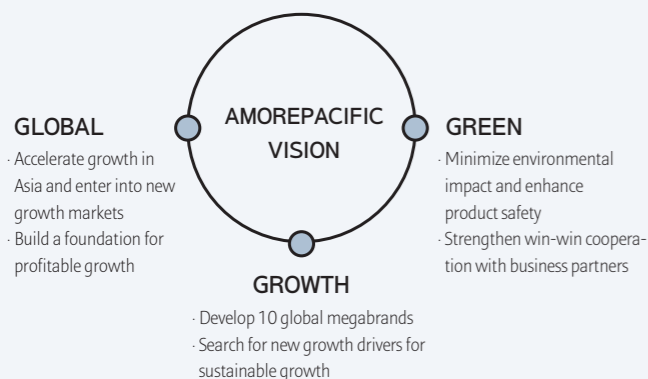
Under our mission of becoming an 'Asian Beauty Creator', AMOREPACIFIC is striving to deliver Asian beauty to customers all across the globe. We will build a foundation for sustainable growth through expansion into the global market, while also developing 10 global megabrands by searching for new growth drivers. AMOREPACIFIC is looking forward to becoming one of the most respected beauty companies that continuously implement activities for minimizing environmental impact and making social contributions by focusing on positive stakeholder engagement.

Vision 2020

AMOREPACIFIC aims to become 'Asia's No.1 and Global Top 7 Cosmetics Company' by 2020. AMOREPACIFIC will strengthen its position as a leading global cosmetics company by developing products that reflect worldwide customers, expanding into the global market and achieving balanced growth in all categories. Also, we will increase our contributions to growth by developing 10 global megabrands by continuously innovating the growth methods. In line with this, we will become a respected company that minimizes our environmental impact and fulfills our social responsibility through positive stakeholder engagement.

AMOREPACIFIC Way

The AMOREPACIFIC WAY is the set of core values and the Code of Conduct that all employees at AMOREPACIFIC adheres to in their quest to become an 'Asian Beauty Creator'. The five core values are openness, innovation, proximity, sincerity and challenge. Openness refers to our belief that true growth and innovation are achieved when we communicate openly with those outside our organization. Innovation is our passion to always bring something new to the world, and proximity is our intention to remain close to our customers. By sincerity, we mean our commitment to doing every job to the best of our ability, no matter how small, while challenge expresses our pioneering spirit that is never satisfied with our present position.



Financial Performance

AMOREPACIFIC GROUP

(Unit: KRW in billions)

Sales	2010	2,686
	2011	3,059
	2012	3,432
Operating profit	2010	409
	2011	435
	2012	449
Net profit	2010	329
	2011	376
	2012	346

AMOREPACIFIC

(Unit: KRW in billions)

Sales	2010	2,272
	2011	2,555
	2012	2,850
Operating profit	2010	365
	2011	373
	2012	364
Net profit	2010	288
	2011	327
	2012	268

Economic Value Creation & Distribution

(Unit: KRW in billions)

Category	2010	2011	2012
Employee ¹⁾	303	338	397
Government ²⁾	98	128	121
Local community	5	6	4
Creditor	2	2	1
Shareholder	41	45	45
Company	246	282	224
Beauty partner ³⁾	384	396	424
Distributed economic values	1,079	1,196	1,216

The economic values are calculated based on the consolidated financial statements of AMOREPACIFIC.

1) This amount is the sum of salaries, retirement allowances, fringe benefits, etc. provided to employees.

2) This amount is the sum of taxes, utility bills, income tax expenses, consolidated income tax expenses, etc.

3) This is the value distributed to Aritaum shops, AMORE counselors, etc.

Current Status of Domestic Subsidiaries (Group Status)

Name of company	Location	Main business
AMOREPACIFIC GROUP	Seoul	Holding company
ETUDE	Seoul	Cosmetics sales (ETUDE House)
innisfree	Seoul	Cosmetics sales (innisfree)
AMOS Professional	Seoul	Cosmetics sales (AMOS)
PACIFICPHARMA	Seoul	Manufacturing and sales of pharmaceutical products
PACIFICGLASS	Gunsa, Jeonbuk	Manufacturing of glass bottles
PACIFICPACKAGE	Cheongwon, Chungbuk	Printing
JANGWON	Jeju	Green tea cultivation
COSVISION	Daejeon	Manufacturing of cosmetics

Domestic Business Performance

Cosmetics Business

In 2012, AMOREPACIFIC achieved strong growth despite the slowdown of the domestic economy and consumption by securing differentiated brand power and new growth channels. Due to weaker consumer confidence in 2012, the demand for luxury products declined in domestic cosmetics market. On the other hand there was noticeable growth in the mid to low-end segment. AMOREPACIFIC responded proactively to the prolonged economic slowdown by strengthening the competitiveness of mid to low-end brands and while focusing on the growth of new distribution channels, which include road shops and the online channel. As a result, even though the growth slowed in the door-to-door channel, our cosmetics business achieved growth by 9.6% compared to 2011 by lead by growth in department stores, duty free shops, online sales and Aritaum stores.

We continued to grow in the door-to-door and department store business, thanks to the outstanding products and the distinctive brand power of our luxury brands, such as Sulwhasoo and HERA. In the door-to-door segment growth has slowed due to economic recession in Korea and intensified competition. The department store channel attracted many new customers through launches of new products. Duty free shops showed a huge sales increase because of the popularity of our major brands overseas and the due to the increase of domestic and foreign travelers. Our primera brand expanded sales channels by entering department stores and duty free shops. Based on its strong brand power, Sulwhasoo, AMOREPACIFIC's flagship oriental cosmetics brand, showed growth in department stores and overseas markets such as the US and China and also several Asian countries.

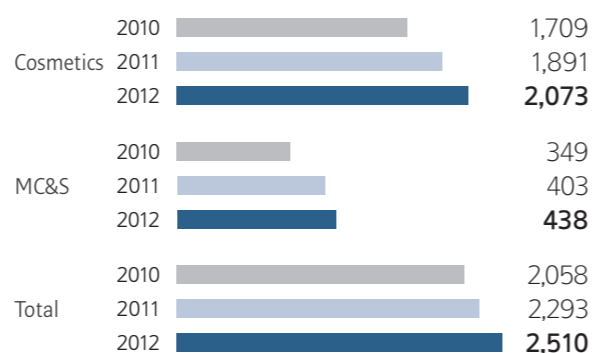
The Aritaum store channel and the online & home shopping sales channel showed increased sales by providing products at reasonable prices and launching products that meet customer needs. The Aritaum channel with about 1,300 stores across the nation, strengthened the competitiveness of existing stores by differentiating operating strategies according to district and customer service innovations such as brow bars and also by remodeling stores. The online & homeshopping channel secured itself as a high growth channel by selling some distributor exclusive

products and by increasing direct communication activities with customers through social media. On the other hand, the growth of the hypermarket channel slowed due to the domestic slowdown of major large discount marts and the consumers turning to low-end brands.

Mass Cosmetics & Sulloc Tea Business

The Mass Cosmetics & Sulloc Tea (MC&S) business strengthened its market leadership in all categories which are hair, body and oral care by expanding distribution channels including drug stores, and by successfully launching new products in main brands such as Mise-en-Scène, RYO and HAPPY BATH. Mise-en-Scène and HAPPY BATH continued to launch functional lines and premium products that satisfy diverse customer needs. In particular, in the second half of 2012, illi, AMOREPACIFIC's herbal medicinal body care brand, was successfully launched to secure in the premium body care segment. The green tea business is focusing on selling premium products at OSULLOC tea houses and OSULLOC tea shops at department stores. OSULLOC tea shops introduced a variety of premium blended teas and functional drinks to strengthen its product lines, while OSULLOC tea houses continued to increase customer experience and service spaces by renewing the Myeongdong store and opening new stores, including the Apgujeong store and Cheonggyecheon store.

Sales by domestic business unit (Unit: KRW in billions)



* Drawn up based on AMOREPACIFIC's individual financial statements.

Global Business Performance

Asian Market

AMOREPACIFIC achieved high growth in key global growth markets such as China and ASEAN countries by diversifying our brands and distribution channels. In China, we increased customer contact by accelerating the opening of new stores for newly launched brands, including Sulwhasoo and innisfree. At the same time we also focused on enhancing the brand recognition of LANEIGE, Mamonde and Sulwhasoo by strengthening promotional and advertising activities through television, magazines, and online channels. In particular, innisfree entered the market and started to open brand shops in Shanghai, securing itself as AMOREPACIFIC's new growth engine in response to China's increasing demand for natural cosmetics. As a result, AMOREPACIFIC China achieved KRW 260 billion in sales, up 37% over 2011. In the ASEAN market, Sulwhasoo strengthened its position as a global oriental brand by successfully entering Singapore, Thailand and Taiwan. LANEIGE enhanced its brand recognition through active marketing activities and by renewing existing stores and continuing to expand stores in Malaysia and Vietnam. Moreover, ETUDE opened its first brand shop in Hong Kong, ASEAN's hub city, to accelerate the entry to the Chinese market.

In Japan, we actively expanded our business by diversifying brands and channels. Together with AMOREPACIFIC brand already in department stores, ETUDE successfully entered the Japanese market as a brand that specializes in color cosmetics and opened 8 road shops in major cities including Tokyo. We also successfully launched IOPE in the television home shopping channel, while Mamonde and RYO products were sold through new channels such as convenient stores and drug stores, setting the foundation to become a global brand.

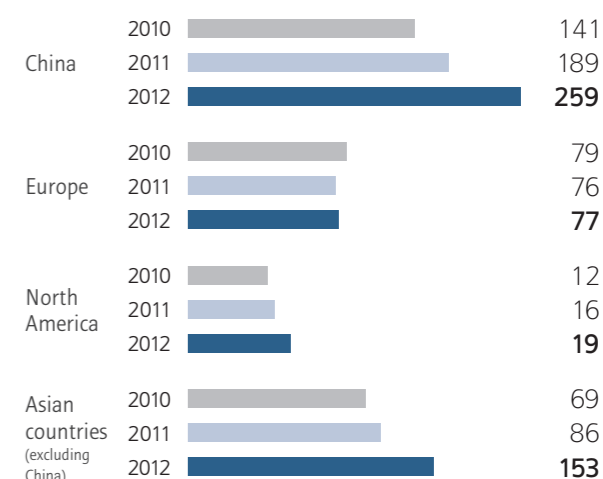


Sulwhasoo store in Hong Kong's Time Square

Advanced Market

After Sulwhasoo entered into the market in 2010, the North American region showed a gradual increase in sales. Sulwhasoo and AMOREPACIFIC brand showed good performance in high-end department stores such as Bergdorf Goodman and Neiman Marcus, as well as premium specialty store chains such as Sephora. We also successfully entered the online department store channel, while continuing to expand AMORE shops that are aimed mostly at Asian customers. In France, after acquiring the luxury perfume brand Annick Goutal in 2011, growth and profits slowed due to the reorganization of distribution channels and the restructuring of the business operations. However, we expect sales and profits will increase in the future after the restructuring because of improved business efficiency and the strengthened product portfolio. Moreover, Annick Goutal opened its first Apgujeong store in the Galleria department store, signaling the start of global business expansion. In February of 2013, we will open a third store in the Hyundai department store in COEX.

Sales by overseas region (Unit: KRW in billions)



* Drawn up based on the consolidated financial statements of overseas subsidiaries. (However, in the case of an affiliated company, based on individual financial statements)

** Sales of 2010 and 2011 have been rewritten based on 2012.

COMPANY INTRODUCTION



Governance Structure

Transparent Corporate Governance Structure

In order to focus our core competencies on beauty and health and to build a more transparent governance structure, AMOREPACIFIC has chosen a holding company type of corporate governance structure and operate a clear business unit system where roles and responsibilities are clear. As a result we have strengthened our core competencies in beauty and health. We continue to increase shareholder value by improving our corporate governance structure and we are enhancing stakeholder profits by increasing corporate value through measures such as risk management.

BOD Operation

To ensure efficient management, the AMOREPACIFIC BOD has set up expert committees under the BOD to deliberate on key matters related to management, including Executive Committee, Audit Committee, and NED Nominating Committee. During 2012 the Board of Directors convened 5 times, the Executive Committee 5 times, and the Audit Committee 5 times. Important decisions were provided to shareholders and stakeholders through public announcements made with the Financial Supervisory Service and the Korea Exchange.

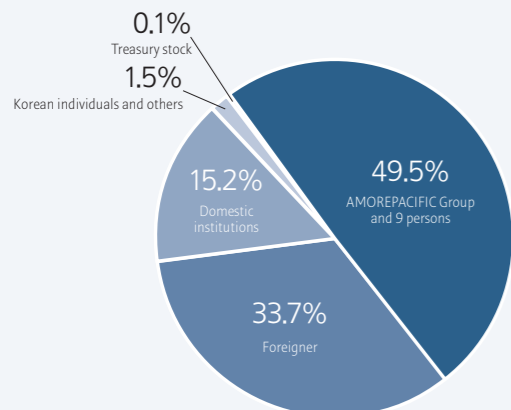
BOD Composition and Authority

AMOREPACIFIC's Board of Directors has authority as the top decision-making organization. As of the end of March 2013 its membership consists of 9 registered members, including 4 executive directors and 5 non-executive directors (NEDs). Each director of the BOD is obligated to faithfully exercise his duties and fulfill responsibilities as a good manager based on the Korean Commercial Law and the company's Articles of Incorporation, striving to promote the interests of shareholders and other stakeholders. The executive directors are the leaders of each business unit and are recommended by the BOD, while the NEDs are external experts with expertise in various fields including management, finance, global affairs, environment and marketing. The NEDs are recommended by the NED Nominating Committee and appointed through shareholder's approval acquired during the general meeting of shareholders. The BOD guarantees the independence of NEDs so that they can actively present their opinions on all aspects of management at the BOD meetings. These opinions are faithfully reflected during decision-making processes.

Board of Directors As of the end of March 2013

	Responsibility	Position
Executive directors	Kyung-bae Suh	Supervision of management CEO, Chairman of BOD
	Sang-bae Shim	Supervision of production and R&D Executive Committee
	Dong-hyun Bae	Supervision of support Executive Committee
	Young-so Kwon	Supervision of sales and marketing Executive Committee
Non-executive directors	Jae-yong Song	Professor, Business Administration, Seoul National University Chairman of Audit Committee
	Dong-soo Kim	Former President, Asia-Pacific HQ, Dupont Audit Committee
	Eon-oh Lee	President, Busan Development Institute Audit Committee
	Dong-chul Cho	Professor, KDI School of Public Policy and Management -
	Eun Namkung	Professor, Environment and Energy Engineering, Myongji University -

Major Shareholders Based on common shares held as of the end of December 2012

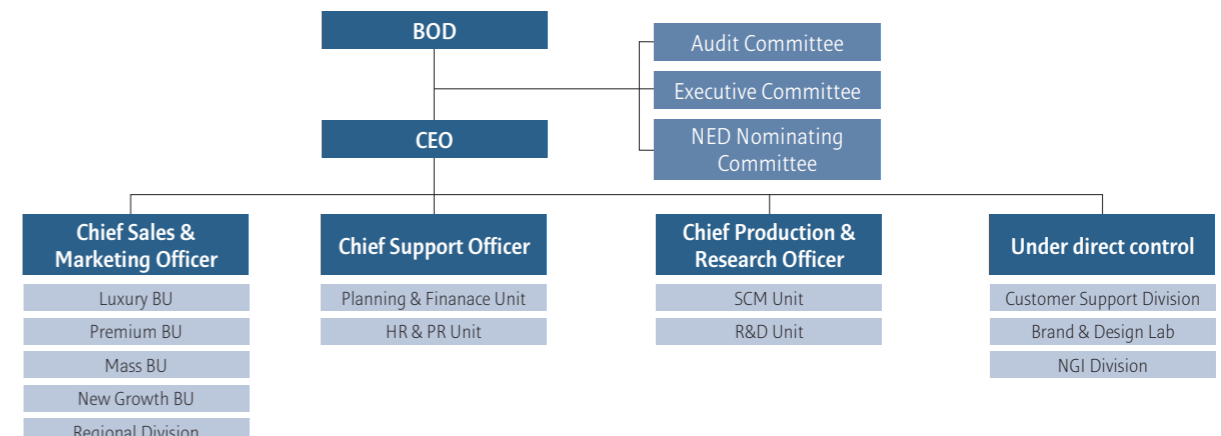


Top Management

- 1 Kyung-bae Suh, Chief Executive Officer
- 2 Young-so Kwon, Luxury BU
- 3 Sang-bae Shim, SCM Unit
- 4 Dong-hyun Bae, Planning & Finance Unit
- 5 Min-jeon Lee, Premium BU
- 6 Hak-hee Kang, R&D Unit
- 7 Yoon Lee, HR & PR Unit
- 8 Chan-hoe Kim, Mass BU
- 9 Jae-cheon Yoo, New Growth BU
- 10 Young-chul Son, president of AMOREPACIFIC GROUP

Organization Chart

In order to achieve our corporate vision of becoming 'Global Top 7', AMOREPACIFIC carried out an organizational structure change in 2013. By increasing the roles and responsibilities of each brand/business unit we will be able to respond more quickly to customer needs. We will also support the group's overall organic growth by accelerating global expansion through enhancing the overseas business capabilities of each brand.



COMPANY INTRODUCTION



Risk Management and Corporate Ethics

Strengthening of Risk Management

AMOREPACIFIC strengthened its risk management activities to minimize negative impact on the company by preemptively dealing with various risks such as domestic and overseas economic recession, intensified competition in the cosmetics market and expansion into global markets.

Operation of Risk Management Committee

The Risk Management Committee which consists of our top management identified major company-wide risks that might occur in 2012 and discussed management and response plans to deal with them. Based on these decision-making processes, the RMO (Risk Management Office) managed and monitored possible company-wide risks according to importance to business and level of risk. Company-wide risks are divided into six categories which are strategic, promotional, legal, operational, financial and environmental/social and are managed accordingly. In 2012, 11 cases of company-wide risks, 22 cases of departmental risks and 146 cases of team risks were selected for management. Activities for actual risk management are carried out by each business unit and working-level teams.

Advancement of Company-Wide Risk Management

In order to ensure a systematic management of risk we created preemptive management plans for each risk and carefully monitored the status of management and response each quarter. We also strived to protect corporate value by managing specific risks that might occur from expanding overseas and entering new businesses.

Strengthening the Execution of Company-Wide Risk Management

We monitor and evaluate the risk management ability in accordance with the business plans and key agendas of working-level teams. This type of management leads to a stronger execution of company-wide risk management.

Strengthening of Internal Security

AMOREPACIFIC is strengthening internal security in accordance with its internal information protection regulation and 14 detailed guidelines, as well as the confidentiality pledge of employees under the employment contract. We also strengthened internal security to ensure that business secrets such as cosmetics manufacturing technology and management know how are not leaked. We also measure an information protection index annually. In 2012, the information protection index increased by more than 10% over 2011.

Audit on Internal Security

We detect security risks related to employees and suppliers in advance by conducting internal security audits. The head office and key affiliated companies receive diagnosis from our ISC (Information Security Center) and external companies that specialize in security once a year. We set improvement targets and create improvement plans for all risks that are detected and monitor their status regularly.

Strengthening of IT System's Security

In order to prevent security risks to our website IT system, we periodically holding inspections on technical weaknesses and conduct mock hacking tests once a year. We set up a new web application firewall in the external service zone to immediately detect any hacking attacks.

Preventing Information Leakage by External Contractors

In order to prevent information leakage by external contractors such as outsourcing for IT system development, we implemented a series of security control processes by installing PC security software in March 2012.

Strengthening of Employee Training

To prevent damages to the company and customers because of employee's unintended or intended mistakes all employees receive mandatory training on information security. We also continue to strengthen employee training by utilizing various media such as videos.

Ethical Management

On September 5, 2003, AMOREPACIFIC announced ethical management under the slogan of 'Ethical Management! Fulfilling a New Unlimited Responsibility in the 21st Century' at the 58th anniversary of the company's founding ceremony. Since then, we have constantly implemented various programs to achieve healthy corporate ethics. The campaign not giving and not receiving gifts is our main anti-corruption campaign. In January of every year, we send information about the campaign to external stakeholders, including beauty partners and suppliers, to ask for their participation in the campaign. Initially we firmly advise employees to return any gifts that they receive from stakeholders. If however there circumstances in which the gifts cannot be returned the gifts are sent to the internal gift center and all profits from the center are donated to local social welfare facilities. In 2012, the team leaders voluntarily explained the purpose of the campaign to their team members to encourage their participation under the motto of 'From Me To Us'. Also, in order to strengthen the awareness of corporate ethics, we are operating a variety of training and communication programs. We strongly encourage employees who are above middle

managers to take the online educational program 'Beautiful Company Ethical Leader' and monitor those who do not finish it. We also launched a 'First Story of Corporate Ethics' course in 2011. Together with this, in 2012, we further strengthened the company-wide corporate ethics communication through an 'On-site Ethics Training' for employees in regional offices. In addition, we published an online magazine three times a year to communicate actively with the leaders of employees. We also held a 'Photo Contest for Hard Working Mode' so that all employees could have the opportunity to rethink the true meaning of the AP WAY and also to reinforce ethics. It is mandatory for all new employees that join the company to sign a pledge of ethical conduct. We also strongly encourage suppliers to sign a ethics pledge when entering into a contract. We operate a hotline on our corporate website to effectively respond to ethics issues raised by external parties. We also actively communicate with internal stakeholders by operating the AP HOTLINE in our internal online community space AMOREPACIFIC 人. In 2013, AMOREPACIFIC plans to passionately operate a new training and communication program to achieve the goal of 'acquiring ethical soundness in corporate ecosystem'.

Status of gifts received (Unit: cases, KRW 1,000)

Category	2010	2011	2012
Number of gifts received	24	39	37
Amount of contribution	680	1,552	1,356

Status of report on unethical behaviors (Unit: cases)

Category	2010	2011	2012
Related to internal policies	14	18	8
Related to customer consultations	6	13	8
Related to suppliers	1	12	7
Total	21	43	23

Corporate ethics educational program (Unit: persons)

Beautiful Company Ethical Leader ¹⁾	2010		1,506
	2011		1,655
	2012		1,856
First Story of Corporate Ethics ²⁾	2010		-
	2011		319
	2012		362

1) Program for middle management, which has been completed by 94% of middle management in 2012.

2) Program for new employees, which has been completed by 100% of new employees in 2012.

COMPANY INTRODUCTION



Sustainability Management

Through sustainability management, AMOREPACIFIC strives to create a beautiful world where people, nature and company can coexist in harmony. We publish the Sustainability Report every year to actively receive opinions from stakeholders and reflect them in our management activities. In 2012, to achieve our vision of becoming an 'Asian Beauty Creator that changes the world through beauty by 2020', we carried out key initiative in accordance with the strategic directions for customers, environment, employees/ partners and social contribution. We transparently disclosed the results for a each segment.

Operational System for Sustainability Management

The Sustainability Management Committee, AMOREPACIFIC's top decision-making body, makes strategic decisions on sustainability management according to strategic directions and also reviews the results of our key initiatives. In 2012, we conducted reviews twice. We enhanced the effectiveness of sustainability management by linking the performance indexes of our strategic directions with the performance compensation for BOD members and executives.

Also at the end of 2012 we changed our organizational structure and moved the Sustainability Management Team from AMOREPACIFIC to AMOREPACIFIC Group. As a result, we expanded sustainability management strategies across all subsidiaries, striving to integrate the company's core management strategies with sustainability management.

Sustainability Management Organization Chart



① Sustainability Management Committee (top decision-making body of sustainability management)

- Provide directions for sustainability management
- Review key issues and make decisions

② Sustainability Management Team (control tower of sustainability management)

- Establish sustainability management strategies and develop tasks for all subsidiaries
- Implement PMO duties for sustainability management tasks
- Act as the channel for external communication and oversee publication of report

③ Working Group of Strategic Directions (implementer of sustainability management)

- Carry out sustainability management tasks
- Communicate on implementation status and issues
- Participate in making sustainability report

Performance of Sustainability Management



1) Amount of landfilled wastes: amount of wastes discharged – recycled amount

External awards and certifications received in 2012

Details

Incorporate into DJSI World: Included in DJSI World for three consecutive years, selected as sector leader for 'personal products' for three years in a row

Incorporated into FTSE4Good: Included in FTSE4Good for two consecutive years, selected as No.1 in Asian region in 2012

Received the 2012 Product Safety Management Award (hosted by the Korean Society of Toxicology and the Korean Environmental Mutagen Society)

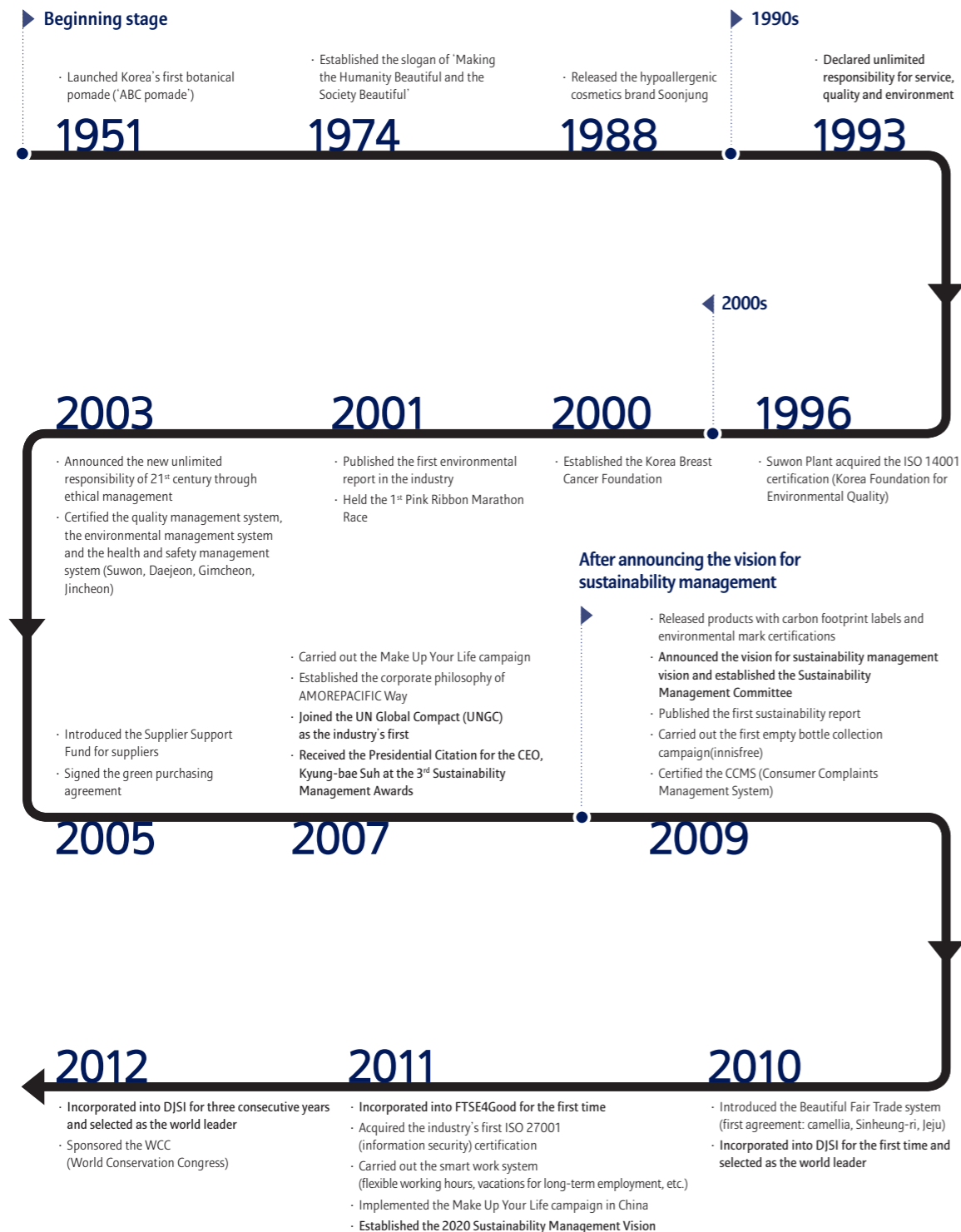
Received the Excellence Award at the 2012 Korean Technology Awards (Hosted by the Ministry of Knowledge Economy and Organized by the Korea Institute of Advancement of Technology)

Received the Presidential Citation as Excellent Company for gender equality in employment (Hosted by the Ministry of Employment and Labor)

Acquired the certification for culture and leisure-friendly company (Hosted by the Ministry of Culture, Sports and Tourism)



History of Sustainability Management



COMPANY INTRODUCTION



Communication with Stakeholders

AMOREPACIFIC finds growth opportunities through communication with various stakeholders and responds to crisis before they arise. We established a stakeholder engagement process on our own and identified the order of priority for issues that stakeholders are interested in regarding the sustainability management activities through communication channels like stakeholder dialogue.

Communication Methods with Stakeholders

Stakeholder	Communication channel	Details of major opinions	AMOREPACIFIC's response
Customers	<ul style="list-style-type: none"> Customer satisfaction surveys / CGAP¹⁾ Prosumer activities Company and brand homepages 	<ul style="list-style-type: none"> Strengthening of product safety Strengthening of customer service Expansion of sustainable products 	<ul style="list-style-type: none"> Expanded sustainable products Implemented LCA (Life Cycle Assessment) Strengthened sustainability of raw materials Promoted sustainable purchasing Held exhibitions on CGAP best practices
Employees	<ul style="list-style-type: none"> Employee satisfaction surveys / Regular meetings between labor and management AMOREPACIFIC 人 (internal online community) Evergreen Board (junior offline communication activities) 2012 Sustainability Management Forum 	<ul style="list-style-type: none"> Promotion of shared growth between the company and employees Establishment of a culture of respect and consideration Provision of differentiated welfare system 	<ul style="list-style-type: none"> Strengthened ABC working time system Introduced a new vacation system Introduced an on-site commuting system Operated a childcare center and a resting place for female employees
Suppliers	<ul style="list-style-type: none"> Win-win cooperation general meetings Seminars on win-win practices Online information sharing channel (purchasing portal, win-win portal, production information synchronization system) 	<ul style="list-style-type: none"> Strengthening of economic support for suppliers Reinforcement of open communication 	<ul style="list-style-type: none"> Expanded size of Supplier Support Fund Strengthened communication through online information sharing channels
Local communities	<ul style="list-style-type: none"> Social contribution programs Mecenat activities 	<ul style="list-style-type: none"> Support for women's healthy beauty Support for low-income women's entry into society Support for neglected families in local communities 	<ul style="list-style-type: none"> Implemented Make Up Your Life campaign Carried out Pink Ribbon Campaign Held Wing of Hope campaign (support for multi-cultural households) Provided support for Hope Stores (micro credit program)
Government	<ul style="list-style-type: none"> Visits to and meetings with relevant governmental agencies KCA (Korea Cosmetics Association) activities 	<ul style="list-style-type: none"> Manufacturing and sales of high-quality products that comply with regulations and are safe Support for cooperation on activities for improving regulations to achieve industrial development 	<ul style="list-style-type: none"> Monitored laws and regulations and reflected them in internal compliance programs Proposed improvements through activities of relevant institutions' committees Implemented activities for supporting governmental policy researches
NGO	<ul style="list-style-type: none"> Campaigns based on cooperation with NGOs 2012 Stakeholder Dialogue 	<ul style="list-style-type: none"> Promotion of sustainable consumption Provision of easy labels for consumers 	<ul style="list-style-type: none"> Strengthened development of sustainable packages Strengthened sustainability of raw materials
Shareholders	<ul style="list-style-type: none"> Regular shareholders' meetings IR Analyst Day 	<ul style="list-style-type: none"> Provision of management performances and business outlooks Expansion of corporate access 	<ul style="list-style-type: none"> Shared directions for medium-and long-term businesses Improved results achieved and enhanced trusts by announcing results and providing IR information Operated regular communication channels by holding the Analyst Day annually and participating in global conferences

1) CGAP: abbreviation of Customer Gift for AMOREPACIFIC, which is AMOREPACIFIC's activity for improving customer complaints by promptly collecting customer complaints and take actions to improve them.

COMPANY INTRODUCTION



Stakeholder Dialogue

NGO Forum

In 2012, AMOREPACIFIC met twice with major NGOs and academic experts in the field of consumer protection to discuss on ways to implement sustainable practices for consumers.

* Participants
 professor of the Korea Institute of Science and Technology, Jae-cheon Ryu (chairman); professor of the Seoul National University, Jung-sung Yeo; professor of the Doksung Women's University, Sook-young Oh; Secretary General of the Consumers Union of Korea, Jung-hwa Kang; Secretary General of the Consumers Korea, Ja-Hye Kim; Joint President of the Korean Women's Environmental Network, Mi-Jung Nam; and Joint President of the Green Consumer Network in Korea, Yoon-mi Cho.

AMOREPACIFIC's Sustainability Management Forum

In October 2012, we held the first Sustainability Management Forum for the employees of AMOREPACIFIC and its subsidiaries. The forum was held to develop an internal consensus on sustainability management and identify directions for sustainability management by communicating actively with external stakeholders. We shared the best practices of sustainability management tasks in 2012, including the development of packages for sustainability management and the application of wellbeing programs for innisfree's sales person called Greenus. Also, by inviting outside experts in sustainability management, we had a meaningful time of identifying latest trends and AMOREPACIFIC's directions for future development. The forum included presentations on best practices of sustainability management and lectures from experts in sustainability management. The forum held at the head office received good responses from employees to develop a consensus among many employees, which served as a momentum for strengthening the implementation of sustainability management.

The 1st NGO Forum

Theme: Sustainable Consumption

Period: April. 26, 2012

Details of discussions made

Development and supply of safe products
 necessary to strategically incorporate green operations into the value chain to achieve sustainability.

Strengthening of the company's role
 necessary for AMOREPACIFIC to set up plans on how to contribute to consumers and the society and show them to consumers to ensure sustainable consumption.

Development and strengthening of campaigns for sustainable consumption
 necessary to encourage consumers to consume sustainably and faithfully implement them.

The 2nd NGO Forum

Theme: Provision of Easy Labels for Consumers

Period: October 24, 2012

Details of discussions made

Provision of the subject and purpose of use on products
 necessary to provide clear information on whom the product is for (by age and purpose).

Labels reflecting consumer needs
 necessary to provide labels on products that reflect consumer needs, including explanations in Korean and order of use for sets of products.

Provision of accurate information
 necessary to provide labels that accurately inform consumers about the correct use of cosmetics, including ingredients and functions.

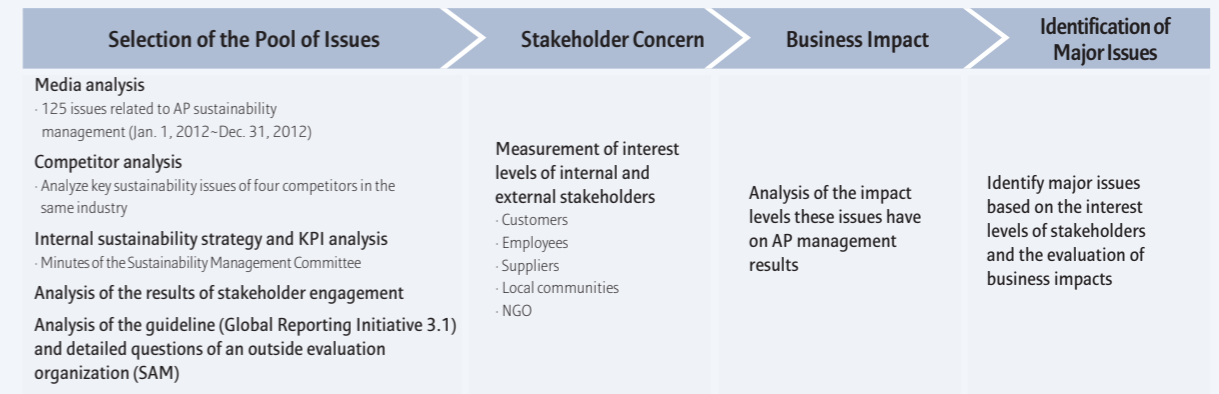


Leaflet introducing the Sustainability Management Forum

Material Issue Evaluation

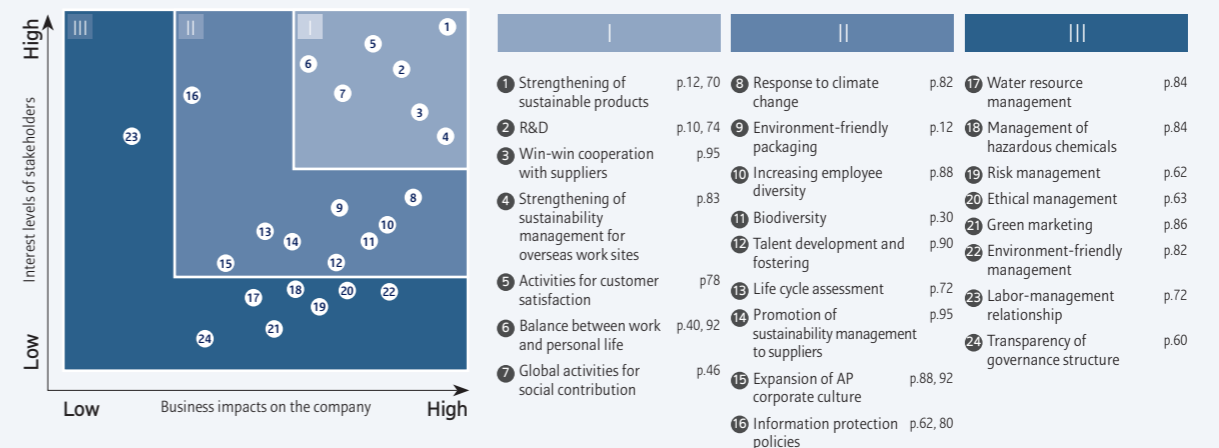
Material Issue Selection Process

AMOREPACIFIC used the following four-step process for selecting material issues



Results of Material Issue Evaluation

AMOREPACIFIC identified the interest levels of stakeholders and the business impacts to report its sustainability management results. First, we provided a pool of issues by analyzing overseas competitors in the same sector of cosmetics and daily necessities, international guidelines and KPI. Based on this, we identified altogether 24 major issues through the material issue selection process. Next, we prioritized the major issues according to the interest levels of stakeholders and the evaluation of business impacts. The result showed that stakeholders recognized 'strengthening of sustainable products' and 'activities for customer satisfaction' as the most important issues. Also, AMOREPACIFIC's expansion into overseas market increased the importance of 'strengthening of sustainability management for overseas work sites' and 'global activities for social contribution'. The 24 major issues are covered in detail on this page.



CUSTOMERS

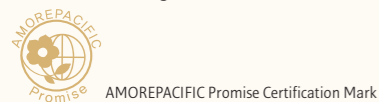


Development of Sustainable Products

Since 2011, AMOREPACIFIC, which seeks beautiful coexistence with customers, the environment and the society, worked towards providing sustainable products to customers based on activities for creative innovation and promoting sustainable consumption. AMOREPACIFIC's program for purchasing raw materials, Beautiful Fair Trade, which we developed, helps fulfill the company's social and environmental responsibilities. AMOREPACIFIC will further strengthen the sustainability of products and raw materials by conducting R&D and establishing and implementing relevant processes and strategies.

Process for Strengthening the Safety of the Whole Process of Product Development

AMOREPACIFIC conducts a thorough verification on the whole production process of products that includes raw materials and finished products. As a result of these efforts, we received the 2012 Product Safety Management Award. This award is certified by the Korean Society of Toxicology and the Korean Environmental Mutagen Society. They evaluate a company's interest in product safety, its research efforts and the social contribution made to develop toxicology. This is the second consecutive year AMOREPACIFIC received the award, showing that product safety is ensured once gain.









Development of Sustainable Products (AMOREPACIFIC Promise)

Since 2011, AMOREPACIFIC, which implements the sustainability management to ensure coexistence and shared growth with customers, the environment and the society, has been developing sustainable products. The three principles of AMOREPACIFIC's sustainable products are to be beneficial to customers, minimize the impact on the environment and seek harmony with local communities. These products passed our strict internal guidelines. Our internal guidelines strictly adhere to external certification standards and received the 'AMOREPACIFIC Promise' certification mark. We will strive to fulfill our corporate responsibility and encourage sustainable consumption by expanding the sales of sustainable products.

Evaluation Process for Product Safety



Type of Sustainable Products and its Development Status

Type of sustainable products	Representative products	Number of items
Customer-friendly products	Additive-free products Products that give assurance and trust through the strengthening of safety for customers 	Mamonde Extra Moisture Emulsion 191
	LOHAS certified products Products that pursue a healthy and sustainable lifestyle 	Songyum Pinesalt Toothpaste 19
	Organic products Products that received Ecocert or outside organic certification, or met standards of the Korea Food and Drug Administration guideline on organic labeling and advertisement 	primera Organience Cure Eye Cream 26
Environment-friendly products	Products that conserve the ecosystem Products that received the certified eco-label from the Korea Environmental Industry & Technology Institute 	HAPPY BATH Natural Real Moisture Body Wash 8
	Products that reduced resources Products that reduce environmental impacts by reducing contents and packaging materials 	RYO Hambitmo damage care 1
	Products of carbon footprint Products that received the certified carbon footprint labeling from the Korea Environmental Industry & Technology Institute 	Mise-en-scène Damage Care Shampoo 15
Society-friendly products	Products of Beautiful Fair Trade Products that use raw materials purchased through a win-win relationship with local communities 	Sulwhasoo Harmonizen Regenerating Cream 20
	Products that consider socially underprivileged (universal design products) Products that are considerate of the needs and convenience of socially underprivileged, such as physically disabled 	LANEIGE Water Sleeping Pack 31
Total		311

Strategies for Strengthening the Sustainability of Raw Materials

AMOREPACIFIC has established and implemented a roadmap for sustainable raw material sourcing by 2020 to develop sustainable products with better raw materials. In 2012, we analyzed the raw materials by dividing them into three categories, including customer-friendly, environment-friendly and society-friendly, and identified the areas of improvement. A system that evaluates the sustainability of raw materials examined all of the raw materials being used by AMOREPACIFIC even in the early stage of finding new raw materials. Also, we established a full-ranged cooperative system with domestic and foreign suppliers to examine and manage a detailed breakdown of the raw materials used by suppliers.

Strengthening of Customer-Friendly Raw Materials

By evaluating on the sense of safety, all of the ingredients being used in AMOREPACIFIC's cosmetic products are classified into 4 categories and 16 detailed types and identified factors that need improvement. The evaluation results were used in the following: establishing strategies that increase the prescription of natural raw materials, developing additive-free prescriptions that excluded synthetic preservatives, and working towards replacing synthetic ingredients with natural products.

Strengthening of Society-Friendly Raw Materials

To strengthen the use of society-friendly raw materials, AMOREPACIFIC evaluated all of the raw materials being used in its cosmetic products. Through AMOREPACIFIC's purchasing program for raw materials, Beautiful Fair Trade, we increased the purchase of raw materials that contribute to a win-win relationship with local communities, while also planning to expand it to overseas region. Also, we established a system for checking the history of animal testing conducted for raw materials to help improve the welfare of animals. Through this system, we completed the evaluation of all raw materials currently being used and strived to exclude the use of raw materials with the history of animal testing.

Strengthening of Environment-Friendly Raw Materials

AMOREPACIFIC is working towards eliminating the use of raw materials found in domestic and foreign biodiversity conservation lists by evaluating all cosmetic raw materials on the strengthening of environment-friendly raw materials. Moreover, AMOREPACIFIC is continually managing raw materials by reflecting international standards like the IUCN (International Union for Conservation of Nature) in relevant systems.

Implementation of Life Cycle Assessment (LCA)

AMOREPACIFIC is implementing the life cycle assessment (LCA)¹⁾ to reduce environmental impacts on the life cycle of products. Since the first implementation on packages in 2005, AMOREPACIFIC identified the environmental impacts caused by 7 factors, including climate change, resource depletion, acidification, eutrophication, human toxicity, aquatic ecotoxicity and water footprint, for three products of hair dye and essence products and came up with measures for improvement. Based on the results, AMOREPACIFIC conducts researches for developing sustainable technologies. We will expand the LCA on a variety of products in the future to identify major environmental impacts for each product and take actions to reduce them.

1) Life Cycle Assessment (LCA): a tool for systematically evaluating potential impacts (global warming, resource depletion, acidification, etc.) on the environment by quantitatively listing the resources and energies inputted and the discharged pollutants from the life cycle of product systems.

Promotion of Sustainable Purchasing

Beautiful Fair Trade

Beautiful Fair Trade is AMOREPACIFIC's program for purchasing raw materials, which aims at making positive contributions to customers, the environment and the society by keeping three important principles: safety of raw materials, environmental conservation and contribution to local communities. In February 2010, AMOREPACIFIC signed the first Beautiful Fair Trade agreement with camellia of Sinheung-ri in Jeju. Since then, we signed with ten regions, including lilies of Taeon, wood-cultivated ginseng of Munkyeong, and Angelica gigas and Cnidium

officinale of Seosan in 2012.

AMOREPACIFIC plans to expand the program to overseas region. Besides purchasing raw materials, AMOREPACIFIC also sells local communities' regional specialties internally to vitalize the economy of local communities. In 2012, AMOREPACIFIC strengthened relationship with local communities by providing beauty programs for the residents of Dongbaek, Goesan and Jeongeup regions and sponsored AMOREPACIFIC's products at village events.

Three Principles of the Beautiful Fair Trade



AMOREPACIFIC makes the customers feel safe by transparently disclosing the origin of raw materials. AMOREPACIFIC strives to obtain good raw materials that are cultivated in a clean environment.



AMOREPACIFIC contributed to the development of local communities by promising to continually purchasing raw materials produced in local communities at reasonable prices.



AMOREPACIFIC work towards preventing damages made to nature by cultivating and collecting raw materials, such as not using chemical fertilizers.

Purchasing of Sustainable Palm Oil

AMOREPACIFIC, which is using raw materials originated from palm oil, has shown interest on environmental and labor issues caused by the reckless cultivation of palm trees. Therefore, AMOREPACIFIC joined the Roundtable on Sustainable Palm Oil (RSPO)²⁾ to secure the sustainability of palm-originated raw materials, by promising to purchase only from manufacturers who are RSPO members that use raw materials originated from primary palm oil.

AMOREPACIFIC plans to take a more active role in supporting the purchase of sustainable palm oil by receiving Book and Claim³⁾ certification from the RSPO.

2) RSPO: a non-profit organization that is established to facilitate sustainable production and use of palm oil

3) Book and Claim: a system where manufacturers purchase warranties for the amount of palm oil used to enable the RSPO to support solving environmental and social problems caused by palm oil

CUSTOMERS



R&D

AMOREPACIFIC's R&D Center has continued researches on Asian beauty that realizes harmony between nature and human by accumulating its know-how and unrivaled technologies for 67 years. By combining the advanced biotechnology to materials derived from nature, AMOREPACIFIC developed Asian beauty products and discovered new specialized technologies to actively invest in striving to tap into a new field of researches on materials and technologies.

Best Practices of R&D Innovation

Whitening

Developing Biotechnology for Skin Whitening Immune System

AMOREPACIFIC's R&D Center has been conducting researches on whitening for a long time to realize Asian women's dream of having a bright and clear skin. As a result, we found that external stress from ultraviolet lights and aging reduce the skin immune system, which cause hyperpigmentation to the skin, such as freckles, black spots and age spots, but we found a whitening gene in the immune system that can control hyperpigmentation. If the creation of whitening genes in the skin immune system increases, it controls the melanin being produced or moved, thereby affecting the skin color determined by the melanin pigments being made and dispersed. It can be seen as some sort of vaccination against managing skin tones. The above technology was developed through AMOREPACIFIC's cell combining incubation technology. AMOREPACIFIC's differentiated technology achieved recognition by having the research results in the latest prestigious international academic journals in skin science. Due to the emergence of the aging population, it is expected that the customer need for improving hyperpigmented skin caused by aging will increase, making the skin whitening immune system a new and effective solution.

Extracting Whitening Ingredients from *Broussonetia kazinoki*

AMOREPACIFIC has been conducting researches on developing whitening raw materials by using natural paper hanji, a raw material for traditional Korean handmade *Broussonetia kazinoki*, based on the ideas that hanji craftsman from ancient times had white and soft hands. After long periods of researches, AMOREPACIFIC extracted whitening ingredients containing high-content kazinol from *Broussonetia kazinoki* cultivated using environment-friendly methods in Goesan, Chungbuk. Since Kazinol C is very unstable, it needs an advanced stabilization technology to be used as an effective ingredient with whitening function. Therefore, AMOREPACIFIC incorporated a variety of its stabilization technologies for effective ingredients to develop a new whitening functional material with optimized stabilization technology. By developing a whitening agent of natural origin by using a material that is very Korean, AMOREPACIFIC acquired 6 patent applications and announced them at 3 international academic conferences. In January of 2012, AMOREPACIFIC acquired the permission for new whitening functionality from the Korea Food and Drug Administration, and the new whitening functional material will be applied on HERA's whitening products in the beginning of 2013.

Longevity Gene

Products that help improve wrinkles have become significantly important because of the population aging. Recently, progress has been made in biological researches on the cause of aging. Therefore, many efforts are made to control aging by finding genes that cause progeria and genes that affect the life expectancy of objects. One of the longevity genes found was lamin A, which is more damaged in the elderly compared to the young people. Lamin A is a longevity gene that can make the person into a progeria patient if it is naturally damaged. Klotho is a longevity gene that shortens the object lifetime if the activation is controlled, but if the activation increases it will make the object lifetime longer. Besides studying the efficacy of these longevity genes to the skin, AMOREPACIFIC worked on developing active ingredients that can control gene activity and commercialize them into products. In addition to researches that Amentoflavone, a rare bioflavonoids ingredient, effectively controls the increase of lamin A being mutated by ultraviolet ray, in 2012, AMOREPACIFIC found that the gene activity of klotho, the longevity gene, increased in skin cells with retinol treatment. The research results reconfirmed the excellence of retinol that was used as AMOREPACIFIC's representative ingredients for deterring wrinkles. Together with the new retinol stabilization technology, we applied it to IOPE's age collector product.

Dynamic Collagen™

Wrinkles are found when the reactive oxygen species in the skin created by external stimuli directly decompose collagen, or by indirectly activating 'MMP-1', an enzyme for decomposing collagen. The existing researches on improving aging were focused on activating collagen synthetic enzymes, or controlling the enzymes that decompose collagen. AMOREPACIFIC noted that damaged collagen can aggravate the surrounding environment of the dermis, thereby developing technologies that can improve the generation rate of collagen through the ultimate decomposition of damaged collagen in the skin cell. In addition to the anti-aging effect that Metyl-inositol originated from carob beans already had, it improved the ultimate decomposition of collagen to have an effect of increasing the collagen generation rate by more than 2 times compared to the existing anti-aging products. It obtained the 2nd New Excellent Technology (NET) in 2012¹⁾ as a new concept of bio-based original technology. The technology that has been developed through the research results to improve wrinkles and skin elasticity applied to LANEIGE Time Freeze Essence and Wrinkle Filler products.

1) Certification of New Excellent Technology (NET); the nation's first certification mark given to new health technology hosted by the Ministry of Health and Welfare and organized by the Korea Health Industry Development Institute.



Root of *Broussonetia kazinoki* collected from Goesan, Chungbuk



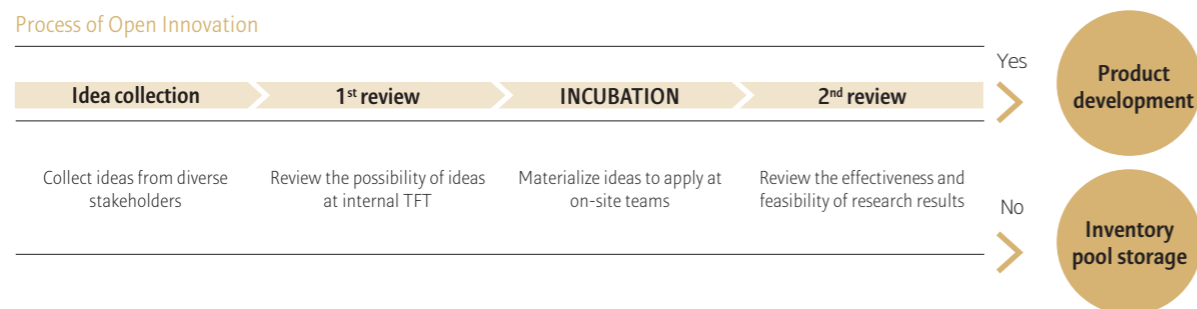
LANEIGE Time Freeze Essence and Wrinkle Filler

Open Innovation

AMOREPACIFIC has continued to increase the use of open innovation with a variety of domestic and foreign research institutions with outstanding technologies to strengthen its R&D technologies and to utilize the infrastructure of research institutes for developing products. There is a section in AMOREPACIFIC's homepage where

suggestions on C&D (Connect & Development) can be made real-timely without time and space constraints, while C&D activities are implemented actively through joint researches with outside research institutes and suppliers and various government projects.

Process of Open Innovation



2012 Progress Update on Major Open Innovation

Contents	Cooperation institution	Major activities	Expected effect
Conducting researches on marine living resources and implementing activities for conserving marine environment	Korea Institute of Ocean Science & Technology	Developing new innovative materials for cosmetics through researches on marine living resources originating in Korea and tropical sea area	· Implementing social contribution activities, including researches on the efficacy and safety of whitening and anti-aging and conservation of marine environment
Developing high-functional oriental medicine cosmetics for global customers	Germany's Max Planck Institute (professor Robert Huber), US's Cornell University (professor Chang-yong Lee), Seoul National University (professor Gi-won Lee), Kyunghee University College of Oriental Medicine (professor Nam-il Kim)	Identifying new efficacies for the skin on new ingredients originating from ginseng, bean, green tea, which are the three key raw materials of AMOREPACIFIC until 2015	· Planning to develop high-functional oriental medicine cosmetics optimized for global customers in cooperation with the Nobel laureate in chemistry, professor Robert Huber · Jointly implementing a variety of global academic activities, including announcing thesis in international academic journals, etc.
Researches on the value of native Jeju flora	Jeju Technopark	Cooperating in conserving native plants in Jeju and tracing the value	· Conservation of native Jeju plants and their sustainable use
Investigating on finding new concept material for treating hair loss	Yonsei University's Translational Research Center for Protein Function Control (ERC), Pennsylvania State University College of Medicine's dermatology department (professor George Cotsarelis MD), Seoul National University's dermatology department (professor Oh-san Kwon's team)	Exploring new concept materials for treating hair loss that facilitate hair growth to activate hair follicle stem cells	· Finding out that valproic acid that was only used in neurological treatment facilitated hair growth through a new mechanism
Conducting joint researches with Chinese College of Pharmacy on separating components of herbal medicines and proving its efficacy	Signing of a MOU with Chinese College of Pharmacy located in Nanjing	Conducting joint researches to investigating the effective components of natural herbal medicines used in Sulwhasoo and Hanyul and reexamine the skin physiological active effects of these medicines	· Planning to conduct joint researches on separating components included in herbal medicines and proving its efficacy

Researches on Alternatives for Animal Testing

Since 2008, AMOREPACIFIC, which pursues a beautiful coexistence between nature, people and company and respects the diversity of life, has prohibited animal testing on cosmetics raw materials and finished products. As of May 2013, we plan to prohibit new and additional animal testing on cosmetic products for suppliers, except in cases where animal testing is inevitably demanded and compelled by other countries or other laws.

Besides developing its own alternative test methods for animal testing, AMOREPACIFIC is striving to develop alternatives and

increase utilization through cooperation with governmental agencies, including the Korea Food and Drug Administration, and outside research institutes. Currently, we are conducting researches on alternatives for animal testing focusing on six categories, including skin irritation, skin sensitization, skin phototoxicity, absorption toxicity, eye irritation and vaginal mucose membrane irritation, and completed the development of 10 alternative test methods to be applied in evaluating cosmetic raw materials and products.

Current Status of Alternative Test Methods Developed for Animal Testing

Category of test	Alternative test method
Skin irritation	Test to find out the skin toxicity in substances · Artificial skin test method
Skin sensitization	Test to find out the possibility of skin allergy in substances · THP-1 cell test method · Peptide reactivity test method
Skin phototoxicity	Test to find out the toxicity caused by light in substances · 3T3 NRU test method
Absorption toxicity	Test to find out the level of substances absorbed to the skin · Franz cell test method
Eye irritation	Test to check the substances in conjunctiva or cornea of the eye · HET-CAM test method · BCOP test method · Test method using artificial cornea cell · Artificial cornea test method
Vaginal mucose membrane irritation	Test to find out the toxicity caused by substances in vaginal mucose membrane · Artificial vaginal mucose membrane test method

CUSTOMERS



Activities for Customer Satisfaction

Efforts Made to Resolve Customer Complaints

Operation of Precautionary System

A complaint raised by customers is an important opportunity to clearly identify the company's problems. Therefore, AMOREPACIFIC is operating a precautionary system to identify various complaints from customers beforehand and fundamentally prevent reoccurrences of similar cases.

Before developing new products, an employee in charge of product development can identify customer complaints on similar types of products through the precautionary system, thereby eliminating customer complaint factors from the product development stage. In 2012, to ensure increased use of the precautionary system, we improved the system to improve convenience and held regular training programs for system users.

Activities for Listening to Customer Opinions and Making Improvements (CGAP)

CGAP is an abbreviation of Customer Gift for AMOREPACIFIC. It is AMOREPACIFIC's activities for improving customer complaints to promptly gather information on customer complaints and take actions for improvement. We regard every complaint from customers as a valuable advice given to AMOREPACIFIC, which is why we do our best to resolve even the slightest thing complained by customers.

2012 Exhibition on CGAP Best Practices for Improvement

The exhibition on CGAP best practices for improvement is an exhibition held internally that aims to seek resolutions by sharing customer complaints on products and services with all employees. It marked its 6th year in 2012, which was held under the theme of "AMOREPACIFIC Da-um (the role of AMOREPACIFIC)", The CEO and employees identified 18 tasks of service innovation that should be first resolved. Moreover, we educate our employees to

make sure the same inconvenience does not occur again by first improving areas where customers felt inconvenient.

Current Status of Managing VOC (Unit: case)

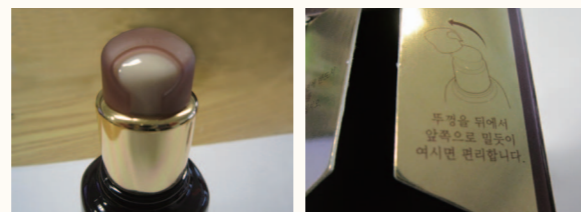
Category	2010	2011	2012
Phone	157,177	138,173	135,880
Internet	13,893	10,843	11,052
Others	472	801	636

Best Practices of Improving Customer Complaints

Problem

The pump button fell out when opening the protective cap of Hanyul Optimizing Serum

Solution



Improved the product by expanding the slit at the back of protective cap to make it easier for opening
 Informed the correct method of use to customers by including a picture on the box

Strengthening of Customer Call Service

To effectively respond to inquiries from customers, AMOREPACIFIC is implementing many activities to strengthen customer call service. We regularly evaluate the satisfaction level of customer calls and give training to employees, while also providing accurate answers to frequently asked questions on the portal site.

Efforts Made to Strengthen Customer Call Service

Evaluate the satisfaction level of customer response service

- Evaluated the satisfaction level of employees for customer response service through KMAC (Korea Management Association Consulting)
- Newly added the evaluation on records of actual calls made by customers to complement the weaknesses from existing scenario evaluation in 2012

QAA (Quality Assurance Analyst) system

- A system for managing the quality of customer calls and improving the level of responses to customers by service representatives
- Provided one on one coaching for service representatives with low evaluation scores

Provide advices through the portal site NAVER

- Provided accurate answers to frequently asked questions through Knowledge in by signing work agreement with the portal site NAVER
- Provided 297 answers in 2012 including correct method of use for products

Strengthening of Customer Communication

Lifetime Customer Campaign

AMOREPACIFIC is implementing the Lifetime Customer Campaign to continually strengthen the company's relationship with our customers because AMOREPACIFIC value the relationship with every single one of our customers. Through the Campaign, we manage customers to suit their personal needs by providing optimized products and benefits from the customer's purchasing stage and implementing activities for enhancing customer values.

Expansion of Customers through the Lifetime Customer Campaign

In 2012, we expanded the communication that was focused on cosmetics customers to perfume (Annick Goutal), daily necessities and OSULLOC. In addition to the existing DM, e-DM and MMS, we communicated with customers through a variety of media, including mobile DM and MIM (Mobile Instant Messenger), by developing a communication media that suits the changing digital environment.

Expansion of Communication with Global Customers

AMOREPACIFIC is communicating with about 2 million customers from 8 countries, including China, Taiwan, US, Japan, Singapore, Malaysia, Vietnam and Thailand. In 2012, we supported the campaigns that best suited each country's environment, while providing AMOREPACIFIC's customer management know-how to each country's customer management staff through the 2nd global workshops. We plan to expand into France and Indonesia to communicate with global customers from 10 countries.

Strengthening of Prosumer Activities

AMOREPACIFIC is selecting and operating prosumers from consumers with professional knowledge in the field of beauty and health. In 2012, about 300 prosumers took part in various activities, including evaluating products, suggesting concepts and proposing new product ideas. As a result, 157 cases of prosumer opinions were utilized in product development.

Distribution of Sustainability Management Booklet

AMOREPACIFIC has been making and distributing a booklet introducing sustainability management of AMOREPACIFIC to share our sustainability management activities with stakeholders. In 2012, AMOREPACIFIC communicated with customers through about 1,900 Aritaum stores, department stores and cosmetics corners at the mart twice a year to introduce AMOREPACIFIC's 'quality first' principle, our sustainable products, the Beautiful Fair Trade and collection of empty bottles.

Analysis of Global Customer Trends

Survey and Research on the Trends in China

AMOREPACIFIC has conducted researches on the beauty trends of overseas region to identify the needs of foreign customers and provide products that suit them. In 2012, we shared the 2013 and 2014 beauty trends in China with our employees to identify the beauty needs of Chinese customers and develop products that suit them.

China Beautizen Activities

In order to identify the needs of global customers and China's young generation, we are operating the China Beautizen¹⁾, which is a group of prosumers consisting of Chinese students studying in Korea. In 2012, Chinese Beautizens evaluated products and conducted market surveys during the development stages for Beauty Food and mask products to be released in China in 2013.

¹⁾China Beautizen: a group of prosumers consisting of Chinese females in Korea who are interested in beauty and fluent in Korean. Since its establishment in November of 2010, it conducted tests on new products to be released in China, made inventory proposals, as well as carried out online surveys on the Chinese market and implemented promotional activities.

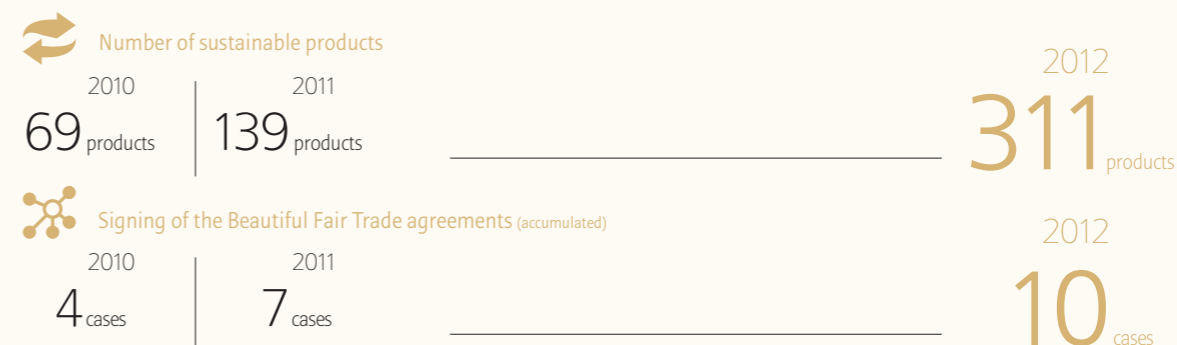
Protection of Customer Information

The recent security accidents that occurred in Korea and other countries raised the awareness on managing customer's personal information. To realize customer's right to protect their information, AMOREPACIFIC is conducting various activities to meet legal requirement and protect customer information. AMOREPACIFIC prioritized the importance level of customer information and managed them by dividing it into 6 grades. Starting from 2012, we improved our system to ensure all resident registration numbers for customers are not stored at the internal data base. Moreover, we identified files with personal information stored in the personal computers of all employees and encoded or deleted the files to eliminate the risk factors. In addition to technical aspects, AMOREPACIFIC is working towards enhancing the employee's awareness on security by sharing important issues through the company-wide bulletin, including important domestic security accidents and expiration of the grace period for Personal Information Protection Act. AMOREPACIFIC is taking all measures to prevent security accidents by holding training programs on handling personal information for beauty partners held twice a year, as well as holding regular e-learning programs on information security once a year and showing videos during morning meetings.

Process of Identifying Chinese Beauty Trends



Performance Results for 2012



Contents	Unit	2010	2011	2012	
New patents by year ¹⁾	Domestic -application	cases	262	266	228
	Domestic-registration	cases	54	117	115
	Overseas -application	cases	114	200	209
	Overseas-registration	cases	14	32	51
New research papers by year	cases	57	57	48	
R&D investment cost	R&D cost	KRW million	66,215	73,396	71,483
	percentage of sales	%	3.07	3.03	2.51
Ratio of consumer complaints resolved	%	97.7	99.1	99.2	
Evaluation score for the satisfaction level of customer call service	Points	94.1	95.9	93.0 ²⁾	

¹⁾ Due to errors in outside DB search system for the number of domestic patent registrations and delays in the notification date of applications by country for the number of overseas patent applications and registrations, the exact number of patent registrations can be identified not in the actual year of patent registration but in the following year. Therefore, there may be a difference with the number of new patents by year published in the 2011 Sustainability Report.

²⁾ The average number of the new evaluation score, including the evaluation on records of actual calls, and the existing evaluation score.



Responding to Climate Change

To respond to climate change issues, AMOREPACIFIC tabulated a company-wide greenhouse gas inventory and implemented activities to reduce GHG emissions. The reduction of GHG emissions is achieved through three strategic directions, including reducing GHG emissions from products, reducing GHG emissions in the manufacturing and transportation processes, and reducing GHG emissions through other supports. Based on the mid-and long-term plans for reducing GHG emissions from the SCM system established in 2011, we are aiming to achieve the reduction goal of 30% by 2020 in basic unit of sales compared to 2010.

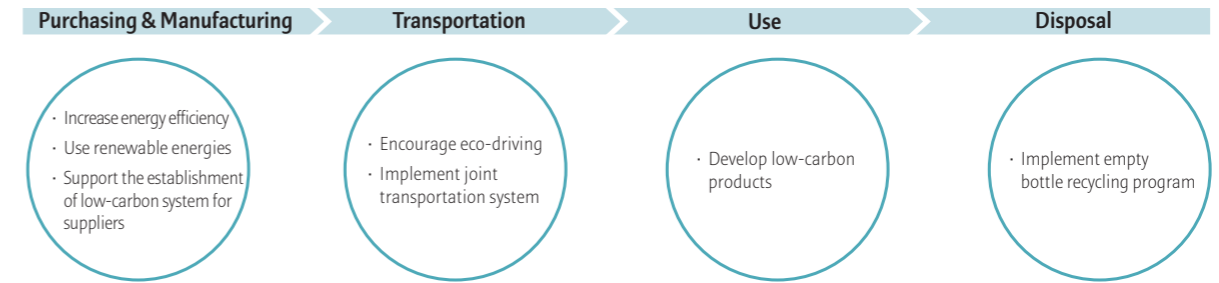
Activities to Reduce GHG Emissions in Manufacturing

In 2012, AMOREPACIFIC Beauty Production Site carried the energy reduction activities on equipment with high energy use by conducting energy mapping to identify major energy source. In terms of electricity, we implemented activities to mainly reduce the use of air compressors, which account for 30% of power use. To reduce the use of steams, we implemented activities to reduce the use of boilers and conditioning equipments. Overall, we cut down on the operational cost of about KRW 900 million by implementing 72 energy saving activities. In the case of the Mass Cosmetics Production Site, we installed air optimizers to the existing air compressors that had been controlled individually, enabling the operation of a central control system. We improved about 2.9% of power consumption by optimizing the operational standby time and operational pressure conditions by utilizing the air optimizers. Also, we developed 30 improvement tasks by analyzing the energy flow and the efficiency of each production site. After reviewing the effectiveness, we plan to implement the improvement tasks in stages starting from 2013. Every quarter, we share the best practices of energy reduction for each production site with other production sites through the energy TFT.

Activities to Reduce GHG Emissions in Distribution

AMOREPACIFIC is calculating the amount of GHG emissions arising in transportation and taking all measures to achieve green distribution. In the case of transportation, we conducted a pilot test of conducting joint transportation with Yuhan-Kimberly for the highly frequented route from Osan to Gimcheon, which we plan to expand to other areas gradually. In 2012, we completed the installation of the Eco-driving Management System (EMS) for nationwide transportation vehicles. We use the transportation information collected from the EMS installed in vehicles to analyze the driving habits of delivery persons and calculate Eco scores (amount of fuel reduction). The delivery persons with high Eco scores receive incentives, while the ones with low scores have to take eco-driving experience training program from the Road Traffic Authority. As a result, the average fuel efficiency of vehicles improved by 9.6% from 8.12 km/L to 8.90 km/L. We expect to reduce 94,000 L of annual diesel use and 246 tons of CO₂ emissions.

AMOREPACIFIC's Climate Change Response Strategy



GHG Emissions



■ Total (Tons of CO₂) ● Basic Unit (Tons of CO₂/KRW in 100 billions)
 * Scope of calculating GHG emissions: SCM (production & distribution), research institute, head office and regional offices, sales offices, etc.
 * IPCC 1996 is applied to calculate GHG emissions.
 * 0.448 Tons of CO₂/MWh is applied for electricity emission factor (Korea Energy Management Corporation)
 * Sales amount of internal management standard is applied when calculating GHG in Basic Unit (2012: KRW 2893.5 billion)

Environmental Performance Results of the Shanghai Production Site

AMOREPACIFIC's Shanghai Production Site produces some of the Mamonde, primera and innisfree products being sold in China. In 2012, we audited and took complementary measures on the environmental management system to improve the Shanghai Production Site to meet the level of domestic production sites. Also, we provided training to enhance the employee awareness on sustainability.

Category	Unit	2010	2011	2012
Energy Consumption	Total	160	248	294
	Basic Unit	0.265	0.298	0.233
Water Consumption	Total	8,469	13,788	15,064
	Basic Unit	14,068	16,552	11,908

ENVIRONMENT



Green Management

AMOREPACIFIC is striving to conserve the environment for the future generation by sustainably using a variety of resources, including water resources and chemicals. In order to ensure sustainable use of water resources, we implemented activities to reduce the water use following a mid-and long-term plan for water resources management, while also ensuring the safe and efficient use chemicals.

Water Resources Management

In 2011, AMOREPACIFIC established the water CFT (Cross Functional Team) to respond to water-related issues and reduce the water use in manufacturing processes. Through the CFT activities, we analyzed the risk and opportunity factors resulting from water use according to domestic and overseas environmental changes. Also, we expanded the scope of the company's water resources management, while establishing a mid-and long-term road map, including the plan to reduce water use to achieve the goal of 30% in basic unit by 2020 based on 2010.

In 2012, we increased the monitoring points for domestic production sites to establish a monitoring system for water use and actively implemented water reduction activities. By conducting the water mapping, we analyzed the current status and loss ratio of water use according to production sites. Based on the results of analyzing the current status, we implemented 18 activities for facilitating reuse and reducing water use.

After adding another activated carbon filter to purify the primary effluents that went through the existing activated carbon and sand filters at the Mass Cosmetics Production Site, the effluents were recycled for waste water treatment facilities, having the effect of reducing about 2,100 tons per year. Also, we implemented other activities for reduction, including optimizing the period for washing filter towers and controlling the coolant valves. These activities are shared with other production sites to promote best practices. We established a system that provides timely responses in case of an emergency by having a contingency plan in place for a possible

water shortage resulting from the increasing water-related risks domestically and internationally, etc.

Hazardous Chemical Management

AMOREPACIFIC is striving to prevent accidents through the safe use of hazardous chemicals. We conduct safety inspections on domestic productions sites twice a year. In February 2013, we expanded the safety inspections to include the production sites of AMOREPACIFIC Group's subsidiaries (PACIFIC PACKAGE, PACIFIC GLAS, PACIFICPHARMA, and COSVISION). Also, we are making efforts to reduce the use of chemicals. The ion exchange resin tower at the Mass Cosmetics Production Site was washed by using sodium hydroxide and hydrogen chloride before, but we replaced it with chemical-free facilities that used the reverse osmosis method and electricity to remove ions. As a result, we improved the working condition, as well as the quality of purified water.

Rewards For Green Management Performance

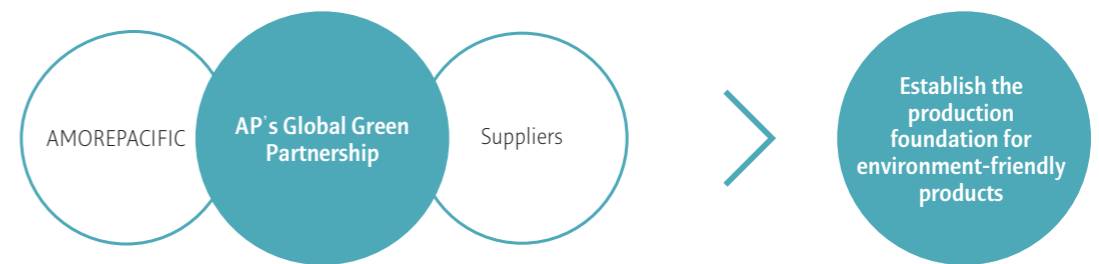
In order to promote a company-wide green management, AMOREPACIFIC grants the Green Management Award to the best practice of green management. The Green Management Award is a system that rewards the organization and individuals for outstanding green management activities made at domestic and overseas production sites every year, including prize money.

Support on Environmental Management for Suppliers

AMOREPACIFIC continually supported the green management of suppliers to expand our environmental management activities to the whole supply chain. From 2009 to 2011, we participated in the Ministry of Knowledge Economy's program for supporting the establishment of low-carbon management systems for suppliers by conducting energy diagnosis and passing on AMOREPACIFIC's clean production technologies. Moreover, we signed an agreement on the Ministry of Knowledge Economy program 'Global Green Partnership' with major suppliers who

entered into the Chinese market from 2011 to 2013, which provided 3 package suppliers and 2 raw material suppliers with the foundation for producing environment-friendly products, including responding to environmental laws and regulations, calculating GHG emissions, diagnosing energies and managing hazardous chemicals. It contributed to enter into the global markets by removing environmental risks and producing sustainable products for suppliers.

Environmental Support for Suppliers to Enter into Global Markets



Response to environmental laws and regulations	Diagnosis of energies Calculating GHG emissions	Management of hazardous chemicals	Development of technicians for clean production technologies
<ul style="list-style-type: none"> · Make a register of environmental laws and regulations · Diagnose and improve legal compliance 	<ul style="list-style-type: none"> · Establish GHG inventory and calculate emissions · Identify improvement tasks through energy diagnosis (25 cases) · Implement improvement tasks (19 cases) · Share effects of energy improvement programs by production site 	<ul style="list-style-type: none"> · Establish processes for preventing the use of hazardous chemicals · Respond to regulations related to chemical use <ul style="list-style-type: none"> -Raw material : CHINA-REACH¹⁾ -package: CHINA-ROHS²⁾ 	<ul style="list-style-type: none"> · Educate about environmental management and Chinese laws and regulations for CEO, working-level staff, all employees

1) REACH: Registration, Evaluation, Authorization and restriction of Chemicals

2) ROHS: Restriction of the use of Hazardous Substances

ENVIRONMENT



Green Communication

AMOREPACIFIC is implementing a variety of activities for green communication to inform about the importance of the environment surrounding us and facilitate environmental protection in our daily life. Through these activities, we provide the opportunity for customers to personally experience various activities on environmental protection and apply them in life.

LANEIGE Waterful Sharing Campaign

The LANEIGE brand implements the LANEIGE Waterful Sharing Campaign together with the Save the Children, which shares the water for life by constructing water pumps in Mali ¹⁾.

The campaign is implemented by sponsoring some of the profits made from LANEIGE's representative moisture product, Water Bank Cream, to the Save the Children. To promote the campaign, we held a design contest and the winning designs were used on the limited edition products released for the Waterful Sharing Campaign. In 2012, we donated KRW 100 million in total. The donation was used to construct the LANEIGE Water Pumps in 96 villages in the Southern part of Mali, as well as used to repair old water pump facilities. Also, we provide sanitary training for village residents. Through the campaign, we provide safe drinking water and sanitary training programs for 5,120 infants below age 5 and 6,920 women of childbearing age (age 15~49).

1) Africa's Mali region has the highest death rate of infants under age 5 due to waterborne diseases resulting from lack of safe drinking water.



LIRIKOS Save the Sea Campaign

Since 2004, the LIRIKOS brand has been implementing the Save the Sea Campaign with the UNEP Korea to save the devastated marine afforestation ²⁾, the source of marine life.

We are taking the initiative in the activities for preventing the desertification of marine afforestation resulting from various pollutions and wastes and restoring it into a healthy marine ecosystem. Some of the profits made from the Marine Oxygenic Essence products are used to save the sea by making donations to the UNEP Korea. In 2012, a group of marine supporters consisting of university students took on the mission of personally experiencing the marine afforestation and informing about its beauty and importance. Also, we implemented the 4 Persons 4 Colors Save the Sea Project with four artists to promote the marine afforestation by making art works on it.

2) The marine afforestation refers to seaweed colonies created artificially or naturally in the sea, which is known to act as the habitat for the spawning of marine life, including fishes, shellfishes and crustaceans. It plays an important role in saving the sea from acidification by absorbing CO₂, the main culprit of global warming. Also, it acts as the origin of life for all humans by creating more than 70% of oxygen in the air.



Performance Results for 2012

The scope of the Environmental Performance Results is three production sites, including AP Beauty, Mass Cosmetics and Sulloc Tea.

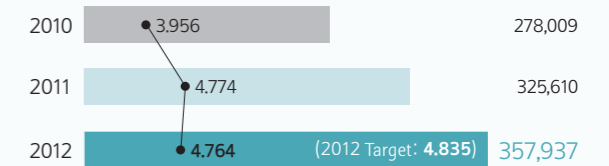
Energy Consumption



■ Total (TOE) ● Basic Unit (TOE/Tons of product)

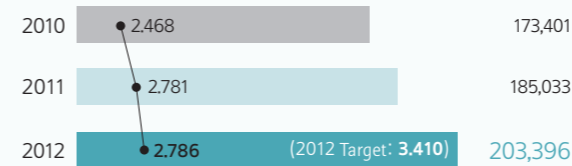
* TOE: Tonne of oil equivalent

Water Consumption



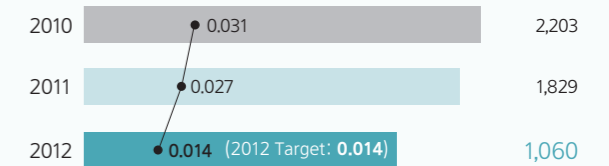
■ Total (Tons) ● Basic Unit (Tons/Tons of product)

Wastewater Generation



■ Total (Tons) ● Basic Unit (Tons/Tons of product)

Landfill Waste Generation



■ Total (Tons) ● Basic Unit (Tons/Tons of product)

* As of 2012, AMOREPACIFIC's waste management indicator has changed into landfilled wastes (total amount of waste emissions – recycling amount).

COD Generation



■ Total (kg) ● Basic Unit (kg/Tons)

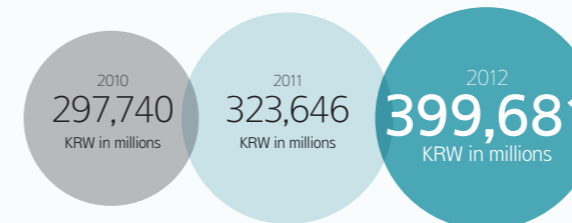
* COD: Chemical Oxygen Demand

Dust Generation



■ Total (kg) ● Basic Unit (kg/Tons)

Purchase of Eco-friendly Supplies



■ Eco-label and GR mark purchases (KRW in millions)

* Changes are made to the 2011 purchase of Eco-friendly supplies result because of data error found.

Rainwater Consumption



Recycled Water Consumption



EMPLOYEES AND BUSINESS PARTNERS



Talent Management Strategy

AMOREPACIFIC is working towards creating an environment where all employees can use their abilities to the fullest in a culture of mutual trust and respect that transcends cultural and background differences. To meet the competitiveness of ever-changing global business environment, we established a talent management strategy and implemented it to achieve the vision of becoming Asia's No.1 and one of the global top 7 cosmetics companies by 2020.

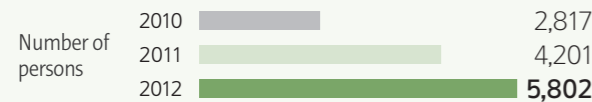
Employment Status

The domestic AMOREPACIFIC workforce numbered 4,724 persons. The ratio of female to male is 36 to 64, showing higher ratio of female employees. Also, the ratio of female executives and managers showed steady growth each year. The overseas AMOREPACIFIC workforce numbered 5,802 persons, most of them consisting of locally hired employees from the management level to the general staff, to ensure we operate a personnel operation structure closely linked with the local region.

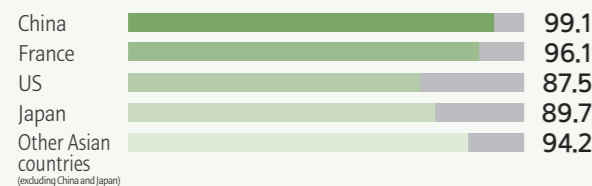
Current Status of Domestic Employees (Unit: persons)



Current Status of Overseas Employees (Unit: persons)



Ratio of Locally Hired Employees at Overseas Business Sites (Unit: %)



Ensuring Diversity for Employees

AMOREPACIFIC strictly prohibits any discrimination made in employment, work implementation or promotion because of gender, region, academic background, physical disability and nationality. In 2012, there were no discriminations reported to the company's Ethics Secretariat and relevant teams. In 2012, we signed the agreement for promoting disabled persons employment with the Korea Employment Agency for the Disabled to increase the hiring of disabled persons. As of 2012, we hired 13 disabled persons and 65 persons subject to national merits.

Strengthening of Cohesiveness as an Asian Beauty Creator

We have strengthened the cohesiveness of AMOREPACIFIC's employees by spreading the group's vocation as "Asian Beauty Creator" to our suppliers and overseas offices located all over the world. In 2009, starting with the establishment of the vocation for ETUDE as "Young Asian Beauty Creator", we defined a set of standards in relevance to our core values and provided vocations appropriate for the management strategy and culture of each subsidiary and overseas office. In 2012, we not only established the vocation for PACIFIC PACKAGE, PACIFIC GLAS, Jangwon and innisfree, but also worked on strengthening the network with our suppliers. As for our global unit, we began with establishing the vocation most suitable for AMOREPACIFIC JAPAN in 2010, and are reinforcing the 'Asian Beauty Creator Network' by establishing each vocation, core values and standards customized for AMOREPACIFIC CHINA in 2011 and AMOREPACIFIC USA in 2012.

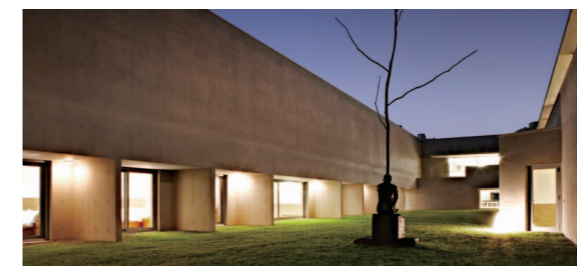
Strategies for Developing Global Talent

In order to secure the competitiveness of global business, AMOREPACIFIC worked on developing global talent through the Hyecho Project in 2011. The project aims to develop global talent who will shine in the global markets by following the challenging mind and spirit of Hyecho, Korea's first monk to go abroad and write a diary on the journey to five countries of India (Wang-o-cheon-chuk-guk-jeon).

Since 2011, the Hyecho Project sent 116 employees abroad as of 2012, which aims to develop 300 global talents by 2017. We will continually conduct regional researches focusing on China and ASEAN to support the growth of global business. Also, we plan to expand the future research and dispatch regions to the Middle East to increase researches on new markets and strengthen preparations for market entry.

Completion of Hyecho House

In July 2012, we completed the construction of the Hyecho House in the Human Resources Development Center. It is designed by Portugal's world-famous architect Alvaro Siza. It supports the enhancement of global leaders' abilities through leadership training programs and workshops.



Hyecho House located at the Human Resources Development Center



'Innovation Olympic'

Fair Evaluation and Compensation

Performance Management of Employees

AMOREPACIFIC provides equal opportunities based on the ability and qualification of employees in accordance with the provisions of Chapter 4 of the Code of Ethics, while continually improving the performance management system to provide fair evaluation and compensation based on performance.

In 2012, in order to strengthen the fairness of performance management and improve the acceptability of evaluation, we strengthened the monitoring on performance management and provided training and communication regarding the importance of performance management. To establish a better performance management system, we improved the system at the end of 2012 to introduce a new system in March of 2013, enabling the system to make fair and objective evaluation on the efforts and performances of individuals.

Operation of Employee Award System

AMOREPACIFIC is operating a variety of award system to motivate employees who contributed to achieving the company's visions by working to their fullest potential. Through the award system, employees can feel proud about what they do, while also creating an environment for continuous growth.

Details of awards

- The Best of ABC Award** Expanding the culture of praising and encouraging employees by giving awards to employees who showed outstanding abilities
- 'Innovation Olympic'** Providing opportunities to employees with innovative achievements to make presentations in front of other employees to share them with all employees
- 'Award for Best Salesperson in Customer Contact Service'** Giving awards to Salesperson in customer-oriented service to enhance their pride and promote the value of customer service all across the company

EMPLOYEES AND BUSINESS PARTNERS



Talent Development

AMOREPACIFIC is taking all measures to promote the growth and development of individuals together with the company's growth. Besides the job competencies of employees, we provide personalized learning programs in different levels to develop global competencies, while also encouraging and supporting independent studying for personal development.

Development of Global Leaders

AMOREPACIFIC is operating the Global Leadership Center consisting of the leadership training program and the global training program to develop global leaders for the company's growth.

Leadership Training Program

The leadership training program divides all job positions into 5 stages to provide the role and abilities needed for each stage, allowing employees to prepare for the needed abilities to establish a pool of talented employees. The training program has three stages for each job position, including before appointment, after appointment and during appointment. Before appointment, talented employees with excellent performances prepare for the next job position; after appointment, employees are given their exact roles and responsibilities based on the competency system; and during appointment, employees improve their leadership skills and take personalized learning programs.

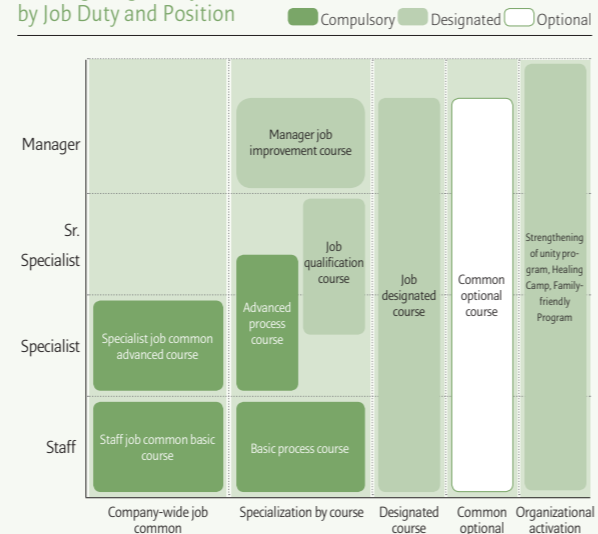
Global Training Program

The global training system is divided into the Global Talent Pool, which provides different culture experience and new language programs before going abroad, and the Global Track, which allows employees to accumulate global experience by going abroad.

Strengthening of Professionalism according to Duty and Position

We provide a variety of specialized and segmented training courses according to duties and positions inside the training system for strengthening job competency. The levels are different depending on the job position and training contents, including common basic course, job basic course, common advanced course, job advanced course, and job professional course, to provide personalized learning for improving professional knowledge. In addition, we support the individual growth of employees by providing various forms of self-directed training programs, including video learning, book learning and e-learning.

Training Program System by Job Duty and Position



AMOREPACIFIC Beauty University (ABU)

We operate a variety of training programs to develop beauty professionals and make them proud of their job. Beauty partners receive job improvement programs and competency improvement programs to improve their competencies that reflect the characteristics of each distribution channel, including Luxury College, Premium College and Mass College. Also, besides beauty areas, we strengthen professionalism by operating a variety of qualification tests that develop the overall competencies of beauty partners.

Operating the Smart Campus

AMOREPACIFIC provides a learning management system to help employees with their personalized learning. In 2012, the learning system was extended to be accessible not only by personal computers, but also by mobile phones, making it more user-friendly to be named as 'Smart Campus'. As a result, employees can conveniently spend time on self-improvement without time or space limitations, which increased the number of employees learning. The number of daily average users for the Smart Campus PC increased by 24.8% over the same period in 2011. In just one day after the development of Smart Campus Mobile, we achieved 13.5% of M-pilots (mobile business support system) installed across the company, which showed a daily average record of 936 accesses made for 14 days after the development. In addition, the satisfaction survey results for before and after the reorganization of the system showed an increase of 14.2%.

Screen of Mobile Application



Operating the Book-Learning Program

AMOREPACIFIC operates a variety of book-learning programs to help improve employees. The Reading School provides a list of books and learning guides for different jobs and employees can choose which courses to take. The Self-Reading School allows employees to freely choose books related to both work and self-improvement. The Book Workshop holds book discussions or workshops for more than 3 persons who meet together to read and learn. We promote the management policies and its directions to all employees by providing books recommended by the CEO through the book-learning program. Also, we improve the job competencies by providing books related to job duties and help develop the employees by providing books on self-improvement and humanities.

EMPLOYEES AND BUSINESS PARTNERS



Great Work Place

AMOREPACIFIC, which values the pursuit of happiness and the improvement of the quality of life for all employees, has been striving to create a great work place by establishing a harmonious and smart working environment without gender discrimination. We provide an environment that ensures a balance between work and personal life and promote a culture of mutual trust and respect. Also, we are taking all measures to improve the working environment, such as operating a differentiated program that is considerate of the employee's health and safety and strengthens communication with employees.

Expanding a Family-Friendly Corporate Culture

AMOREPACIFIC is working towards finding a balance between work and personal life and creating a work place without gender discrimination. As a result of continually working on finding a balance between work and personal life by establishing various policies and systems, we received the Presidential Commendation for best company in equal employment at the 12th Equal Employment Ceremony hosted by the Ministry of Employment and Labor.



Gender equality in the employment Business Awards

* AMOREPACIFIC's policies and systems on family-friendly management can be found in Family-Friendly Management (p.41) of this report.

Implementation of Activities for Improving Corporate Culture

In 2012, AMOREPACIFIC carried out the "Vium Project" to get rid of unnecessary habits and practices in each business unit. By diagnosing each culture per unit, we identified 3 cultural codes (conservatism, hierarchy, vested rights) that needed to be removed, and we have implemented activities to bring change per business unit. We organized various programs such as spreading the 'Best Leader' case-studies,

improving company dinners, and organizing an online contest to share the best practices conducted per each team in hopes to bring a more horizontal and free communications. After such efforts, in AMOREPACIFIC's measurement of CTI (Culture Transformation Index), an internal indicator for change management of corporate culture, there was an increase of 3.3% from 67.4% in 2011 to 70.7% in 2012.

Monitoring of Labor Regulations and Human Rights Education

AMOREPACIFIC abides by the provisions prohibiting child labor and forced labor in accordance with the International Labor Organization and the Korean laws and regulations, which is faithfully monitored by relevant teams. Also, we continually educate our employees to prevent sexual harassment at workplace. In 2012, we designated sexual harassment education program as a compulsory course for employees to complete through the e-learning program. Also, salespersons, who found it difficult to take the e-learning program, received the education by watching videos and reading leaflets through the monthly sales training or education on safety.

Win-Win Relationship Between Labor and Management

During the past 21 years, AMOREPACIFIC has maintained the honor of being an exemplary company both inside and outside the company by having no labor disputes. As of the end of 2012, the number of union

members is 2,389 persons, 50.6% of employees. The employees may join or leave the labor union at their free will. The collective agreement is signed every other year, which is applied to all employees.

Communication Channel- Labor and Management Council

AMOREPACIFIC's Labor and Management Council is operated separately for each work site. Every quarter, it faithfully discusses matters needed to support the work and personal life, including improving welfare benefits, dealing with complaints, enhancing the safety and welfare of the working environment and improving employee health. The company's management and the labor union's executives meet together regularly to communicate with one another. Also, the management and unions engage in meetings held at each work site to openly listen to opinions from on-site leaders.

Achieving Social Responsibility

The labor union is striving to implement the social responsibility. Together with the company, it carries out various activities of sharing, including giving goods to the low-income underprivileged people and establishing a matching fund that donates parts of the salaries to help others.

Managing the Safety of Employees and Suppliers

AMOREPACIFIC is striving to provide a safe workplace to its employees. The Mass Cosmetics Production Site and the Beauty Production Site received the certification for the health and safety management system (K-OHSMS 18001) from the KSA (Korea Standards Association) in 2004 and 2011, respectively. Also, we evaluated the safety performance of 3 domestic production sites to monitor and analyze them, including the number of disasters, the number of safety and health laws violated, and the number of occupational diseases.

Operating the APMIS (a system for environmental safety performance index)

We operate the APMIS (a system for environmental safety performance index) for domestic production sites, which aims to jump up to be a global production site by managing the current status and targets of safe and health issues for each production site. The S&HPE of APMIS establishes the target for safety issues by setting an annual target divided into management performance (300 points), operational performance (600 points) and legal checkup (100 points) and aims to achieve them. These targets,

including inspections, emergency training, autonomous safety system, precautionary measures on real accidents, safety and health training, and legal checkup, seek to accomplish global safety management activities.

Operating a Program for Mutual Cooperation with Suppliers

We evaluate the risk factors of safety and health issues with internal and external suppliers to ensure a shared development by improving unreasonable areas. In 2012, we implemented the mutual cooperation program as the pilot production site of Gyeonggi, which made improvements on about 100 unreasonable and risky matters. Also, through the program, the internal suppliers actively engaged in creating a pleasant and great work place.

Health Management of Employees

Activities for Medical Checkup

Instead of operating the regular medical checkups every other year like in 2011, AMOREPACIFIC expanded the checkups to be held every year starting from 2012. Also, the application of discounts on vaccinations for hepatitis A and cervical cancer were extended to include the employees and families of suppliers and subsidiaries, while the company's medical rooms provide stress diagnosis services and blood tests at all times. The vaccination benefits have been used by 659 employees in 9 cities.

Introducing a Low-Sodium 'Health & Diet' Restaurant

To manage the health of employees, we introduced low-sodium and low calorie menus that reduced the consumption of sodium and fat, enabling employees to prevent diseases and lead a healthy life. During the first three months, we provided a program for managing weight, body fat, cholesterol and blood pressure for those who applied for the program.

Employee Health Fund 'Health Plus Program'

The Health Plus Program is a health fund that helps employees with their diet, quitting smoking and sarcopenic obesity. We effectively manage the health of employees who apply for the program, such as holding a one-month clinic for quitting smoking for those who decided to stop smoking. In 2012, 61% of the employees who applied for the program succeeded in achieving their goals.

EMPLOYEES AND BUSINESS PARTNERS



Strengthening of Employee Communication

Introducing the Internal Contest I³-Market

In 2012, AMOREPACIFIC introduced the I³-Market. In 2012, AMOREPACIFIC introduced the I³-Market, which is an in-house contest that means I, Idea and Innovation. It is held to create AMOREPACIFIC's new innovative culture and to establish the foundation for in-house venture business by receiving ideas that employees normally had and selling their ideas to the management after allowing them to actually take part in the planning stages before developing the product. In the first year of the I³-Market, more than 70 new ideas were submitted. Among them, ten of the ideas were sold to the company as detailed business strategies after 5 months of implementation.

Strengthening of Online Communication Channel

AMOREPACIFIC人 (the Chinese characters '人' means people) is an internal online community space aimed to communicate with employees and to suggest new ideas. By ensuring the protection of anonymity, employees can suggest ideas about customers and products, as well as ideas about better working environment and welfare benefits. These ideas are actually reflected in developing AMOREPACIFIC's innovative products, effectively implementing sales activities and when operating the Smart Work System. Also, AMOREPACIFIC人 (AP人) ensures horizontal communication with AMOREPACIFIC's employees. In 2012, the management including the CEO wrote their thoughts and shared them with employees through AP人, while employees wrote comments on them. Through the AP人 where various ideas can be shared through a horizontal communication method, all employees are making concerted efforts to make the company into a great work place and a company that customers love.

Number of Suggested Ideas that are Registered & Number of Ideas with Complete Funding (Unit: number of cases)

1,893 Number of suggested ideas that are registered in 2012

322 Number of ideas with complete funding ¹⁾

¹⁾ As ideas that received the most support from the AP人 users out of the ideas registered at AP人, the number of ideas that received feasibility review by the applicable team.

Expanding the Junior Communication

AMOREPACIFIC gathers diverse opinions from employees and reflects them in the management activities. In 2012, we implemented the Evergreen Board and the SaengSaeng-Gonggam to listen to opinions from the young generation, thereby reflecting fresh ideas of new employees with less than three years of service in the management activities and making improvements on problems found.

Personalized Cultural Activities for Employees

- Happy Plus Theme Lecture

We invited well-known persons from the outside to give special lectures under the theme that employees are interested in, such as new generation and health. Besides the lecture held at the head office, more than 1,000 persons participated in the video service provided for regional offices and subsidiaries in 2012.

Employee Engagement Survey

Since 2008, AMOREPACIFIC is conducting an employee engagement survey to gather diverse opinions from employees and reflect them in the management activities. The 2012 employee engagement survey had altogether 80 questions divided into 12 categories, including level of engagement, image and leadership. The results of the employee engagement survey showed that AMOREPACIFIC employees had an engagement level of 77%, which is similar to the domestic corporate average (78%). Also, starting from 2010, we managed the employee's individual emotional satisfaction through the well-being indicator.

Result of Employee Engagement Survey (Unit: %)

Division	2010	2011	2012
Level of employee engagement	81.0	75.0	77.0
Well-being indicator	58.0	53.0	57.0
Ratio of participation	45.8	48.7	55.8

Shared Growth with Suppliers

AMOREPACIFIC is strengthening its mutual cooperation system with suppliers to create a sound corporate ecosystem. Since 2011, we implemented a roadmap for shared growth. In 2012, we implemented activities to establish a balanced business relationship with suppliers. Through these activities, we strive to grow together with suppliers by strengthening the competitiveness of suppliers and creating a better working environment for their employees.

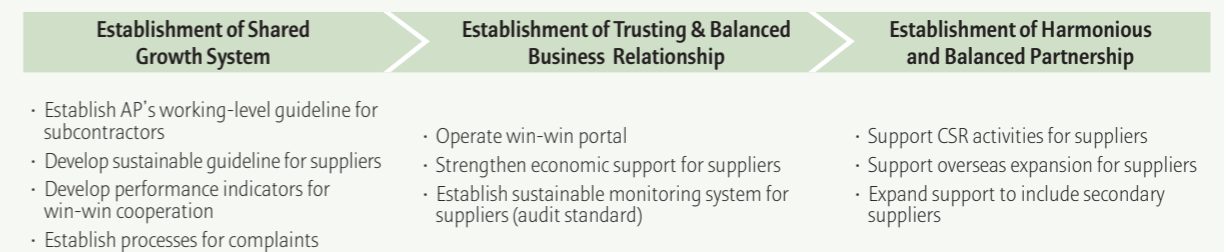
Expanding the Sustainability of Suppliers

To expand the sustainability and fulfill the social responsibility of all employees in the supply chain as corporate citizens, AMOREPACIFIC established a sustainable guideline that the suppliers should follow in 2011. The sustainable guideline for suppliers provides details that new suppliers should comply with at a minimum in four areas (environment, safety, labor and human rights). AMOREPACIFIC newly established the evaluation standard for sustainability in the 2012 sustainable guideline, ensuring the suppliers comply with the guideline and strengthen their social responsibility. The sustainability is evaluated on four areas of the sustainability guideline and the minimum compulsory conditions that new suppliers should follow. AMOREPACIFIC continually monitor and support the suppliers so that they can fulfill their role as corporate citizens based on the evaluation of sustainability.

Strengthening of Economic Support

Since 2005, AMOREPACIFIC is operating the Supplier Support Fund for suppliers to provide stable funding and support facility investment. In 2011, we expanded the fund to KRW 10 billion, which increased the total into KRW 20 billion by contributing an additional KRW 10 billion in 2012. Besides the existing suppliers of packaging materials and raw materials, the application of the Supplier Support Fund was extended to include the secondary suppliers. As a result, the business partners in the supply chain can use the fund to invest on production facilities and quality facilities and adopt facilities for developing new products.

Roadmap of Shared Growth for Suppliers



Expanding the Communication with Suppliers

In 2012, AMOREPACIFIC established an integrated communication channel through online and offline to strengthen communication with a variety of suppliers in the supply chain. We established communities according to the types of major suppliers in the supply chain, including packaging materials, raw materials, ODM, and production/transportation. Based on these communities, we held working-level meetings with each community. Also, we held the Win-Win Cooperation General Meeting and the Win-Win Implementation Seminar to share the current management status of AMOREPACIFIC, future strategies and major performances and to discuss about various win-win cooperation plans.



The 2012 Win-Win Cooperation General Meeting

Online Channel for Sharing Information with Suppliers

Purchasing Portal

The Purchasing Portal is a purchasing and order system set up to confirm the current status of orders real-timely for suppliers, or share the schedule for new products, enabling an integrated management of GHG emissions and hazardous chemicals.

Win-Win Portal

The Win-Win Portal provides a two-way communication between AMOREPACIFIC and its suppliers and also between the suppliers. AMOREPACIFIC established the win-win portal, which provides a sustainable guideline for suppliers that must be basically complied by the suppliers. Also, suppliers can request for training support and financial assistance needed for development and also closely communicate through technology proposals and the internet community for suppliers. (Win-Win Portal: <http://winwin.amorepacific.com>)

Production Information Synchronization System

The Production Information Synchronization System is currently supported to all major suppliers of packaging materials to improve the production efficiency and profit structure by establishing a production management system for suppliers of packaging materials. Also, it is established to acquire the visibility of interactive information, including the information on orders and stocks for packaging materials.

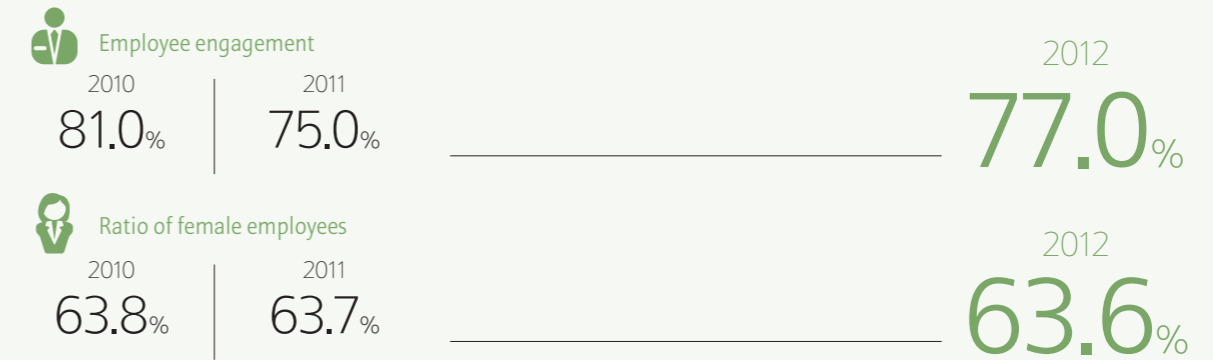
Operating the Win-Win Cooperation Indicator

The competitiveness of the suppliers is directly linked with the competitiveness of AMOREPACIFIC. Therefore, to strengthen the support for suppliers, we newly established and operated the win-win cooperation indicator to identify the kind of support that would actually help the suppliers and to find out the current level of support provided. The win-win cooperation indicator consists of the following: i) identifying the level of fair trade by checking the compliance with the four fair trade guidelines and the payment standards; ii) identifying the level of win-win cooperation with suppliers through the amount received from the Supplier Support Fund, the joint R&D, and the current status of training and manpower support; iii) identifying the level of fair trade between the primary and secondary suppliers; and iv) conducting a survey on the sensory level to determine the sensory level of suppliers. Through the win-win cooperation with suppliers, AMOREPACIFIC is striving to secure global competitiveness by establishing a virtuous cycle where all members in the supply chain can help each other.

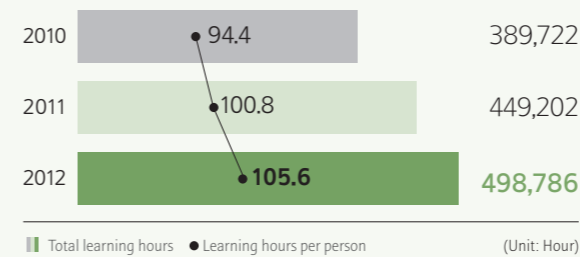
Best Supplier Award System

To strengthen the partnership for shared growth and develop the basic competencies of suppliers, AMOREPACIFIC evaluates the suppliers once a year on QCDE (Quality, Cost, Delivery and Environment) suppliers for packaging materials, raw materials, ODM and logistics, and provided an award money of KRW 250 million and overseas employee training programs to 12 best suppliers. We encourage the suppliers to use the award money to invest in the infrastructure to improve the quality, process and employee welfare of suppliers, enabling them to develop into a company of global standards.

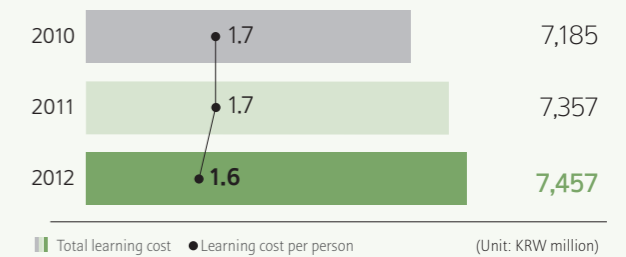
Performance Results for 2012



Training hours of employees



Training cost of employees



Contents		Unit	2010	2011	2012
Number of years in service	Years of service	Year	8.3	7.7	8.3
	Maternity and childcare leave used	Persons	180	228	234
Status of union membership	Childcare leave	Persons	96	109	165
	Number of union members	Persons	2,231	2,278	2,389
Accident rate by year	Ratio of membership	%	54.0	51.2	50.6
	Number of accidents occurred	Cases	4	0	5
	Accident rate	%	0.10	0.00	0.11
	Accident rate of domestic industry average	%	0.69	0.65	0.59
Accident frequency		%	0.49	0.00	0.52



Social Contribution Strategies

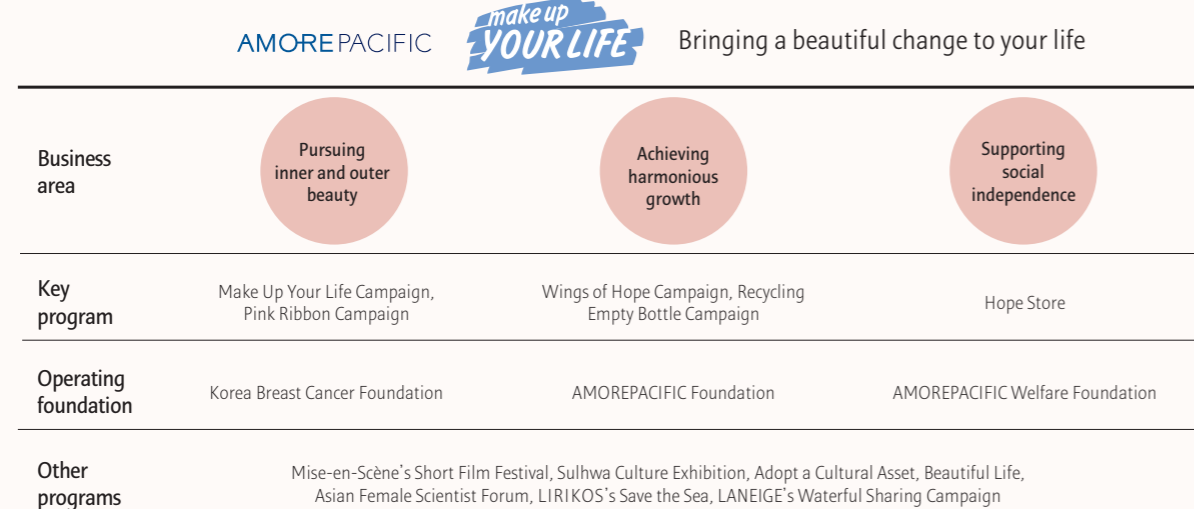
Based on our social contribution vocation of bringing health and beauty to women and their families (humanity) as a responsible corporate citizen, AMOREPACIFIC is determined to enrich our society by 'bringing a beautiful change to your life' through the slogan of 'Make Up Your Life'. The beautiful change in your life is achieved by implementing social contribution activities that are represented in the three key areas of 'pursuing inner and outer beauty' 'achieving harmonious growth' and 'supporting social independence'.

Strategies for Implementing Social Contribution Activities

AMOREPACIFIC has implemented key programs in three business areas under the social contribution slogan of 'bringing beautiful change to your life', including the pursuit of inner and outer beauty, the realization of harmonious growth, and the support for social independence. The pursuit of inner and outer beauty is realized by caring for both the physical health and the social emotional health based on AMOREPACIFIC's beauty & health business. The realization of harmonious growth is achieved by improving the respect and awareness on cultural diversity and making a positive growth to

society through a variety of culture sharing programs. The support for social independence is provided by actively participating in resolving social issues of women who need financial independence by reflecting the business capability, enabling low-income women to live independently by strengthening their competencies and giving start-up assistance. In addition, we worked steadily to fulfill our corporate social responsibility by operating 3 non-profit public welfare foundations and implementing programs linked with external institutions and our employee sharing activities.

Social Contribution Value Structure



Pursuit of Inner and Outer Beauty

To bring a healthy and beautiful life for women, AMOREPACIFIC has provided the foundation for women to live independently by making a fundamental change in their lives by taking the initiative in resolving social issues related to women. The basic condition for a healthy life is good health. To achieve this, AMOREPACIFIC is striving to enhance the quality of life for women by caring for both the inner beauty and health, while also improving the self-esteem of women by bringing a beautiful change to the outside.

AMOREPACIFIC's Make Up Your Life Campaign

AMOREPACIFIC's Make Up Your Life Campaign provides our know-how to female cancer patients to help them overcome emotionally-distressing physical changes caused by cancer treatment and give them positive mindset about life. The programs consist of makeup, skin care and hair styling to help them rediscover their inner beauty by caring about their external look to be able to face the world in confidence. In 2012, 500 AMORE counselors volunteered to carry out campaigns in 51 hospitals for about 1,700 patients. In particular, we provided visiting services to patients who found it difficult to come to the hospital for the second year. Furthermore, the year 2012 was significant year because we improved the satisfaction level of participants and provided a variety of programs by increasing the participants and operating specialized programs. We newly introduced an on-line healing program where patients can share their concerns and receive professional advices and also opened a website for the campaign where participants can communicate with each other. Above all, the campaign was very meaningful because the patient's families also participated in the program. AMOREPACIFIC will continually implement the Make Up Your Life Campaign to deliver the hopeful message to female cancer patients that they can improve their self-esteem and change their attitude in life.



Make Up Your Life Campaign



Make Up Your Life's Tea Ceremony

Pink Ribbon Campaign

AMOREPACIFIC has been implementing the Pink Ribbon Campaign to widely notify the importance of preventive checkups and raise awareness on breast cancer. The pink ribbon is a symbol of the activities to promote self-tests that represents the beauty and health of women and the freedom of breasts. AMOREPACIFIC established the Korea Breast Cancer Foundation to protect the healthy life of women and continually implemented the Pink Ribbon Campaign to promote the importance of preventive checkups and raising the awareness of breast cancer against the whole nation. In 2012, we recruited 202 persons as 'Pink Generation' PR ambassadors to carry out activities to promote self-tests, while also sponsored a team with a band and chorus consisting of women who recovered from cancer with 7 institutions through the Our Pink Ribbon Project, which is a

contest for breast cancer related activities. Also, we notified the importance of self-tests and preventive measures to check on breast cancer by delivering the campaign message to more than 300,000 people through a variety of contents, including the Pink Ribbon Sculpture made from the talent sharing of experts and the health recipes. Furthermore, the Pink Ribbon Marathon, a representative event of the Pink Ribbon Campaign, was held in five cities across the nation to provide a setting for all family members to participate and notify the importance of checkups for breast cancer. Also, the fee that about 24,470 participants paid to participate in the marathon was all donated to the Korea Breast Cancer Foundation, which will help spread a culture of healthy sharing by using the money in preventing breast cancer and carrying out treatments.



Pink Ribbon Love Marathon

SOCIAL CONTRIBUTION



Harmonious Growth

AMOREPACIFIC is striving to achieve a harmonious growth between people, nature and business. Together with the growth of the company, we continually implemented activities to acquire diversity in the cultural contents for genuine growth in our society, while also providing support for a variety of culture to communicate and exchange information with each other. Furthermore, we made concerted efforts to minimize the negative impact that corporate activities give to nature by providing a company-wide support through the empty bottle recycling campaign.

Wings of Hope Campaign

The Wings of Hope Campaign is a program that supports the multi-cultural women community by developing and sharing their cultural capability based on the cultural identity of migrant women. It has been jointly implemented by the AMOREPACIFIC Welfare Foundation and the Korean Foundation for Women since 2011 to help multi-cultural migrant women who are socially disadvantaged so that they can become positive persons through community activities. As of April 2012, we provided funding and consulting services to 10 multi-cultural communities, including the Osan Hwaseong Migrant Women's Meeting, the JipyeongseonAwoolim Choir and the Intadlub-Nanta. In October 2012, we provided an opportunity to share the results of the activities taken place during five months by holding the Wink Festival. It was held outdoors in the Yongsan Family Park where a variety of programs were held to experience multiple cultures, including community performances, cultural experiences and global customs. Through the Wings of Hope Campaign, AMOREPACIFIC helps multi-cultural migrant women to live a beautiful life in confidence.

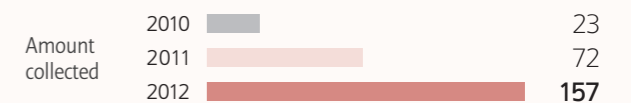
Campaign for Recycling Empty Bottles

AMOREPACIFIC has continually implemented the campaign for recycling empty bottles with the purpose of recycling resources together with our customers and protect the environment to minimize the negative impact on the environment through the resource circulation of our products. In 2009, the campaign began as part of the event for collecting empty bottles at innisfree stores, which later expanded to Aritaum stores, department stores, all AMOREPACIFIC stores at large marts, and ETUDE House stores and innisfree stores across the nation. AMOREPACIFIC is implementing recycling activities together with recycling companies. We regularly measure the amount of empty bottles collected and record it to notify our customers about the amount of CO₂ reduced through the homepage. The amount of empty bottles collected in 2012 was 157 tons (including innisfree and ETUDE), resulting in a total of 255 tons in accumulation since the campaign began in 2009 to have the effect of reducing 242 tons of CO₂. We plan to continue strengthening the campaign for recycling empty bottles as one of our social contribution activities.



The Wink Festival for the Wings of Hope campaign

Amount of Empty Bottles Collected by Year (Unit: Ton)



SOCIAL CONTRIBUTION



Developing the Arita Font

AMOREPACIFIC developed the Arita font that contains the corporate image. It has the meaning of a beautiful and loving woman that comes from the Book of Odes of 'beautiful elegant lady'. In order to carry out cultural sharing, AMOREPACIFIC developed the Arita font by cooperating with professor Sang-soo Ahn, a designer of Korean font, since 2005. It was disclosed to the public through the company's homepage to be used for free of charge. In 2012, we made improvement to the existing handwriting and worked on developing the English handwriting. The Arita font was the typography winner in Design at the 2012 Red Dot Design Award. AMOREPACIFIC, which has been sharing culture through a variety of means, wishes that the Arita font acts as the company's exclusive font, while also sharing the value of sharing by being widely used in the society.



Arita font

Adopt a Cultural Asset

Since signing the agreement for Adopt a Cultural Asset with the Cultural Heritage Administration in 2006, AMOREPACIFIC has continually implemented activities to preserve representative historical sites of tea culture in Korea, including the historical site of Dasan (Gangjin, Jeonnam), the exile place of Chusa (Seogwipo, Jeju), the old house of Chusa (Yesan, Chungnam), and the Iljiam (Haenam, Jeonnam). In 2012, we implemented activities to preserve the historical sites by having about 300 employees regularly visit the sites each month. They cleaned the insides and surrounding areas of the building, planted tea plants in the surrounding areas, and installed nature-friendly boards to correctly inform people about the historical sites. Also, they repaired roofs that were damaged by the typhoon and carried out preventive activities on the inside and outside of the buildings at historical sites. As a result of these efforts, in September 2012, we received the Presidential Commendation at the National Merit Ceremony for Adopt a Cultural Asset hosted by the Cultural Heritage Administration.



Installed boards and planted tea plants at the historical site of Chusa

Mise-en-Scène's Short Movie Festival

Mise-en-Scène's Short Movie Festival is a movie festival that shows new imagination by avoiding the seriousness at existing movie festivals with the vocation of finding new Korean movie directors. In 2012, a total of 972 movies were submitted to the 11th Mise-en-Scène's Short Movie Festival, to record the largest number of movies received at a Korean short movie festival. During the past 11 years, AMOREPACIFIC has continually sponsored movie festivals. In the process, Mise-en-Scène has continually sponsored short movie festival to promote Korean short movies and find talented young directors. In recognition of these efforts, we received an award for cultural contribution at the 2012 Mecenat Award from the Korea Mecenat Association.

Supporting Social Independence

AMOREPACIFIC is striving to create a social environment where women can make a beautiful change in life to live healthily in confidence. To achieve this, AMOREPACIFIC has implemented activities to support financial and social independence that brings positive change to the current life of women by helping them enter into the society. Also, AMOREPACIFIC continually looked for areas where we can actively participate in various social issues

Support for Hope Store Startups

The Hope Store is a micro credit program that provides business startup loans to low-income single mothers. It gives startup loans up to the maximum of KRW 40 million to single mothers who find it difficult to get loans from the financial industry because they don't have collaterals or credit. The money paid back by the people who started their business is put aside as the 'fund of seed of hope' to create a virtuous cycle of sharing by providing an opportunity to a single mother who is getting ready for starting a business. The fund for the program was donated to the Beautiful Foundation (President Jong-seok Ye) in June 2003 when the family of AMOREPACIFIC's founder Sung-hwan Suh donated the inherited money. Since the first Hope Store opened in 2004, as of the end of 2012, there are currently 146 stores across the nation. In particular, the first Hope Store opened in Gangwon region in 2012 so that there are Hope Stores everywhere except for Jeju. Anyone can participate in the Hope Store, which is operated on the Beautiful World Fund from the Beautiful Foundation.



Support provided for the interior of Hope Store

AMOREPACIFIC Beauty School

Since 2011, AMOREPACIFIC has been implementing the Beauty School, which is a program to strengthen the competency of women from female facilities and low-income households who find it difficult to enter into society by developing them into preparatory makeup artists. In 2011, 21 persons received the training program for strengthening the beauty capability, while 12 persons completed the program in 2012. As part of the virtuous cycle of sharing, the trainees carried out volunteer works of sharing their makeup talent by visiting social welfare facilities related to women, youngsters and the disabled. The top four outstanding trainees were given the opportunity to receive the professional makeup training course to help with their social independence.



Volunteer works of sharing talent learned from the Beautiful School

SOCIAL CONTRIBUTION



Activities for Local Communities

Besides the social contribution activities that the company implements, AMOREPACIFIC also established the AMOREPACIFIC Welfare Foundation, the AMOREPACIFIC Foundation, and the Korea Breast Cancer Foundation to support the social contribution activities that are deeply related to women's health, welfare and academic culture. Also, the employees of AMOREPACIFIC volunteered talent sharing and sponsored goods to social welfare facilities across the nation through the activities of Beautiful Sharing.

Operating the Public Welfare Foundation

The AMOREPACIFIC Welfare Foundation was established to operate programs that improve the welfare of women and children from low-income households. In 2012, it implemented programs for improving female welfare facilities to renovate the baths of 3 facilities and installed women's resting place at 7 female facilities.

The AMOREPACIFIC Foundation communicates with the world through an integrated research assistance based on the keyword of 'Asian Beauty' and 'women and culture', including science, art, everyday life, and learning. We share the outcomes of the foundation through the publication of 'Women and Culture', which is a series of the foundation's publications on research assistance, and the Beauty program that gives lecture on humanities and liberal arts. In addition to implementing the long-term projects like the research project on the history of Korean women's living culture and tea literatures, we continually implemented programs that developed researchers and established research environment by providing assistance to 17 research projects through subscription in 2012.



AMOREPACIFIC Welfare Foundation improved the facilities of Guro Euphrasia House

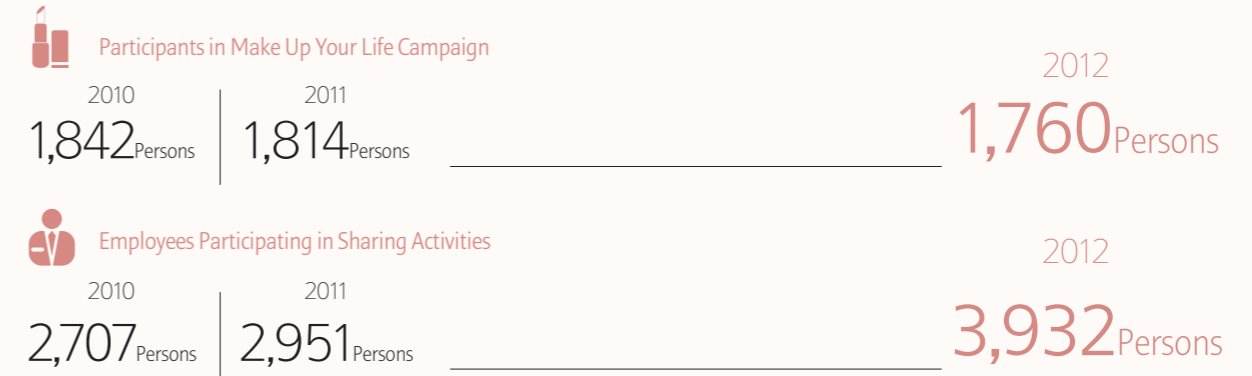
Sharing Activities for Employees

AMOREPACIFIC strived to share the value of sharing by engaging employees in social contribution activities. AMOREPACIFIC's employees participate in a variety of social contribution activities as follows: the Beautiful Sharing which is a volunteer activity; the Beautiful Saturday which is a donation of used items; the Donation of a Fraction of Employees' Salary; the Matching Gift; and the Adopt a Cultural Asset which is an activity for preserving cultural assets. Through the activities of Beautiful Sharing, the employees of AMOREPACIFIC volunteered talent sharing and sponsored goods to social welfare facilities across the nation. The Beautiful Sharing is a social contribution activity where the employees decide on the facility and program for volunteering talent sharing and AMOREPACIFIC sponsors all of the costs and goods provided. In 2012, we volunteered talent sharing at about 300 social welfare facilities in three separate occasions, while provided goods of daily necessities, cosmetics and green tea products to about 1,000 facilities. Furthermore, AMOREPACIFIC continually operates a system that certifies the ABC sharing mileage which is reflected in the employee's compensation in proportion to their performances made for sharing activities.

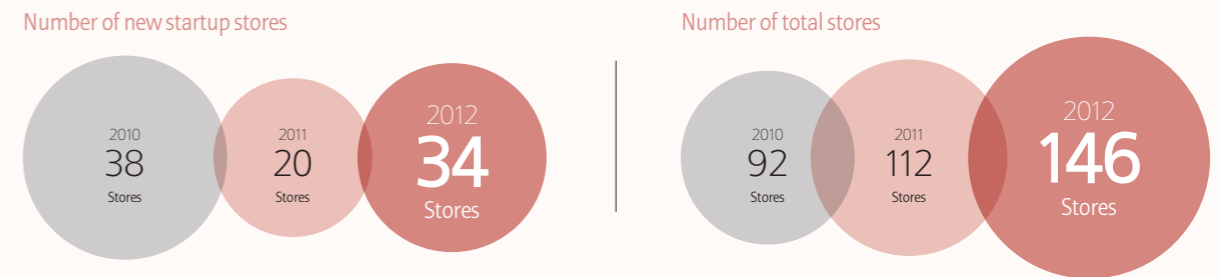


Beautiful Saturday, an internal charity bazaar

Performance Results for 2012



Status of Support for Hope Store Startup



Contents		Unit	2010	2011	2012
Social Contribution Activities Expenditures	Amount of expenditures	KRW million	9,100	11,068	9,742
	Ratio compared to sales	%	0.4	0.4	0.3
	Domestic corporate average	%	0.2	0.2	0.3
	Ratio compared to pre-tax profits	%	2.5	2.6	2.7
Pink Ribbon Campaign	Number of marathon participants	Persons	24,165	24,827	24,470
	Number of health lecture participants	Persons	22,334	31,227	31,150
	Amount supported for surgery and treatment	KRW million	220	249	258
Public Interest Foundation Expenditures	AMOREPACIFIC Welfare Foundation	KRW million	413	468	420
	AMOREPACIFIC Foundation	KRW million	442	444	590
	Korea Breast Cancer Foundation	KRW million	812	1,915	980



innisfree's Green Story

As Korea's first cosmetics brand on naturalism, innisfree was born to bring deliver the healthy beauty solutions derived from the natural ingredients of clean Jeju to our customers. Since it was launched in 2000, innisfree strived to bring natural beauty that can be easily shared and experienced by providing products derived from good raw materials, as well as sold green products at our stores and implemented eco-friendly campaigns with our customers.

Declaring the Green Promise

innisfree has disclosed the innisfree Green Promise that reveals four promises made in January of each year to make the world healthier and greener for customers.



Results of Implementing the 2012 Green Promise

Goal	Results	Achievement
Donating 3% of sales profit	880 million	100%
Campaign of collecting empty bottles that have the effect of planting 200 trees	507 trees	254%
Basic types of natural ingredients accounting for more than 70%	73%	104%
More than 200 green stores ¹⁾	274 stores	137%

1) Green Store: stores using LED lights, eco-friendly paints and eco-friendly glues

Green Products that Contribute to the Environment and the Society'

Carbon footprint product

Carbon footprint labels are on products indicating the amount of carbon measured in all stages of products from development to disposal. This applies as the first stage of carbon footprint labeling. If the carbon emission is reduced through activities for reducing carbon, the item receives the low carbon certification as the second stage. Two items of innisfree's cleansing products received the carbon footprint labeling to be certified as eco-friendly products by the Ministry of Environment. The application will be extended to include skin care and body care products.

Certified items and carbon emission amounts

Left: Green Tea Pure Body Cleanser (480.7gCO₂/product)

Right: Green Tea Pure Cleansing Water (679.8gCO₂/product)



Products for the physically-challenged customers

Products for the physically-challenged customers apply to the socially underprivileged people, including products for patients and products with universal designs and braille designs. innisfree applied braille designs on the containers of Forest for Man and Fermented Bean products to help the visually handicapped customers to tell the difference between toners and lotions that have the same container. innisfree will continue to keep developing products that are easy to use not only for young and healthy people, but also for the children, the elderly and the disabled.

Products for the physically-challenged customers



innisfree eco handkerchief



Green Communication with the Customers

Eco handkerchief campaign season 3

Since 2010, innisfree has been implementing the Eco-handkerchief Campaign, which has become innisfree's representative environmental campaign that is held in June of each year. In 2012, innisfree handed out the eco-handkerchief to customers who purchased products at their stores under the 2012 campaign theme of protecting Jeju's wildflowers that are in danger of extinction because of climate change and environmental pollution. The handkerchief was made from recycled PET fabric and cotton to make it more eco-friendly.

Donation to pay back the benefits of nature

In order to conserve the Gotjawal, the largest evergreen forest on the Korean Peninsula and the reserve of Jeju's ecosystem, innisfree signed an agreement with the Foundation for Public Ownership of Gotjawal to donate some of the profits made from Forest for Man products each year. The money will be used to purchase the privatized Gotjawal to prevent reckless development. In 2012, innisfree donated KRW 100 million to purchase a maximum of 5,000pyeong(16,529m²) and a minimum of 3, 125pyeong(10,330m²) of the private land of Gotjawal.

Green Christmas with the underprivileged

In December of each year, innisfree's Green Christmas helps the underprivileged together with the customers. In 2012, innisfree released two concepts of limited editions, I Love You and Thank You, and donated a total of KRW 290 million to the Save the Children.

Signing ceremony for green Christmas sponsorship



Environmental Protection Activity of Clean Jeju Campaign

The Clean Jeju Campaign is an environmental conservation activity held in Jeju by the green expedition consisting of innisfree employees. In 2012, innisfree cleaned the Saebyeol Oreum with the mission of protecting Oreum in Jeju, which contains Jeju's unique vegetation. innisfree cleaned up various wastes thrown away by tourists and waste woods from nearby construction sites. It will carry out activities to keep Jeju clean and healthy.



Green Store Cares About the Environment

Selected as the best brand for reducing GHG emissions & received the Environment Ministerial Commendation

innisfree participated in the Project for Developing, Distributing and Expanding the Guideline for Reducing Non-Industrial GHG Emissions supervised by the Korea Environmental Industry & Technology Institute. As a result of a significant reduction in GHG emissions, we received the Environment Ministerial Commendation and the signboard for best production site. innisfree measured the amount of power consumption of 593 innisfree stores across the nation and converted it into carbon emissions, showing about 27% reduction in GHG emissions on average per store. The amount of empty bottles collected from the recycling campaign had the effect of planting 507 young pine trees, which is the same as reducing 30.1 tons of CO₂ emissions annually. innisfree will establish an eco-friendly process to cut down unnecessary energy loss and to reduce the amount of hazardous substances from production to disposal.



innisfree Makes the Global Green Story

In April of 2012, to promote the healthy beauty derived from nature to the world, innisfree conducted overseas expansion starting with Shanghai, China.

Share the green, Save the tree campaign

Together with Shanghai Roots and Shoots, a NGO in environmental protection founded by Jane Goodall, innisfree participated in preventing the desertification of Inner Mongolian region. For each green tea product that our customers purchase at the innisfree store, we will be planting one tree in the Inner Mongolian desert. We have raised enough money to plant 10,000 trees. This money was donated to the Shanghai Roots and Shoots's One Million Tree Planting Campaign, which will plant trees in the Inner Mongolian region in April 2013. In addition, the trees will be continuously managed to ensure they take root properly. It will have the effect of absorbing 25 million kilogram of CO₂.

Promoting the Green Christmas culture to China

To establish a warm social atmosphere of sharing with compassion with neighbors, innisfree implemented the Green Christmas Campaign in China. Together with a Chinese volunteer group and the Save the Children China, we helped with the treatment of the physically-sick underprivileged children. Every time a customer buys the Green Christmas limited edition, one child receives benefits per product. innisfree will continually promote its customer-friendly, society-friendly and environment-friendly activities to promote its brand to the world.

Appendix

Consolidated Financial Statements

Independent Assurance Report

GRI Index

Participant Information

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

December 31, 2012 and 2011
(Unit: in millions of Korean won)

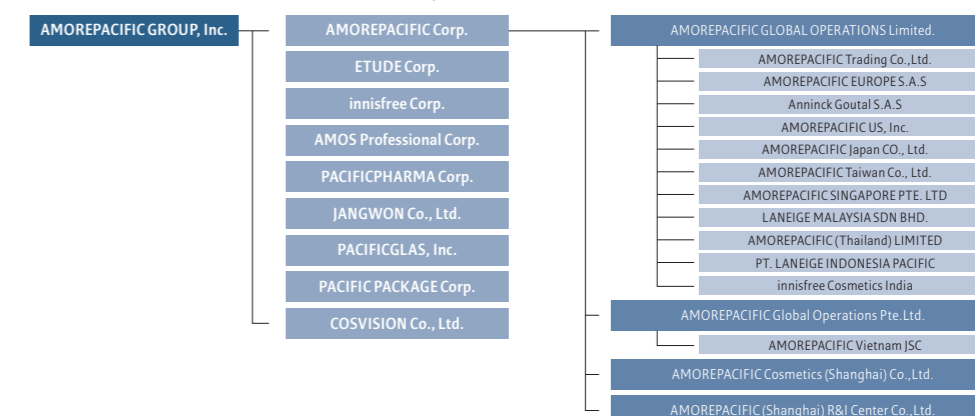
	AMOREPACIFIC Corporation		AMOREPACIFIC GROUP	
	2012	2011	2012	2011
Assets				
Current assets				
Cash and cash equivalents	170,707	187,708	227,459	353,587
Bank deposits	142,499	155,736	535,799	421,536
Trade receivables	170,180	152,435	221,531	210,741
Other receivables	20,076	13,839	9,183	16,556
Other current assets	33,294	18,163	48,389	30,161
Inventories	267,433	225,803	333,989	283,909
	804,189	753,684	1,376,350	1,316,490
Non-current assets held for sale	-	-	2,299	24,692
Non-current assets				
Bank deposits	5,158	3,656	5,603	3,698
Other receivables	82,383	59,298	109,713	81,768
Available-for-sale financial assets	6,243	9,209	32,372	18,301
Property, plant and equipment	1,766,807	1,655,475	2,102,570	1,952,810
Investment Property	203,232	185,546	203,232	185,546
Intangible assets	121,208	115,204	636,794	625,915
Investments in associates	5,093	4,665	8,911	8,514
Deferred income tax assets	31,870	28,684	38,093	37,112
Other non-current assets	10	6	18	19
	2,222,004	2,061,743	3,137,305	2,913,683
Total assets	3,026,193	2,815,428	4,515,955	4,254,865
Liabilities				
Current liabilities				
Trade payables	100,405	77,987	116,411	122,768
Borrowings	22,553	15,581	24,812	15,581
Other payables	150,721	181,272	202,861	224,567
Current income tax liabilities	41,517	39,201	56,592	52,225
Deferred revenue	42,144	53,615	48,855	59,319
Provisions for other liabilities	6,702	5,755	11,734	11,004
Other current liabilities	53,198	52,571	67,439	64,691
	417,240	425,983	528,704	550,156
Non-current liabilities				
Borrowings	42,850	45,904	51,750	47,904
Retirement benefit obligations	47,542	40,002	58,112	49,559
Deferred income tax liabilities	149,703	138,460	213,543	199,865
Other non-current liabilities	25,070	26,776	29,633	49,789
	265,165	251,141	353,038	347,117
Total liabilities	682,406	677,125	881,742	897,273
Equity attributable to owners of the Parent				
Capital stock	34,508	34,508	44,451	44,451
Additional paid-in capital	712,702	712,702	673,096	673,096
Capital surplus	7,761	7,690	7,385	7,363
Other components of equity	(1,810)	(1,810)	(134,507)	(134,136)
Accumulated other comprehensive income	(12,011)	(2,435)	(2,479)	1,793
Retained earnings	1,592,449	1,377,420	1,390,507	1,258,205
	2,333,599	2,128,075	1,978,453	1,850,771
Non-controlling interests	10,188	10,228	1,655,760	1,506,821
Total equity	2,343,787	2,138,303	3,634,213	3,357,592
Total liabilities and equity	3,026,193	2,815,428	4,515,955	4,254,865

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2012 and 2011
(Unit: in millions of Korean won, except per share amounts)

	AMOREPACIFIC Corporation		AMOREPACIFIC GROUP	
	2012	2011	2012	2011
Sales	2,849,462	2,554,723	3,431,733	3,058,513
Cost of sales	847,204	774,623	1,013,893	960,632
Gross profit	2,002,258	1,780,100	2,417,840	2,097,881
Selling and administrative expenses	1,637,993	1,407,249	1,968,749	1,663,218
Operating profit	364,265	372,851	449,091	434,663
Finance income	12,208	11,165	29,446	26,138
Finance costs	2,125	1,923	2,298	2,018
Other non-operating gains (losses)-net	(15,379)	46,512	(9,774)	49,012
Share of profit of associates	1,675	1,037	2,921	2,964
	(3,621)	56,791	20,295	76,096
Profit before income tax	360,644	429,642	469,386	510,759
Income tax expense	92,200	102,373	123,687	134,640
Profit for the year	268,444	327,269	345,699	376,119
Profit attributable to:				
Owners of the Parent	269,616	327,029	154,387	148,500
Non-controlling interests	(1,172)	240	191,312	227,620
Other comprehensive income				
Actuarial loss on post employment benefit obligations	(9,731)	(8,648)	(12,594)	(10,671)
Change in value of available-for-sale financial assets	(1,892)	(376)	785	(1,535)
Share of other comprehensive income of associates	(151)	(361)	(2,447)	(2,993)
Loss on currency translation of foreign operations - net	(8,160)	(739)	(8,750)	(706)
Total comprehensive income for the year	248,509	317,143	322,694	360,215
Attributable to:				
Equity holders of the Parent Company	250,341	316,996	144,705	139,767
Non-controlling interests	(1,832)	148	177,989	220,448
Total comprehensive income for the year	248,509	317,143	322,694	360,215
Earnings per share				
Basic earnings per share for profit attributable to the ordinary equity holders	39,080	47,403	19,088	18,366
Basic earnings per share for profit attributable to the preferred equity holders	39,130	47,454	19,138	18,416
Diluted earnings per share for profit attributable to the ordinary equity holders			18,549	17,841
Diluted earnings per share for profit attributable to the preferred equity holders			18,599	17,891

Consolidated subsidiaries of AMOREPACIFIC Corp. and AMOREPACIFIC GROUP, Inc.



INDEPENDENT ASSURANCE REPORT

To the AP Management

At AP (AMORE PACIFIC)'s request, we have reviewed the information presented in the 2012 sustainability report (the "Report"). The management of AP is responsible for preparing the Report. Our responsibility is to carry out a limited assurance engagement on the Report and to provide an opinion on it based on our review.

Procedures performed We conducted our engagement in accordance with ISAE3000¹ and the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)²

We performed the following procedures to form our conclusion on the Report:

- Evaluated AP's processes for stakeholder engagement.
- Reviewed AP's processes for determining material issues of stakeholder groups.
- Searched the media coverage of AP's sustainability issues during the applicable reporting period.
- Reviewed recent sustainability reports of the AP's global competitors
- Interviewed a selection of AP senior managers to understand the current status of sustainability performance and the reporting process during the reporting period.
- Reviewed selected data regarding AP's sustainability performance, supporting evidence for assertions, and information from corporate-wide systems.
- Reviewed AP's process for collecting and consolidating sustainability performance data.
- Visited AP's operation sites in Osan (Korea) and Shanghai (China) to review their environmental data.
- Reviewed whether financial performance data has been extracted properly from the AP's 2012 audited financial statements.

Level of Assurance We undertook a limited assurance engagement in accordance with ISAE3000. A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations of our review We did not review environmental and social performance data prior to 2011 for our limited assurance engagement. We reviewed financial performance data based on AP's 2012 audited financial statements.

Conclusion The result of our review is outlined as below.

Inclusivity *Has AP been engaging with stakeholders across the business to develop its approach to sustainability?*

- We are not aware of any key stakeholder groups that have been excluded from the stakeholder engagement process outlined in the Report.
- We are not aware of any matters that would lead us to conclude that AP has not applied the inclusivity principle in developing its approach to sustainability.

Materiality *Has AP provided a balanced representation of material issues concerning AP's sustainability performance?*

- We are not aware of any material aspects concerning AP's sustainability performance which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that AP management has not applied its processes for determining material issues to be included in the Report.

Responsiveness *Has AP responded to stakeholder concerns?*

- We are not aware of any matters that would lead us to conclude that AP has not applied the responsiveness principle in considering the matters to be reported.

Completeness and Accuracy of Performance Information *How complete and accurate is the economic, customer, environment, employee, business partner and local community activity in the Report?*

- Except selected performance data from the overseas operations, we are not aware of any material reporting units that have been excluded from the economic, customer, environment, employee, business partner and local community activity data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from AP's reporting process.

How plausible are the statements and claims within the Report?

- We are not aware of any misstatements of information or explanation used to support statements and claims on AP's sustainability activities presented in the Report.

Observations and areas for improvement Without prejudice against our conclusions presented above, we believe the following matters require attention for the improved AP's sustainability report.

- One of the recent important sustainability reporting trends is the disclosure of consolidated non-financial performance as is the case with financial performance disclosure. Therefore, it is necessary to actively expand the scope of report to overseas operations as well as subsidiaries.
- Considering the credibility of sustainable management, it is necessary to expand disclosure of performance indicators and qualitative targets that are linked to AP's sustainability management strategies.
- In the case of certain sustainability performance data, a system to generate, aggregate and report the data must be improved.

Independence We comply with the Ethical Standard issued by the Korean Institute of Certified Public Accountants (KICPA).

Our Assurance Team The assurance engagement was performed by the engagement team with a long history of experience and expertise in sustainability area.

¹ International Standard on Assurance Published by International Federation of the Accountants Engagement: Assurance Engagements other than Audits or Reviews of Historical Financial Information

² Second AA1000 Assurance standards published by the AA1000AS (2008)- Institute of Social and Ethical Accountability

GRI INDEX

● Fully Reported ● Partly Reported N/A No Material

G3.1	Indicators	Reporting Status	Page	UNGC	ISO 26000
Official Notice on Profiles					
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the reporting organization and strategy	4, 5		6.2
	1.2	Description of key impacts, risks and opportunities	4, 5, 64, 69		6.2
Organizational Profile	2.1	Name of the organization	54, 55		
	2.2	Primary brands, products and/or services	50-53		
	2.3	Operational structure of the organization, including main divisions, subsidiaries and joint	54, 55, 61		6.2
	2.4	Location of head office/headquarter	54, 55		
	2.5	Number of countries where overseas production sites are located and names of countries either major operations or that are specifically relevant to the sustainability issues covered	54, 55		
	2.6	Nature of ownership structure and legal form	60		
	2.7	Characteristics of markets served	58, 59		
	2.8	Scale of the reporting organization	54, 55, 57		
	2.9	Significant changes during the reporting period regarding size, structure or ownership	60		
	2.10	Awards received during the reporting period	65		
Reporting Parameters	3.1	Reporting period for information provided	Cover		
	3.2	Date of the most recent report	Cover		
	3.3	Reporting cycle	Cover		
	3.4	Contact point for questions regarding the Report or its contents	118		
	3.5	Process for defining report contents	67, 69		
	3.6	Boundaries of the Report	Cover		
	3.7	Matters on any specific limitations on the scope or boundary of the Report	Cover		
	3.8	Basis for reporting on the entities that can significantly affect comparability from period to period and/or between organizations	Cover		
	3.9	Data measurement techniques and the bases of calculations, including assumptions and	57, 81, 83, 87		
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	59, 81, 87		
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	None		
	3.12	GRI Index	114-116		
	3.13	Independent Assurance Report	112, 113		7.5.3
Governance, Commitments and Engagement	4.1	Governance structure of the organization	60, 61		
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	60		
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	60		
	4.4	Mechanisms enabling shareholders and employees to provide recommendations or directions to the highest governance body	60		
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including composition by division), and the organization's performance (including social and environmental performance)	61	1-10	
	4.6	Processes in place for highest governance body to ensure conflicts of interest are avoided	60		
	4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees	60		
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their	56, 64, 88, 95, 98		6.2
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance	61		
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	61		
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	62, 1)	7	
	4.12	Externally developed economic/environmental/social charters, principles, or other initiatives to which the organization subscribes or endorses	5	1-10	
	4.13	Membership in associations (such as industry associations) and/or national/international advocacy organizations	67	1-10	
	4.14	List of stakeholder groups engaged by the organization	67		
	4.15	Basis for identification and selection of stakeholders	69		
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	67, 68		
	4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns	67		
Economic					
Economic Performance	EC1	Direct economic value generated and distributed	●	57-59	6.8, 6.8.3, 6.8.7, 6.8.9
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	24, 25, 82, 83	7, 6.5.5
	EC3	Coverage of the organization's defined benefit plan obligations	●	57	
Market Presence	EC4	Result of government subsidies provided	●	57	
	EC5	Ratio of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	2)	1, 6.4.4, 6.8
	EC6	Ratio of local purchasing policies, practices and percentages at significant locations of operation	●	14, 15, 73	6.6.6, 6.8, 6.8.5, 6.8.7
	EC7	Ratio of local hiring and proportion of senior management from the local community at significant locations of operation	●	54, 55, 88	6, 6.8, 6.8.5, 6.8.7

● Fully Reported ● Partly Reported N/A No Material

G3.1	Indicators	Reporting Status	Page	UNGC	ISO 26000
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	●	57, 105	6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9
	EC9	Understanding and describing indirect economic impacts	●	95, 96	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9
Environmental					
Raw Material	EN1	Materials used by weight or volume	●	13, 71	8
	EN2	Percentage of materials used that are recycled input materials	●	13, 71	8, 9
Energy	EN3	Direct energy consumption by primary energy source	●	87	8
	EN4	Indirect energy consumption by primary energy source	●	87	8
	EN5	Energy saved due to conservation and efficiency improvements	●	24, 25, 83, 87	8, 9
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services	●	13, 24, 25	8, 9
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	82, 83, 101	8, 9
	EN8	Total water withdrawal by source	●	87	8
Water	EN9	Water sources significantly affected by withdrawal of water	N/A		8
	EN10	Total and ratio of reused and recycled water	●	87	8
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●	31, 107	8
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	●	31	8
	EN13	Habitats protected or restored	●	107	8
	EN14	Strategies, current actions, and future plans for managing biodiversity	●	31	8
	EN15	Number of national conversational list species with habitats in areas affected by operations, by level of extinction risk	N/A		8
	EN16	Total direct and indirect greenhouse gas emissions by weight	●	24, 25, 83	8
Emissions, Effluents and Wastes	EN17	Other relevant indirect greenhouse gas emissions by weight	●	82, 83, 85	8
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	24, 25, 82, 83, 85	7-9
	EN20	NOx, Sox, and other significant air emissions by type and weight	●	87	8
	EN21	Total water discharged by quality and destination	●	87	8
	EN22	Total weight of waste by type and treatment method	●	87	8
	EN23	Total number and volume of significant spills	None		8
	EN24	Weight of transported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	N/A		8
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N/A		8, 6.5, 6.5.3, 6.5.4, 6.5.6
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	13, 71, 101, 106	7-9, 6.5, 6.5.4, 6.6.6, 6.7.5
	EN27	Ratio of recycling of sold products and relevant packaging materials	●	13	8, 9, 6.5, 6.5.3, 6.5.4, 6.7.5
Compliance	EN28	Monetary value of fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	●	7)	8, 6.5
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workplace	●	82	8, 6.5, 6.5.4, 6.6.6
Overall	EN30	Total environmental protection expenditures and investments by type	●	3)	7-9, 6.5
Labor Practices and Decent Work					
Employment	LA1	Total workforce by employment type, employment contract, and region	●	88, 97	6.4, 6.4.3
	LA2	Total number and rate of new employee hiring and employee turnover by age group, gender, and region	●	97, 4)	6, 6.4, 6.4.3
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	●	41, 93	6.4, 6.4.3, 6.4.4
	LA15	Return to work and retention rate after childcare leave, by gender	●	97	
	LA4	Percentage of employees covered by collective bargaining agreements	●	93	1, 3, 6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10
Labor/Management Relations	LA5	Minimum notice period regarding important operational changes	●	6)	3, 6.4, 6.4.3, 6.4.4, 6.4.5
	LA6	Percentage of total workforce represented in the formal joint labor-management health and safety committee	●	93	1, 6.4, 6.4.6
Occupational Health and Safety	LA7	Number of injuries, occupational diseases, lost days, and absenteeism, and work-related fatalities	●	97	1
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, and community members regarding serious diseases	●	93	1, 6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8
	LA9	Health and safety topics covered in formal agreements with trade unions	●	92, 93	1, 6.4, 6.4.6
Training and Education	LA10	Annual average hours of training per person by employee category	●	97	6.4, 6.4.7
	LA11	Job training and lifelong learning programs for continuous employment and assisting retired employees	●	90, 91	6.4, 6.4.7, 6.8.5
	LA12	Percentage of employees receiving regular performance and career development reviews by gender	●	89	6.4, 6.4.7

PARTICIPANT INFORMATION

● Fully Reported ● Partly Reported N/A No Material

	G3.1	Indicators	Reporting Status	Page	UNGC	ISO 26000
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees by gender, age group and minority group	●	60, 88	1, 6	6.3.7, 6.3.10, 6.4, 6.4.3
	LA14	Ratio of basic salary of men to women by employee category	●	88	1, 6	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4
Human Rights						
Investment and Procurement Practices	HR1	Total number and percentage of major investment agreements that passed human rights evaluation, including provisions of human rights protection	●	73	1~6	6.3, 6.3.3, 6.3.5, 6.3.6
	HR2	Percentage of human rights evaluation conducted on major suppliers and subcontractors	●	95	1~6	6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights	●	63, 92	1~6	6.3, 6.3.5
Non-Discrimination	HR4	Total number of discrimination cases and measures taken	●	88	1, 2, 6	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	92, 93	1~3	6.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	●	92	1, 2, 5	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	●	92	1, 2, 4	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10
Indigenous Rights	HR9	Total number of incidents of violations involving the rights of indigenous people and actions taken	None		1, 2	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	●	63		
Remediation	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	●	63, 94		
Society						
Local Community	SO1	Effectiveness of any programs and practices that assess and manage the impacts of operations on communities	●	98~104		6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption	●	63	10	6.6, 6.6.3
	SO3	Percentage of employees trained in anti-corruption policies and procedures	●	63	10	
	SO4	Measures taken in corruption cases	●	63	10	
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	●	33, 85	1~10	6.6, 6.6.4, 6.8.3
	SO6	Total amount of cash or in-kind donations made to political parties or politicians	N/A		10	
Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	None			6.6, 6.6.5, 6.6.7
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	●	7)		6.6, 6.6.3, 6.6.7, 6.8.7
Local Community	SO9	Operations with significant potential or actual negative impacts on local communities	None			
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	98, 101		
Product Responsibility						
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	●	8)	1	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	None		1	
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	●	70, 71	8	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	●	9)	8	
	PR5	Activities on customer satisfaction, including results of customer satisfaction survey evaluation	●	78, 79		6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary rules related to marketing communications, including advertising, promotion, and sponsorship	●	1)		6.7, 6.7.3, 6.7.6, 6.7.9
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	●	1)		
Customer Privacy	PR8	Total number of complaints regarding breach of customer privacy and losses of customer data	●	62, 80	1	6.7, 6.7.7
Compliance with Laws and Regulations	PR9	Monetary value of fines levied for violating laws and regulations on providing products and services	●	9)		6.7, 6.7.6

1) Information on AMOREPACIFIC's voluntary compliance with fair trade rules is available at http://www.amorepacific.com/sustain/justice_summary.jsp.
 2) Minimum wage laws are strictly followed.
 3) Environmental conservation costs amount to KRW 2,895 million in 2012.
 4) Reported the number of years in service instead of the turnover rate, as it better reflects the employment status of the company.
 5) Information on AMOREPACIFIC's benefits program is available at <http://recruit.amorepacific.co.kr/personnel/pay.jsp>.
 6) Articles 13 and 19 of the Collective Agreement stipulate the minimum notice period.
 7) There were no violations of laws and regulations during the reporting period other than what is indicated in PR9.
 8) Information on AMOREPACIFIC's product safety process is available at http://www.amorepacific.com/sustain/safety_item_02.jsp.
 9) One case of administrative measures due to violating the advertising provision of the Cosmetics Law (no fines or penalties paid)

Division	Team	Team head	Employee in charge
Supervision	Sustainability Management Team	Jung-hwa Oh	Dong-hoon Lee, Myung-hwa Lee, Jung-hee Kim, Mi-Rae Cho
	Company Introduction	Corporate Future Strategy Team	Chang-kyoo Lee
Customer	Group Strategy Team	Byung-gon Lee	Brian Lee
	Management Planning Team	Dae-ho Kim	Seung-kyu Ahn
	Accounting Team	Sung-sik Yun	Young-seok Jeong, Hong-kyun Lee
	Finance Strategy Team	Yun-Sang Lee	Eun-young Seo
	Corporate Support Team	Han-Hyeuk Yim	Seung-il Oh
	Corporate Culture Team	Jae-yeon Lim	Jong-hoon Park
	Green Beauty Lab Team	Seok-yun Baek	Se-jin Yoo
	Raw Material Purchasing Team	Wook-hyun Lee	Sung-woo Kim, In-hye Lee
	R&D Strategy Team	Jin-han Kim	Jong-hee Park
	Customer Service Team	Im-hak Choi	Kyung-mo Rho
Environment	Environmental Management Team	Yoo-tae Kim	Eui-taek Kim, Ji-yoon Yeo
	Customer Technology Team	Ji-hyun Bae	Grace Hahm
	NGI 9 Team	Hyo-jung Kim	Eun-shil Seo
Employee/Business Partner	Future Organization Team	Jee-ho Shin	Sean Hyungsub Shim, Chang-Hyun Ryu
	HR Team	Jong-sik Kim	Don-soon Lee
	Corporate Culture Team	Jae-yeon Lim	Hwa-young Chung
	Leadership Development Team	Hyun-soo Lee	Jung-eun Yoon
	Performance Development Team	Jae-uk Jang	Min-ji Kim
Social Contribution	Beauty Solution Team	Hye-jin Paik	Jung-hee Kim
	Corporate Support Team	Han Hyeuk Yim	Dong Eun Lee, Hae-In Im
	Labor Relations Team	Seung-kyung Yang	Chang-hwan Son
	SCM Cooperation Team	Hyun-taek Oh	Jong-hyuk Choi
	Social Contribution Team	Chan-ho Shin	Seung-sung Kang, Tae-woo Kim, Hyun-mi Yang
	AMOREPACIFIC Art Museum	Seung-Chang Jeon	Chang-yong Park
	innisfree	Marketing MI Team	Yoon-hye Kim
Design	Design 2 Team	Hye-jun Park	Yong-won Kim

FOR INQUIRIES

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* This report is our fifth Communication on Progress (COP) issued after joining the UN Global Compact.