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# 2013 AMOREPACIFIC SUSTAINABILITY REPORT

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## 2013 HIGHLIGHTS

- | Cushion compact, becoming one of consumer favorites
- | The global champion brands, expanding into new markets
- | Opening of 'Story Garden', the experience center for the beauty stories
- | Banning of animal testing and research on alternative testing methods
- | Reinforcement of the win-win relationships with business partners
- | An evolved environmental campaign, GREENCYCLE

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AMOREPACIFIC

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Creating a  
Beautiful  
Life



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2013  
AMOREPACIFIC  
SUSTAINABILITY  
REPORT

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AMOREPACIFIC

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# BRAND PORTFOLIOS

**Sulwhasoo**

Holistic Beauty from Asian Wisdom

**LANEIGE**

A trendy brand offering a total solution for brilliant beauty

*Mamonde*

Nurturing Women's Beauty into Full Bloom

*innisfree*

Natural Benefit from JEJU

**ETUDE**

Wanna be Sweet? Play ETUDE



**Sulwhasoo**

Holistic Beauty from Asian Wisdom

Sulwhasoo is a brand inspired by Asian philosophy, which values harmony and balance. It revives legendary Asian medicinal herbs with the advanced modern science to offer ultimate skin solution and deliver holistic beauty where body and mind are in optimum balance. [www.sulwhasoo.co.kr](http://www.sulwhasoo.co.kr)



A trendy brand offering a total solution for brilliant beauty

Based on the fundamental principle that water, the source of life, is the key to maintaining youthful and radiant skin, Laneige is continually setting new beauty trends and delivering high-quality benefits through insightful ideas. The premium beauty brand for young women is dedicated to beautifying and instilling confidence in its devoted customers. [www.laneige.co.kr](http://www.laneige.co.kr)

**LANEIGE**



Nurturing Women's Beauty into Full Bloom

By incorporating its brand philosophy, emphasizing the power of nature, and the accumulated know-how of AMOREPACIFIC, Mamonde brings forth innovative beauty products through research on vitality of flowers to help each of its customers to become a starlet in her own world (ma monde: my world). [www.mamonde.co.kr](http://www.mamonde.co.kr)

*Mamonde*



Natural  
Benefit  
from JEJU

innisfree delivers healthy beauty based on the wisdom of pure Jeju Island, and offers quality products to customers. As the first natural cosmetic brand in Korea, innisfree is striving to become the No. 1 natural beauty brand in Asia by engaging in sincere green life. [www.innisfree.co.kr](http://www.innisfree.co.kr)


*innisfree*



Wanna be  
Sweet?  
Play ETUDE

ETUDE is born as the first color make-up brand in Korea. We realize your princess dream for a magical experience. Spreading its charming 'fun and easy Make-up Play Culture', ETUDE has been loved all over Asia more than in 13 countries. [www.etude.co.kr](http://www.etude.co.kr)

**ETUDE**



**AMOREPACIFIC**


High Performance Anti-aging Skin Care Powered by Asian Botanicals

The flagship brand of AMOREPACIFIC Corp. representing the company's 68 years of history and philosophy in beauty, AMOREPACIFIC specializes in anti-aging skin care products which provide fast action through carefully-selected Asian botanicals and advanced delivery technology. [www.amorepacific-cosmetics.com](http://www.amorepacific-cosmetics.com)

**HERA**

Exceptional Beauty for More Exceptional Moments

Hera is a brand for confident and driven women who actively seek challenges and changes and aren't afraid to express themselves and show their alluring beauty. As a beauty trendsetter in Asia, Hera is spreading beauty and aesthetic value around the world. [www.hera.co.kr](http://www.hera.co.kr)




**primera**



Revitalizing the skin with skin care products, made with ingredients from germinated seeds

primera which stands for 'prime' and 'era,' provides skin care products that nourish the skin with ingredients from germinated seeds. It also offers new possibilities and opportunities to our communities and the environment. [www.primera.co.kr](http://www.primera.co.kr)

**LIRIKOS**

Marine Energy Inspiration

Skin reborn through the energy of the ocean, The origin of life. LIRIKOS is a prestige marine brand originating from the ocean. It uses the pure marine resources with natural healing and invigorating power. It also provides skin rebirth care through marine energy, a substance obtained from life in the ocean. [www.lirikos.co.kr](http://www.lirikos.co.kr)

**IOPE**



The Most Advanced Bio Science Cosmetics Brand that Provides Optimal Skin Care Solutions

With highly effective ingredients and products that are developed using cutting-edge bio technology, IOPE provides optimal solutions for every skin concern and helps you obtain naturally beautiful skin. [www.iope.co.kr](http://www.iope.co.kr)

**HANYUL** 韓域

Natural cosmetic brand integrating traditional practices and natural ingredients

Hanyul is rooted in traditional skin care practices. It reexamines traditional remedies and uses pure and effective active ingredients from nature to present balance in beauty care. [www.hanyul.co.kr](http://www.hanyul.co.kr)

**VERITE**


My Personal Beauty Shopper

Verite presents trendy products that are both safe and effective to help customers get rid of their skin problems. You can rest assured that Verite is tested and true. [www.verite.co.kr](http://www.verite.co.kr)

**ANNICK GOUTAL** PARIS

French High Perfumery House Inspired by Emotion

The High Perfumery House Annick Goutal is defined by Excellence for its perfumes, its olfactory creativity and French Art de Vivre. The secret of our perfumers(Annick Goutal and now Camille Goutal and Isabelle Doyen) lies in their ability to transform their emotions into perfumes. [www.annickgoutal.com](http://www.annickgoutal.com)






**Lolita Lempicka**

A fascinating designer perfume that captures the hearts of men and women alike


Inhabiting a world that lies between dreams and reality, innocence and sensuality, Lolita Lempicka Perfumes takes nature as its inspiration and women as its muse. [www.lolitalempicka.co.kr](http://www.lolitalempicka.co.kr)



**illi**

An Essential Brand for Enhancing a Beautiful Figure

illi is a premium Korean herbal body care brand offering moisturizing and firming products. Anti-aging solution for the body is provided by integrating AMOREPACIFIC's skin care know-how accumulated through years of scientific research, past secrets to maintain the perfect body, and natural ingredients derived from plants. [www.illi.co.kr](http://www.illi.co.kr)



**HAPPY BATH**

Natural Body Care Brand Pleasing the Senses

Happy Bath is a natural body care brand offering products that please the senses of the body. Its product line includes body washes, moisturizers, cleansers and sun care products that the entire family can use. [www.happybath.co.kr](http://www.happybath.co.kr)



**송염**

Oral Care Solution from Nature


Songyem is an oral care brand based on ancient medical practices and know-hows passed through Donguibogam, mainly using natural ingredients. [www.songyum.co.kr](http://www.songyum.co.kr)



**메디안 MEDIAN**

Dental Cosmetics Brand for a Beautiful Smile


Median is a dental cosmetics brand that offers products based on medical science and considers the lifestyles of consumers. [www.median433.co.kr](http://www.median433.co.kr)



**mise-en-scène 미장센**

A Hair Care and Styling Brand Leading Hair Trends


mise-en-scène, derived from the a French film term, reflects our brand philosophy, which is to set the stage for creating trendy modern hairstyles by producing innovative hair solutions, just as a quality film requires the producer's meticulous effort in every scene. [www.mjsen.co.kr](http://www.mjsen.co.kr)



**리오**

Global premium hair brand which completes the beauty through balance and harmony

Ryo is a premium brand incorporating carefully selected ingredients originating from Korea and herbal care principles of Korean medicine for more natural and balanced care of the hair and scalp. [www.ryoe.co.kr](http://www.ryoe.co.kr)



**VB PROGRAM**

Inner Beauty that Completes Health and Beauty

The VB Program reflects AMOREPACIFIC's philosophy that true beauty is cultivated and nurtured within. Comprised of functional oral products that have been developed through scientific research, the VB Program suited to every lifestyle helps create a more beautiful and healthier body. [www.vbprogram.co.kr](http://www.vbprogram.co.kr)



**OSULLOC**  
JEJU TEA GARDEN SINCE 1979

Representative Korean Tea Culture Made by Jeju's Pristine Nature

OSULLOC is Korea's representative tea culture brand operated by AMOREPACIFIC. It offers various tea products made with tea cultivated at OSULLOC organic tea garden in Jeju, a pristine island, and also provides a beautiful, healthy relaxation place for customers by operating the OSULLOC Tea House. [www.osulloc.com](http://www.osulloc.com)





# 2013 AMOREPACIFIC Sustainability Report

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## Taking Sustainable Actions

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## Building Sustainable Growth

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AMOREPACIFIC, which embarked on a beautiful journey 68 years ago, is now globally recognized as an iconic 'Asian Beauty Creator.'

AMOREPACIFIC will continue its endeavors to provide a total beauty solution to people worldwide.

## CEO Message



AMOREPACIFIC, endeavoring to create a more beautiful world where there is harmonious coexistence between mankind and nature.

We at AMOREPACIFIC, an iconic health and beauty care brand in Asia, have been following our calling to rediscover the invaluable wisdom of our predecessors in beauty and skin care to be presented to our customers worldwide through our products, incorporating deep-rooted traditions and modern technology over the past 68 years.

Even in times of an uncertainty and volatile business environments, we have continuously strived to persevere and make concerted efforts to respond quickly to the fast-paced changes in the world with our number one objective providing customer satisfaction. In addition to our business activities, we have been involved in a wide range of sustainable activities to contribute to social development and environmental protection efforts.

First, AMOREPACIFIC is implementing a customer-oriented management system, making active efforts to satisfy customer needs with groundbreaking and innovative products. Moreover, we engage in sustainable practices and implement environmentally and socially conscious strategies in various processes from product development to disposal.

Second, AMOREPACIFIC is endeavoring to communicate and mutually grow with its companions and partners including the executives and employees, clients, and suppliers. In addition, we are reinforcing our education and training programs to motivate our executives and employees to engage in personal growth and continually working to improve the working environment and innovating the work processes. Moreover, we are strengthening our win-win relationships with our clients, suppliers and beauty partners based on mutual respect and trust, while conducting corporate social responsibility programs to enrich the lives of the people in our local communities.

Third, with a desire to leave behind a cleaner environment for our future generations, AMOREPACIFIC has been initiating a wide range of company-wide efforts to minimize the environmental impact of our business activities and to reduce both our greenhouse gas emissions and water usage in response to the current environmental issues such as climate change, water shortage, and the depletion of natural resources. Also, we have emerged as a forerunner in the efforts to preserve and protect biodiversity by conducting research on the measures to restore and utilize endangered plant species.

Furthermore, in support of the UN Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption, we are committed to ensuring that these principles are fully reflected in our management activities through transparent practices.

AMOREPACIFIC has set forth a new vision to become a 'Great Global Brand Company' that brings forth world-changing beauty. Accordingly, we are endeavoring to fulfill our corporate social responsibility and improve the quality of life for all mankind. Through these efforts, we vow to realize our vision to change the world with beauty and to emerge as a 'Great Global Brand Company' that is admired and respected by consumers around the world. Thank you.

Chairman & CEO,  
AMOREPACIFIC Corporation  
Kyung-bae Suh

# Governance Structure

## BOD Operation

To ensure efficient management, the AMOREPACIFIC BOD(Board of Directors) has set up expert committees to deliberate on the key management matters, including the Executive Committee, Audit Committee, and Non-Executive Director(NED) Nominating Committee. In 2013, the Board convened 5 times, the Executive Committee 5 times, the Audit Committee 5 times and the NED Nominating Committee once. Public announcements were made through the Financial Supervisory Service and the Korea Exchange to inform the stakeholders of the important decisions made at the meetings.

## BOD Composition and Authority

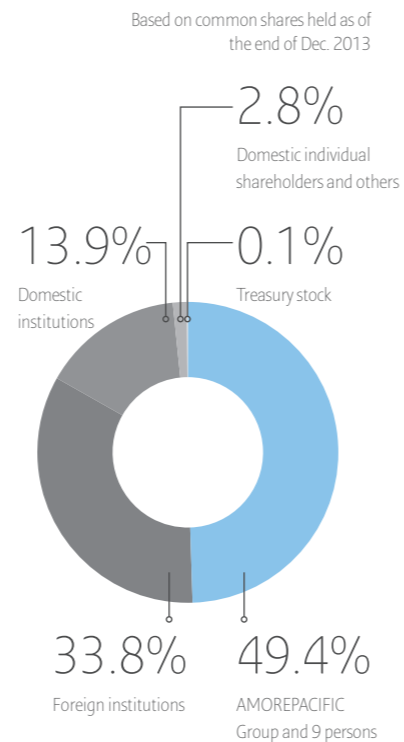
The BOD has the top decision-making authority. As of March 2014, the Board is comprised of 3 executive directors and 4 NEDs. Each director on the Board is obligated to faithfully exercise duties and fulfill the responsibilities as a good manager based on the Commercial Act of Korea and the company's Articles of Incorporation, striving to promote the interests of shareholders and other stakeholders.

Each of the executive directors is the head of the business unit and nominated by the Board. The NEDs are external experts in various fields including finance, global affairs, environment, and marketing. The Board guarantees the independence of NEDs, allowing active presentation of one's opinions on all aspects at the board meetings to be reflected in the decision-making processes.

**Board of Directors** As of the end of Mar. 2014

	Responsibility/Affiliation	Position
Executive directors	Kyung-bae Suh	Supervision of management CEO, Chairman of BOD
	Sang-bae Shim	Supervision of management Executive Committee member
	Dong-hyun Bae	Supervision of management support Executive Committee member
Nonexecutive directors	Jae-yong Song	Professor, Business Administration, Seoul National University Chairman of Audit Committee
	Eon-oh Lee	President, Busan Development Institute Audit Committee member
	Eun Namkung	Professor, Environment and Energy Engineering, Myongji University Audit Committee member
	Seong-su Kim	Professor, Business Administration, Seoul National University -

## Major Shareholders



## Top management(2014)



### From the left (bottom row)

Yang-sun Chai, Head of Marketing Strategy Unit / Jeonggy Baek, Vice-Chairman of AMOREPACIFIC GROUP / Kyung-bae Suh, Chairman-CEO / Young-chul Son, Auditor of AMOREPACIFIC GROUP / Sang-bae Shim, President

### From the left (top row)

Jae-wan Shim, Head of New Growth BU / Chan-hoe Kim, Head of Mass BU / Jae-cheon Ryu, Head of Luxury BU / Dong-hyun Bae, Head of Management Support Unit / Byeoung-do Kang, Head of SCM Unit / Min-jeon Lee, Head of Premium BU / Sang-hoon Han, Head of R&D Unit

# AMOREPACIFIC Products Adored by Consumers



10 million

The number of Aritaum Modi nail polish  
saled breaks the 10 million barrier



10 million

The number of IOPE Air Cushion sold  
surpasses the 10 million

- Selected as world-class goods by MOTIE<sup>1)</sup>
- Honored with the IR52 Jang Yeong-sil Prize
- Over 100 billion KRW in sales in 2013

1) MOTIE: Ministry of Trade, Industry & Energy



1 trillion

Sales of Sulwhasoo First Care Activating  
Serum reach over 1 trillion KRW

- Cumulative sales exceed 1 trillion KRW  
since its launch in 1997

# AMOREPACIFIC, Emerging as a Global Brand



Global Champion Brands,  
expanding into new markets

- Sulwhasoo, expands into the Malaysian, Vietnamese  
and Indonesian markets
- LANEIGE, expands into the Indonesian market
- ETUDE, expands into the Chinese market
- innisfree, expands into the Hong Kong, Singaporean  
and Indian markets

### Domestic Business Performance

In 2013, AMOREPACIFIC achieved steady growth despite the sluggish domestic cosmetics market resulting from economic recession and reduced consumer spending. The sales of high-end cosmetic products in department stores declined, while rapid increasing in sales of mid and low-end cosmetic brands with consumers demanding for more affordable products. The advancement in digital devices also resulted in the growth of sales through online and mobile distribution channels and home shopping networks. AMOREPACIFIC strengthened its sales capacity through product and customer service innovation and responded to market changes by ensuring balance among the various brands and diversifying its distribution portfolio. As a result, AMOREPACIFIC recorded 2.56 trillion KRW in sales, a 6% year-over-year growth, and 375.6 billion KRW in operating profit, a 0.2% year-over-year growth.

#### Cosmetics Business

The door-to-door sales achieved stable growth through innovation in sales approach and systems, despite the sluggish market condition. We have ensured distribution visibility and solidity of inventories in counter customer's perspective, launched exclusive products for door sales channel to cope with diversified customer's needs and declining consumptions in the channel, and reinforced product lines in makeup and health functional foods. In addition, a bilateral communication channel was set in place for our beauty partners including the storeowners and counselors as part of our effort to ensure fairness and transparency in transactions and restore confidence in our company.

Aritaum continuously made steady sales growth by successful launching the new products of major brands including IOPE and LANEIGE, and the huge hit sales of 'Modi Nail', an affordable yet trendy product line.

ARITAUM continued its successful growth by transforming its space offering differentiated shopping experiences through upgraded services and innovative products.

As for the digital sales channels, both the home shopping and online sales channels showed a significant growth in sales. Active measures were taken to respond to the

increased demand for digital sales channels through VERITE, a brand exclusively sold through home shopping networks, and IOPE Air Cushion also recorded high sales. Despite the low growth rates in luxury market, Sulwhasoo and HERA performed higher growth rates than market through online channels. Sales at duty free shops also grew as a result of the increased number of travelers. The sales at the domestic duty free stores grew substantially due to the growth in the number of Chinese tourists visiting Korea, while additional growth engines were secured by expanding our coverage to duty free shops all over Asia.

We maintained our leadership position in sales among department store brands by displaying steady growth. In particular, HERA gained a strong foothold at department stores with a huge growth in sales recorded through its makeup line and the UV Mist Cushion. In addition, primera successfully established itself as an organic, naturalism-oriented brand offering affordable products and attracted customers who were shifting their attention from high-end brands to low- to medium-end brands within the department stores.

In contrast, there were challenges faced by the retail stores inside marts due to the enforcement of the regulation that restricts the number of business operation days and the saturation of the market. However, the sales were boosted by the strong performance of hit products of IOPE and the growing number of new customers.

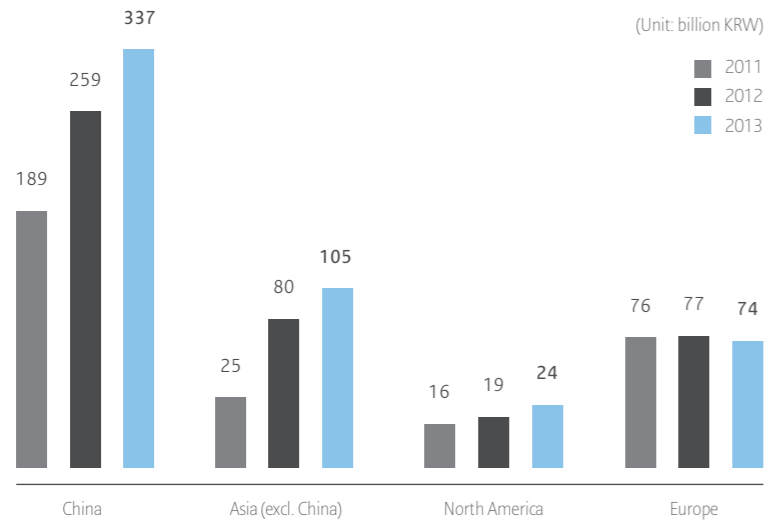
#### Mass Cosmetics Products and Green Tea Business

With respect to personal care products, the high-functionality hair cosmetic products grew in sales by 8% compared to the previous year. For hair care products, mise-en-Scène's hair dye and nourishing products exhibited high growth, while illi saw an increased market share with its premium anti-aging body care product line.

In regard to our green tea business, OSULLOC and premium products sold mainly at department stores showed steady growth, with a 7% year-over-year growth. With an aim to boost sales and profits we are striving to attract new and young customers by setting up new locations of OSULLOC cafes and online-offline programs.

Global Business Performance

Sales by overseas region



\* Based on the consolidated financial statements of overseas subsidiaries.  
 \*\* The individual financial statements in the last year's report were excluded.

Asian Market

AMOREPACIFIC achieved high sales growth in major growing markets including China and the Asean region by expanding its brand and distribution portfolio. In China, the main focus has been to promote the market share of global champion brands: Sulwhasoo, LANEIGE, Mamonde, innisfree and ETUDE. LANEIGE has established itself as a premium cosmetic brand for young women and recorded over 40% in sales growth with the successful launch of new products, and through the diversification of the distribution channels to include online shops and home shopping networks. Sulwhasoo also saw an increase in sales at its major stores as the brand successfully secured its image as a luxury cosmetic brand, epitomizing the essence of



Asian beauty. On the other hand, innisfree, a naturalism-oriented brand, attained a greater market share through the expansion of existing retail stores and opening of new stores. Mamonde enhanced its visibility by improving its distribution channels and created a foundation for qualitative growth. In the second half of the year, ETUDE was launched in China, which created a momentum for further growth in the makeup market. Based on these achievements, the sales in China grew by 30% compared to last year, reaching 336.5 billion KRW.

We are also aggressively expanding into the emerging Asean markets by strategically launching our brands and expanding our store networks. In Singapore, Sulwhasoo and LANEIGE in addition to the newly launched innisfree, are widely-available and the brand portfolio is continuously being diversified. In Thailand, Malaysia and Indonesia, Sulwhasoo was newly launched and more LANEIGE stores were set up as a means to accelerate our market expansion.

Advanced countries

The business aims in France, the U.S. and Japan are to achieve consistent sales growth, focusing on market recognitions of the brand name. In France, we have attained sound sales growth with the launch of Lolita Lempicka despite the sluggish perfume market. In the U.S., a significant sales growth resulted from launching of new AMOREPACIFIC products, expanding to online distribution channels, and hit sales of IOPE in the AMORE shops. In Japan, qualitative growth was achieved by the major brands, IOPE and Ryo through home shopping networks and drug stores.

# Experiencing the Beautiful Journey of AMOREPACIFIC



Opening of 'Story Garden,'  
the Experience Center for  
the Beauty Stories

AMOREPACIFIC opened an exhibition hall called Story Garden on September 5, 2013 in commemoration of the 68th anniversary of its foundation. Story Garden, situated in AMOREPACIFIC's cosmetics production site in Osan, Gyeonggi-do Province, presents the beautiful journey and ambition of the group. With the motif of the camellia, which was one of the fundamental ingredients used by the company some 80 years ago, the exhibition hall presents the past, present and future of the company through storytelling. The tour starts off at the botanical garden

containing a variety of plants, from which the raw ingredients are derived, and this reflects the corporate philosophy, emphasizing the importance of harmony with the environment. This is followed by a visit to the experiential exhibition hall, which is divided into three themes: past, present and future. Each of the areas focusing on 'storytelling,' 'spatial design' and 'experience' demonstrates the stories related to the foundation and growth of AMOREPACIFIC as well as its future vision using audiovisual media and exhibition items.



## Presenting Memorable Experiences through Diversified Spaces



Opening of Mamonde's Flagship Store in Myeong-dong

Mamonde opened its first-ever flagship store in Myeong-dong, Seoul, in July 2013 to offer its exclusive products developed with the know-how and technologies gained over the past 22 years and to present its unique brand identity. The Mamonde flagship store is comprised of two floors: the first floor can be described as a functional space where customers can test out and purchase a variety of products, while the second floor is dedicated to providing customer services. The store is not just your average store as it was designed to exist cohesively with the famous shopping district, while taking into account what the customers would see, feel and experience from the moment they spot the store to the moment they decide to walk into the store to try out and purchase the products.

## A Natural Cosmetic Brand within Traditional Beauty Care

HANYUL Reframe

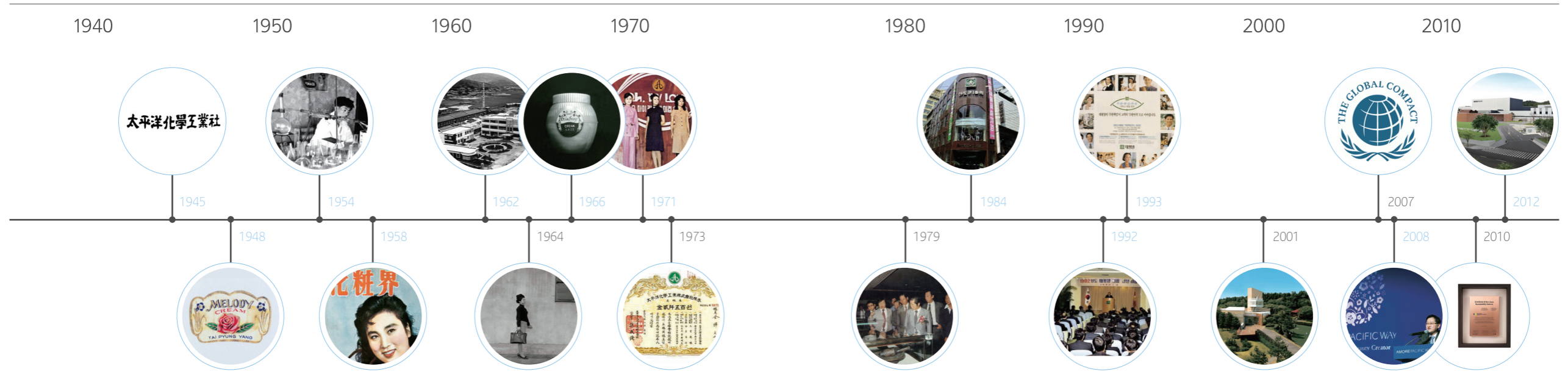
HANYUL was renewed into a naturalism-oriented brand incorporating the traditional beauty care methods of Korea in March 2014.

For the brand reframe, the plant species native to Korea offering diverse benefits and traditional beauty care methods demonstrating the wisdom of our mothers were combined with modern technology. The skin care technologies gained by AMOREPACIFIC over the years were used to present women with a chance to restore the much-needed balance in their skin. Natural cosmetic

ingredients were derived from the plant species found in Korea such as rice, seoritae, baekhwagoh, white chrysanthemum and pure artemisia and the plants used in the extraction process were carefully selected from the best production regions. With these indigenous ingredients, traditional processing techniques were used to extract the beneficial substances for the skin. Through these processes, HANYUL was reborn as a naturalist cosmetic brand that integrates the incredible power of nature and the wisdom of our ancestors.



# History



1932 Launch of a cosmetic business in Gaeseong by Dok-jeong Yoon (mother of Sung-whan Suh)  
 Production of camellia oil  
**SEP 1945** **Foundation of Pacific Chemical**  
 1948 Release of MELODY cream  
 1951 Release of ABC pomade Korea's first plant-based one  
**AUG 1954** **Establishment of the industry's first research lab**  
 AUG 1956 Relocation of the headquarters (Hangang-ro, Yongsan-gu, Seoul)  
**AUG 1958** **Publication of Korea's first monthly beauty magazine, 'Hwajanggye'**

MAR 1959 Incorporation as Pacific Chemical Co., Ltd.  
 SEP 1959 Signing of the industry's first technology licensing agreement with Coty France (release of Coty powder)  
**NOV 1962** **Completion of the factory construction in Yeongdeungpo (Korea's largest automated cosmetics manufacturing facility)**  
 AUG 1964 Korea's first to export cosmetic products ('Oscar' Cosmetics)  
 SEP 1964 Launch of Amore and introduction of the door-to-door sales system  
 1966 **Launch of the world's first herbal**

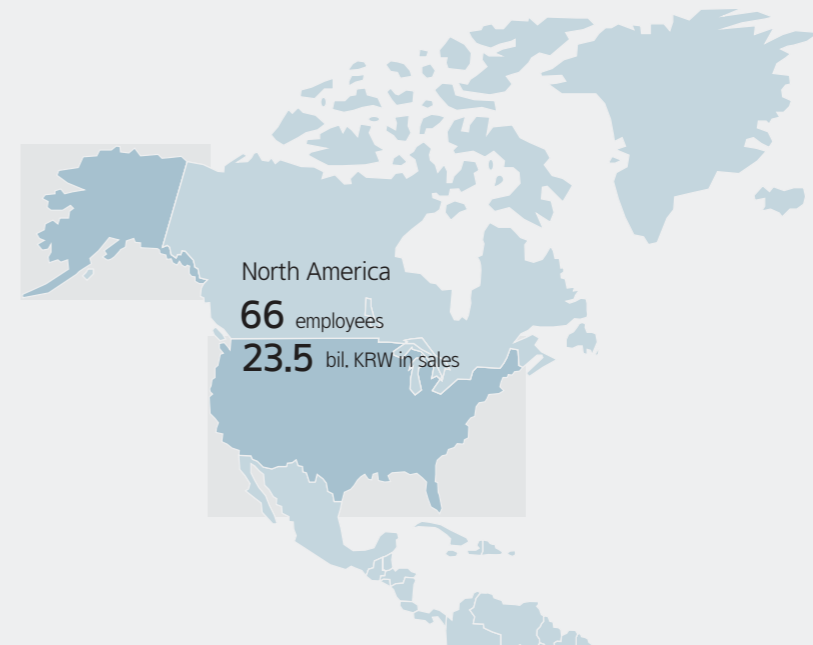
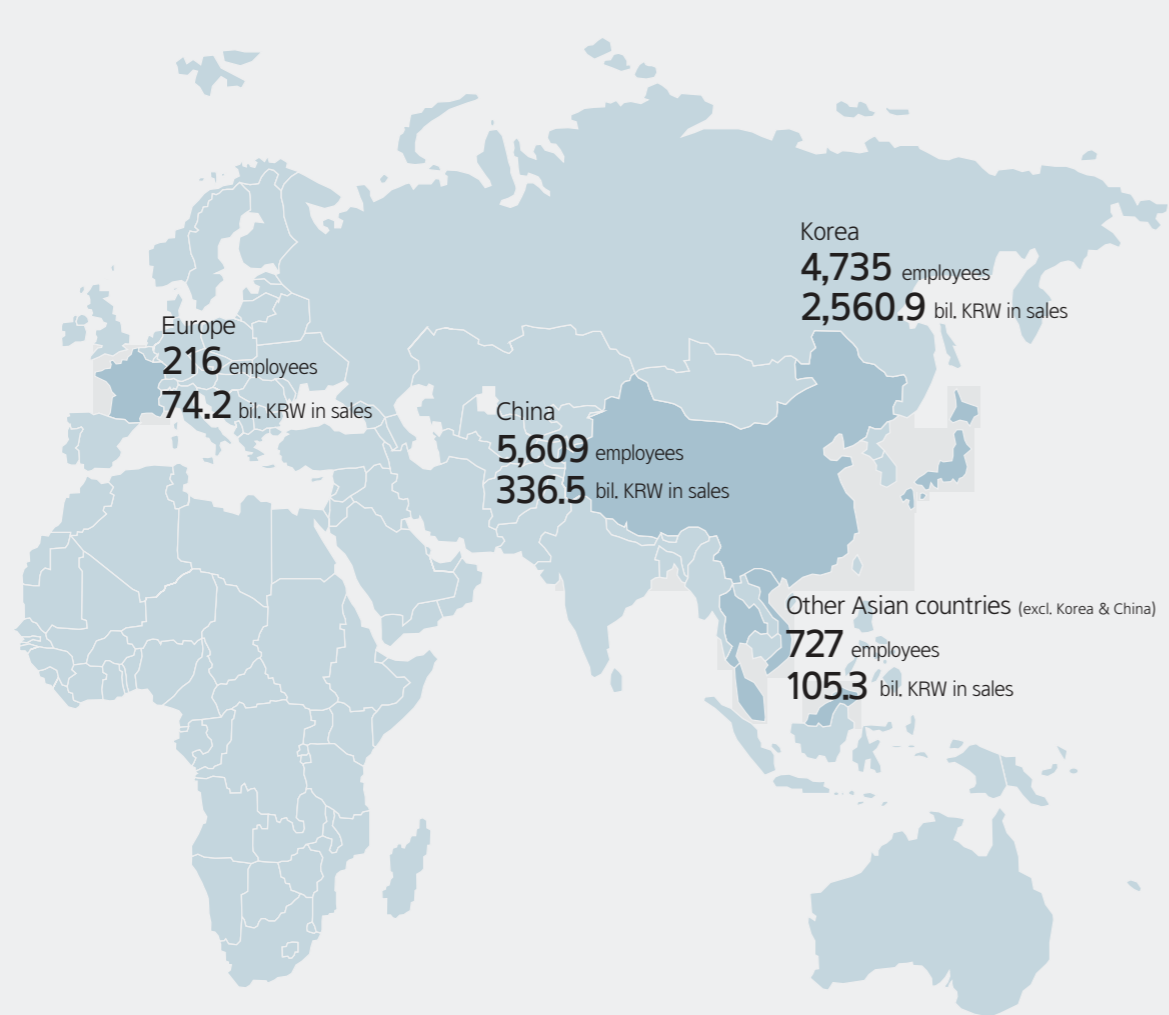
**medicinal cosmetic product, ABC Ginseng Cream**  
**APR 1971** **Launch of Korea's first makeup campaign (Oh, My Love)**  
 MAR 1973 Establishment of the Pacific Scholarship and Cultural Foundation (present-day AMOREPACIFIC Foundation)  
 MAY 1973 Initial public offering of AMOREPACIFIC Chemical Industries Co., Ltd.  
 OCT 1978 Establishment of the R&D center  
 DEC 1979 Opening of the Museum of Cosmetics History (present-day AMOREPACIFIC Museum of Art)  
 APR 1982 Establishment of the Pacific Museum

of Cosmetics History (present-day AMOREPACIFIC Welfare Foundation)  
**MAY 1984** **Opening of Amore No. 1, a beauty center (Myeong-dong)**  
 JUN 1987 Change of company name to Pacific Chemicals Co., Ltd.  
 SEP 1990 Establishment of a subsidiary in France  
**JAN 1992** **Declaration of the new management philosophy (Service to Man kind, Respect for Humanity and Future Creation)**  
 AUG 1992 Completion of the construction of the R&D center (Giheung, Yongin)  
 MAR 1993 Change of company name to Pacific

Co., Ltd.  
**SEP 1993** **Total Commitment Initiative guarantees (Quality, Service, Environment)**  
 JUL 2000 Establishment of the Korea Breast Cancer Foundation  
 SEP 2001 Opening of O'sulloc Museum (Seogwang Tea Garden on Jeju Island, present-day OSULLOC Tea Museum)  
**MAR 2002** **Change of company name to AMOREPACIFIC**  
 JUN 2003 Set-up of the Beautiful World Fund by the late founder Sung-whan Suh (Heemang store)

JUN 2006 Initiation of the holding company system (AMOREPACIFIC GROUP)  
 NOV 2007 Registration in the UN Global Compact (UNGC)  
**FEB 2008** **Declaration of the AMOREPACIFIC WAY**  
 SEP 2010 Completion of the construction of Mizium a 2nd R&D center  
 OCT 2010 Incorporation into the Dow Jones Sustainability Index (DJSI) World  
 MAY 2011 Platinum sponsor of the 22nd World Congress of Dermatology  
**MAY 2012** **Completion of the construction of AMOREPACIFIC Beauty Campus**  
 SEP 2013 Opening of Story Garden

# Worldwide Business



History of Global Expansion by Brand

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>LANEIGE</b>	Hong Kong	China	U.S. Singapore Canada New Zealand	Vietnam	Taiwan Malaysia	Thailand	Brunei		Philippines		Japan	Indonesia
<b>Mamonde</b>			China									
<b>Sulwhasoo</b>			Hong Kong						U.S.	China	Taiwan Singapore Thailand	Malaysia Vietnam Indonesia
<b>innisfree</b>											China India Singapore	Hong Kong
<b>ETUDE</b>						Thailand	Indonesia Malaysia	Vietnam	Myanmar Taiwan Philippines	Japan Brunei	Singapore Hong Kong	China

1) The sales figures are based on the consolidated financial statements of AMOREPACIFIC.

# Vision

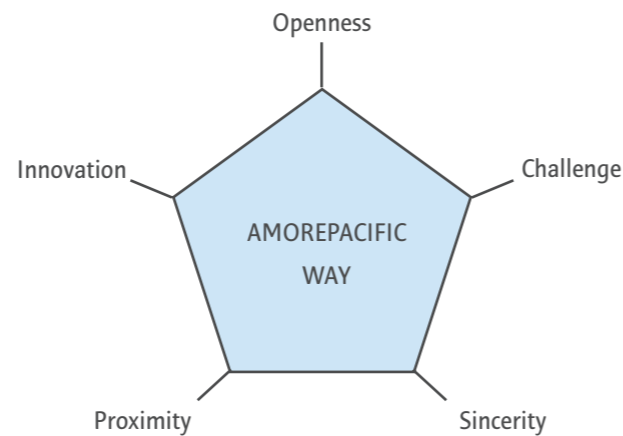
## Vision 2020 Great Global Brand Company

AMOREPACIFIC aims to become a great company that brings for world-changing beauty. In order to realize our vision of becoming 'Great Global Brand Company' by 2020, we have established three strategies and are continually discovering future growth engines by expanding into the overseas markets and developing new products to meet the needs of our global customers. Moreover, one of our objectives is to become a globally admired and respected company by reducing the environmental impact of our business activities and orienting our management practices to benefit our stakeholders as part of our efforts to fulfill our corporate social responsibility.



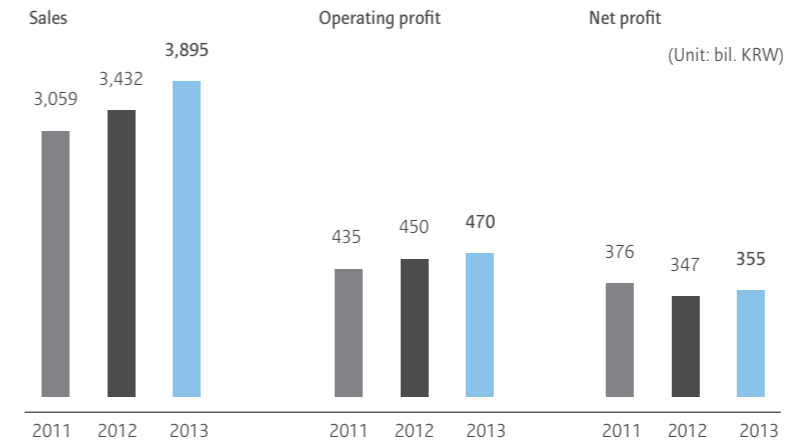
## Core Values AMOREPACIFIC WAY

The AMOREPACIFIC WAY consists of the core values and codes of conduct to be observed by the employees of AMOREPACIFIC as the Asian Beauty Creator. The five core values are Openness, Innovation, Proximity, Sincerity and Challenge. 'Openness' reflects our understanding that true innovation and growth stem from our willingness to communicate openly with those outside our organization. 'Innovation' demonstrates our drive and ambition to present groundbreaking products, while 'Proximity' shows our desire to stay close to our customers. 'Sincerity' is our promise to be earnest and ensure practices in good faith, and 'Challenge' indicates our tenacious spirit to undertake new challenges and never fall complacent.

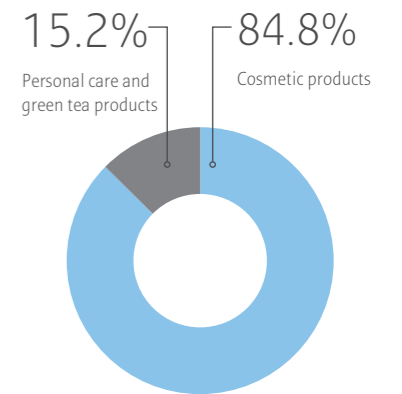


# Financial Performance

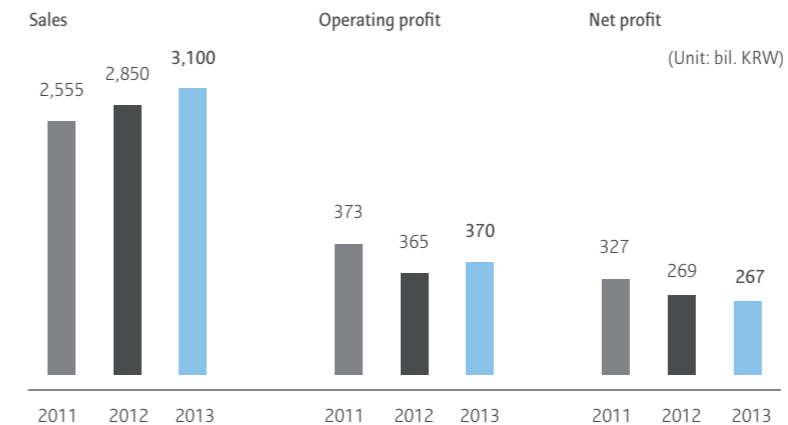
## AMOREPACIFIC GROUP



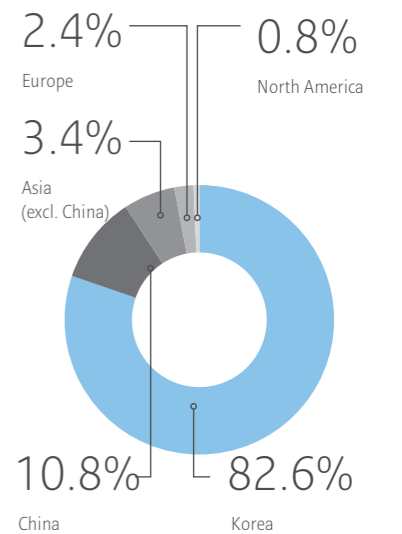
## Sales by Business Sector



## AMOREPACIFIC



## Sales by Region



· Last year's operating profit and net profit were revised due to the change in the employee wage standards of IFRS.  
· Based on the consolidated financial statements of AMOREPACIFIC.



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## Creating Sustainable Values

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AMOREPACIFIC has been implementing sustainability management to contribute to improving the quality of life for everyone. We are leading the movement in creating a more beautiful world through our innovation activities for consumers, efforts to reduce environmental impact, win-win cooperation with our business partners and social contribution programs.

# Interview with the Management

To accomplish the vision, 'Great Global Brand Company,' what would be the major contributions of sustainability management and the key roles of the each Business Unit?

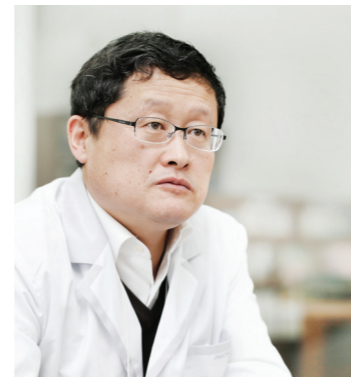
Sung-woo Kim  
Partner, KPMG



AMOREPACIFIC aims to bring goodness and beauty to the world through sound corporate management activities. This vision is an extension of the principle of the corporate social responsibility to bring forth value to society in the process of creating value for company, i.e. **'creating shared value.'** R&D is the **beginning of the journey toward this vision as its results can be used as solution for various social issues.** We are conducting research on the measures incorporating cosmetic ingredients to

mitigate various social issues including diseases prevalent in an aging society. In addition, we are developing technologies to reduce the environmental impact of using personal care products and the negative impact of pollution on our skin. Furthermore, we are conducting research to restore and utilize endangered plant species.

Sang-hoon Han,  
Head of R&D Unit



A positive corporate identity can be projected to consumers when the company engages in efforts to increase the efficiency of energy use, reduce GHG emissions, engage in CSR activities to contribute to society, and builds win-win relationships with its business partners. In order to become an admired and respected company throughout society, **there is a need to internalize sustainability management practices in each of the business areas.** In order for AMOREPACIFIC to emerge as a 'Great

Global Brand Company,' it is necessary for us to acquire and maintain superior competency and at the same, support our partners to strengthen their capacity as well. SCM Unit passes on the innovation capacity of AMOREPACIFIC to the business partners to assist in the construction of eco-friendly production bases, and **we will strive to maximize the synergy created in the SCM ecosystem through continuous exchange and cooperation activities.**

Byeoung-do Kang,  
Head of SCM Unit



Min-jeon Lee,  
Head of Premium BU



It is fundamental and essential for companies to continually consider the impact of its business activities on society and the environment in order to leave behind the world as it is, if not better, for our future generations. Behind this considerate attitude, there is a need for **'sincerity.'** A company must engage in sustainability management activities with sincerity to create and provide more values to the customers. While rational consumption is the current trend, it will become increasingly

more important to offer greater values to consumers for companies to survive. **Premium BU aims to pursue global expansion through the CSR activities of LANEIGE and Mamonde among others,** and to conduct research on ways to shift people's attention toward the issues of resources, the environment and the marginalized classes. Furthermore, we plan on implementing programs to build win-win relationships with our invaluable beauty partners.

Dong-hyun Bae,  
Head of Management Support Unit



**AMOREPACIFIC needs to coexist with the economic, social, and environmental matters in harmonious and organic manner,** to accomplish 'Great Global Brand Company.' Thus, we must listen the voices of external parties and maintain cooperative ties, while practicing with sincerity and excellent execution power. Respecting our employees and the company, executing our beliefs in change world through beauty will enable to step on our vision. The Management

Support Unit is continually **developing various measures to guarantee work and life balances for each employee by providing comfortable safe working places and fair evaluations and reward systems.** Also, more programs to support employees such as flexible work hours, daycare facilities, long weekend holiday system, holidays for long-term workers are provided.

## Innovating for the Customers

With our top priority being our customers, we are committed to deliver innovative products of the highest quality that can provide customers with pleasant experiences and move their hearts. Also, we take into account the environmental and social impacts of our business processes from procurement of raw materials to disposal as part of our effort to promote sustainable consumption.

### Major Achievements in Customers



R&D

2.68%

Ratio of R&D investment to sales

Products

340 products

Number of sustainable products

Raw materials

100%

RSPO<sup>1)</sup> certifications of palm oil

100%

Percentage of materials tested for its potential impact on biodiversity

Services

98.4%

Percentage of resolved customer complaints

1) RSPO  
Roundtable of Sustainable Palm Oil, Nonprofit organizations producing sustainable palm oil

Customers

## Ban on Animal Testing and Research on Alternative Testing Methods

### Ban on Unnecessary Animal Testing on Cosmetic Products

AMOREPACIFIC officially declared a ban on unnecessary animal testing on cosmetic products in March 2013 as part of its ongoing effort to prevent cruelty to animals. It not only banned the in-house testing of cosmetic ingredients and products on animals in 2008, but also, forbid its partners from conducting new and additional animal experiments unless otherwise instructed by the state or prescribed in the relevant laws and regulations.

AMOREPACIFIC operates a verification system to make sure that substances that have been tested on animals are not used in the products manufactured by the company or its partners. Also, internal regulations have been established to ensure strict adherence to this policy and an animal testing monitoring committee has been organized for follow-up management and verification purposes.

### Research on Alternative Testing Methods

Since 2013, inter-laboratory validation studies have been conducted to improve the reproducibility and accuracy of the skin irritation test that was developed animal alternatives by AMOREPACIFIC. In addition, AMOREPACIFIC has a plan to perform additional validation studies to draft our animal alternative on 'OECD<sup>1)</sup> Guidelines for the Testing of Chemicals,' a collection of the most relevant internationally agreed non-animal testing methods' in 2014. Moreover, various animal alternatives had developed by AMOREPACIFIC R&D Unit including the eye irritation and skin irritation using an reconstructed skin or eye model originated from Asian. The result of our efforts were presented at the 13th International Congress of Toxicology (ICT 2013). AMOREPACIFIC will dedicate our efforts to strengthen the competitiveness in non-animal testing method by endless reach and academic activities.

AMOREPACIFIC officially declared a ban on unnecessary animal testing on cosmetic products in March 2013 as part of its ongoing effort to prevent cruelty to animals.

1) OECD  
Organization for Economic Cooperation and Development

Skin irritation test using artificial skin





## Customers

## The First Global Beautiful Fair Trade Indian Mangoes

Beautiful Fair Trade is AMOREPACIFIC's unique raw material procurement program implemented based on three basic principles of ingredient safety, environmental preservation and contribution to local communities. Starting with the procurement of camellia in 2010, we have signed agreements with 9 regions in Korea and expanded the scope of the program in 2013 to include other regions in the Asian continent.

India is a major producer of mangoes where land cultivation and farming occurs in a smaller scale. In particular, farming is a major source of income in Jamui, a city in the state of Bihar located in the northern region of India, where there is low income level and high illiteracy rate. Also, the rights of women are not upheld.

AMOREPACIFIC has chosen Jamui for the Beautiful Fair Trade Program. We purchase mango seeds from this region to make mango butter, and use the proceeds from the sales of our products to help young girls in this region receive proper school education.

Prior to the initiation of the program, we used signboards and loudspeakers on auto-rickshaws to promote. By the end of our promotional activities, residents began bringing us mango seeds to sell them. The mango seeds that were purchased and collected in this manner were transported to a factory in Nagpur, where the nuclei inside the seeds were extracted and processed into mango butter. This was used to make the primera Mango Butter Comforting Body Lotion.

In 2013 alone, AMOREPACIFIC bought 27.3 tons of mango seeds through this program, and it undoubtedly contributed to the local economy as an additional source of income.

In December 2013, primera conducted the 'Let's Love' campaign to donate mango tree saplings to households with young daughters. To be more specific, primera matches every 2,000 KRW donation made by a customer buying the primera Mango Butter Comforting Body Lotion in order to buy mango tree saplings for the households.

AMOREPACIFIC purchases mango seeds from Jamui to make mango butter and donate part of the proceeds to the region.



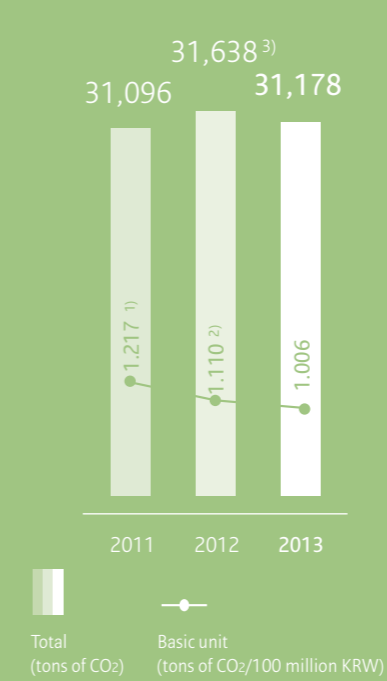


## Reducing the Environmental Impact

We have established an environmental management system, which is strictly observed by all of our business sites, in order to minimize the environmental impact of our business activities.

Moreover, we have been leading the industry by our activities related to biodiversity protection.

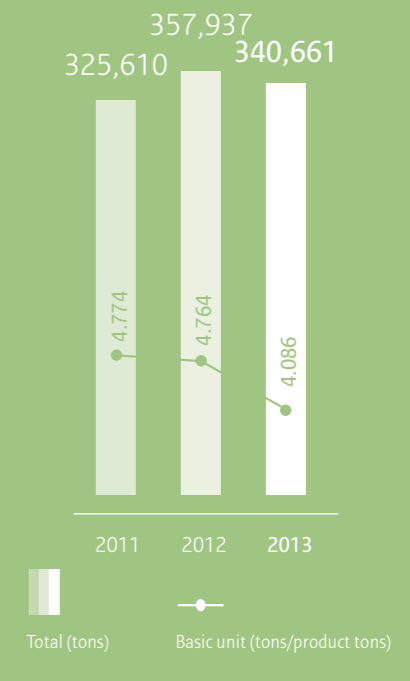
### Greenhouse gases (GHG)



Per unit GHG reduction rate year-over-year

9.4%

### Water



Per unit water reduction rate year-over-year

14.2%

1,2) Per unit GHG emissions in 2011 and 2012 were re-calculated based on the changes made to the sales according to the consolidated financial statements.  
 3) The GHG emission in 2012 reported last year was revised accordingly when an external organization (DNV) noted an error during the verification process.

· Scope of GHG emission calculation: SCM (production/logistics), research institute, headquarters and regional offices, sales offices etc.  
 · Method of calculating the GHG emission: method prescribed in IPCC 2006  
 · Electricity emission factor: 0.448 tons CO<sub>2</sub>/MWh (Korea Energy Management Corporation)  
 · Scope of water consumption calculation: 3 production sites in Korea (Beauty, Mass Cosmetic and Sulloc Production Sites)

# Sustainable Water Resources Management

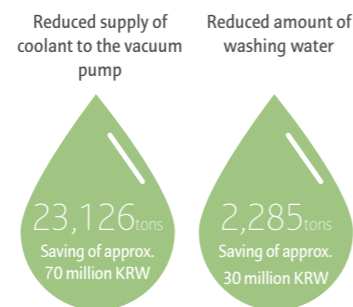
Sustainable utilization of water resources has recently become an important global issue, and AMOREPACIFIC has been implementing mid- and long-term water resource management plan for the purpose of reducing its water consumption. In 2013, an evaluation system for water resources management was set in place for more systematic management.

## Reduced water consumption in the production process

The Mass Cosmetic Production Site, recording the highest water consumption among the Production Sites of AMOREPACIFIC, was under examination to determine the amount of water consumption and water loss rate. Through this survey, it was determined that the largest amount of water was used in the vacuum pump and washing processes.

It was confirmed that excess amount of coolant had been supplied to the vacuum pump and in order to prevent this, a flowmeter was installed in the pump to

regulate the coolant supply to an optimum level. As a result, we were able to reduce coolant consumption by approx. 23,000 tons. Also, the washing process at the manufacturing plant was optimized and shortened according to the type of product being manufactured. This helped reduce the amount of water used for cleaning and shortened the washing time. For instance, for the newly introduced mixer used for the manufacture of toothpaste, the washing time was decreased by 43% and the amount of water used in the washing process was decreased by 77%.



The water saving practices observed at the Mass Cosmetic Production Site such as regulated supply of coolant and improvement of the washing process helped to reduce water consumption by approx. 30,000 tons in 2013.

Water resources management activity



## Environment

## Restoration and Research for Rare Varieties of Indigenous Soybeans

Manchuria and the Korean peninsula are known to be the place of origin of beans. There have been a wide variety of beans from wild to cultivated beans, but in the recent years, indigenous varieties of them in Korea have been disappearing due to the growth of genetically modified beans, which are easy to grow and exhibit high yields. In addition, many of the indigenous varieties were taken to the U.S. and are now being imported back into Korea. AMOREPACIFIC initiated the project to restore the indigenous and rare varieties of soybeans in order to promote the value of our native resources and to strengthen the competitiveness of Korean bean varieties, considered as one of the four major heritage materials. Since 2011, we received 140 rare soybean varieties that are native to Korea from the Rural Development Administration and cultivated them for the purpose of restoration and proliferation. Through this project, we identified the unique characteristics and the germination rate for each of the varieties. After completing the basic preparations we

set up a soybean cultivation complex in Paju, Gyeonggi-do Province, comprised of a farmland and greenhouses for seed multiplication work. During this process, we identified the growth characteristics and yield for the purpose of variety classification. This project made it possible to mass produce some 140 varieties of rare, indigenous soybeans and opened the door to discovering their efficacies. The soybean varieties used in the project were then examined to discover the ones with benefits for the human skin, and napttegikong, horangikong and saeal were found to contain anti-oxidant and anti-aging substances that other general soybeans do not have. Also, dolkong was found to contain diverse flavonoids<sup>1)</sup> and have the largest amount of anti-oxidant substances. Based on these results, we plan to conduct research on their efficacy on the skin and develop the optimum method of processing these bean varieties for utilization in the manufacture of cosmetic products within 1 or 2 years from now.

We examined the basic constituents of the native soybean varieties and their effectiveness in skin care. The results of our research showed that napttegikong, horangikong and saeal contain anti-oxidant and anti-aging substances.

1) Flavonoids  
Yellowish pigment present in a wide range of foods that has anti-bacterial, anti-allergic and anti-inflammatory effects and inhibits oxidation reactions in living organisms.

Storage for the rare bean varieties





# Reinforced win-win cooperation with business partners

## General Assembly for Mutual Growth with Suppliers

On February 20th 2013, AMOREPACIFIC held the General Assembly for Mutual Growth to share the long-term vision of the partnerships to 100 participants of the 67 suppliers (raw materials, packaging materials, ODM, production and logistics) to build win-win growth relationships. At the meeting, 250 million KRW for financial supports were delivered to selected 23 outstanding suppliers. Also various win-win cooperative activities such as providing consulting services, win-win cooperation fund (20 billion KRW), and the Green Partnership Association were unfolded. Based on these efforts, AMOREPACIFIC and partners concluded a mutual growth agreement On May 27th.

## Mutual growth agreement with Aritaum franchisees

On January 17, 2014, AMOREPACIFIC and the Aritaum Franchise Association

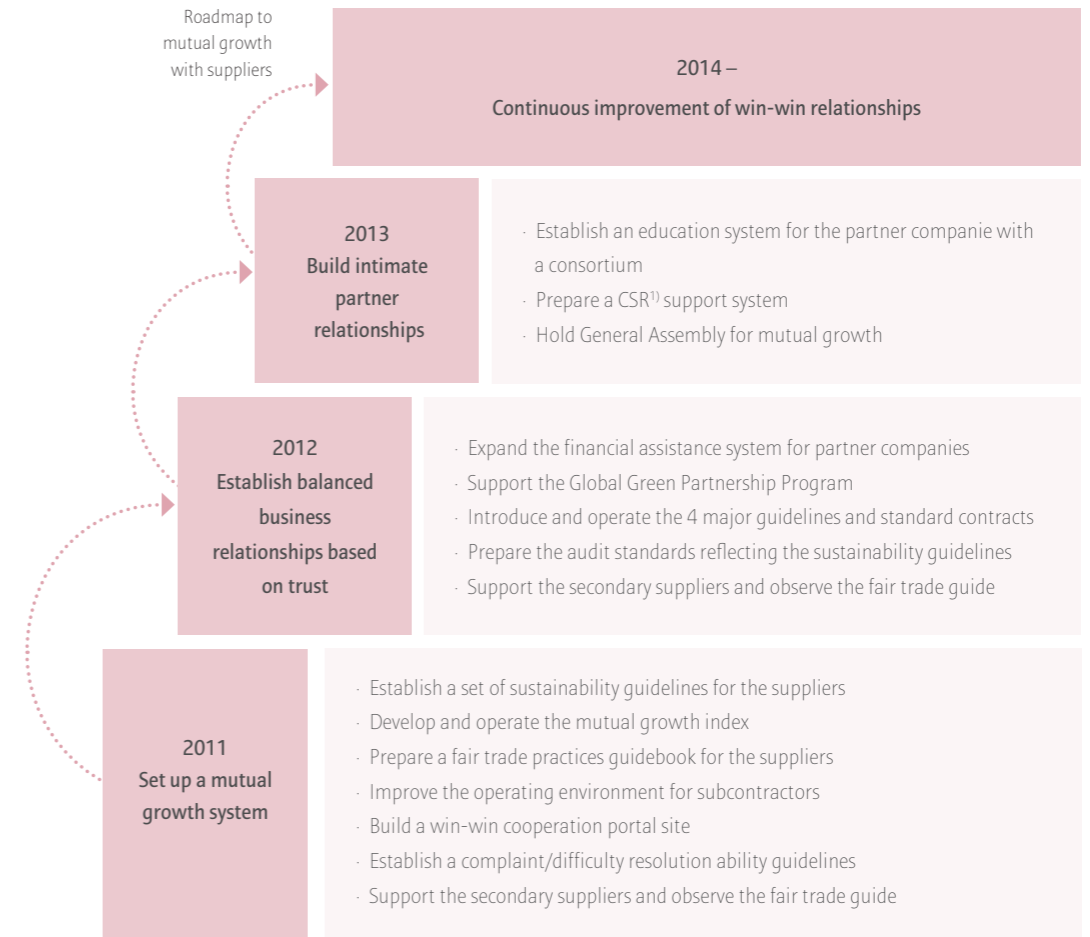
agreed to engage in mutual cooperation, outlining the details for fair trade practices and financial support for promotions. Also, it includes reinforcing resource support for the small stores to create best practices, deriving a successful win-win relationship model.

## Commitment actions of win-win cooperation with Door sales agents

AMOREPACIFIC organized the Door-to-Door Sale Mutual Growth Association with the door sales agent owners, while committing five win-win cooperation actions that are expected to boost the revenue and welfare of door-to-door salespersons, counselors. These actions include a committee operation to resolve the difficulties in the field supporting the growth program. Also, the period of agent contract is extended from 1 year to 2 years, while promising to host the association meetings at least every quarter in order to take heed of the voices of the frontline counselors.

AMOREPACIFIC demonstrated its resolution to build win-win relationships with its 67 suppliers

1) CSR  
Corporate Social Responsibility



2013 General Assembly for Mutual Growth with Partners



# Consortium education program for nurturing the talented professionals of our suppliers

The Ministry of Employment and Labor appointed AMOREPACIFIC to operate the National HR Development Consortium Project in 2013. Utilizing the training facilities of the company is unfolded to run training programs and nurture talented professionals for the partner companies.

## Creating a cosmetics education system, together with partners

AMOREPACIFIC has established the consortium to provide free vocational training to the employees of suppliers all year round. In July 2013, the training agreements with 125 suppliers(packaging materials, ODM, raw materials, logistics, etc.) were made in order to equip the professionals in partner companies with outstanding job skills and competency, contributing enhancement of supplier's business productivity.

## Quality training program and outstanding educational environment

AMOREPACIFIC established a long-term HR development plan, encompassing the manufacturing and logistics fields, to be implemented until 2018. 13 basic customized training courses were offered to 125 partner companies, a total of 1,725 trainees was completed the courses in 2013. Also, the consortium project team examined the practical needs for training contents through workshops with suppliers in order to create more effective educations in a detailed manner. AMOREPACIFIC plans and seeks opportunities to expand more on scope of partner supporting program to establishment of corporate colleges for partners as next step.

AMOREPACIFIC is contributing to human resources development by offering diverse educational programs to 125 suppliers.

### Consortium Education Program

Number of training programs

13 programs

Number of past trainees

1,725 trainees

Training fund

Approx. 430 million KRW

[www.champap.com](http://www.champap.com)

The vision and objectives of AMOREPACIFIC's consortium education program



Class of cosmetics colors



Society

# 10<sup>th</sup> anniversary of Heemang store

Heemang store is a micro-credit program, in which financial assistance is provided to low-income single mothers to set up businesses to earn a living. Using the donation from the founder Suh Sung-Whan, AMOREPACIFIC has been helping women become more self-reliant and financially independent since 2003.

The year 2013 marked the 10th anniversary of Heemang store and a commemorative event was held in November under the title, "Beautiful Women, Changing the World." The female CEOs who overcame their financial struggles through Heemang store gathered together to share their experiences and the achievements of 'A Bundle of Hope' (a group of women engaging in new types of charity activities) were presented at the event. The sharing of inspirational stories and valuable achievements further instilled hope among the attendees. AMOREPACIFIC employees have donated additional 100,000 dollars (equivalent of 90 million KRW), through a voluntary fund raise called 'Hope Companion Campaign', and participated in various promotion activities to activate Heemang store business.

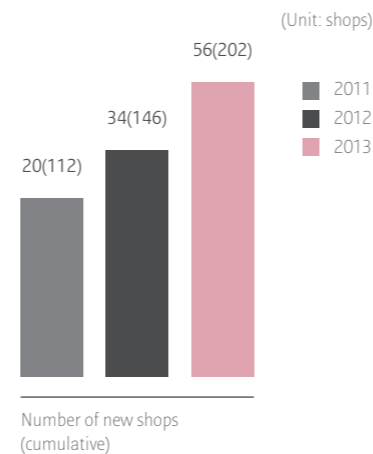
As of the end of 2013, a total of 202 shops were established through Heemang store program and it is estimated that the social impact of this program over the 10 years has produced an economic value of 10.6 billion KRW.<sup>1)</sup>

The loan repayment rate among the businesses participating in Heemang store program was reported to be 81%, which is higher than the rate reported for the general self-employed population.<sup>2)</sup> Also, the fund is being operated soundly, with the loan repayments being re-invested into the fund to assist other low-income single mothers.

1) The estimate was presented at the 8th ISTR (International Society for Third-Sector Research) Asia Pacific Regional Conference (based on 169 shops and financial assistance of 6.2 billion KRW); the social impact of Heemang store was converted to monetary value from the aspect of financial accessibility and increased disposable income of single-mothers.  
 2) Source: Statistics Korea's 2011 Report on the "Analysis of Business Foundation and Dissolution from 2004 to 2009"

202 shops were established through Heemang store program by 2013 and the social impact was estimated to be 10.6 billion KRW in value.

Number of shops established through Heemang store program





Society

## GREENCYCLE Campaign

AMOREPACIFIC changed the designation of the Empty Bottle Recycling Campaign to GREENCYCLE Campaign in 2013. Accordingly, efforts were made to collect and recycle empty containers into new product containers and to encourage customer participation in the campaign.

Of the returned containers, recyclable containers were selected and recycled into new cosmetic containers. Also, empty containers were used to create artworks and they were presented at 'Reversecape,' an art exhibition held in Osan in 2013 through APMAP, a public art installation project conducted by AMOREPACIFIC.

We also operated new programs where our customers can participate. During the Seoul Lantern Festival held around the Cheonggyecheon Stream area, we encouraged the general public to participate in our GREENCYCLE Campaign by offering people a special event to make candleholders and flower pots

using empty bottles. We also conducted a program where participants could make seeding pots using cosmetic containers.

Meanwhile, the environmental efficiencies of GREENCYCLE Campaign was analyzed through a lifecycle assessment. As a result, it was discovered GHG reduction occurs through the process of collecting empty bottles.

Furthermore, GREENCYCLE program is continuously put more efforts on innovation for its processes ranging from production to collection, developing its growth to universal program that helps customer's eco-friendly lives.

Through GREENCYCLE Campaign, AMOREPACIFIC has striven to promote the recycling of empty cosmetic containers and invited customers to participate in a wide range of programs.



Society

## Global Social Contribution Activities

### Make up your life Campaign in China

The Make up your life Campaign is conducted as part of AMOREPACIFIC's corporate social responsibility program with an aim to help female cancer patients see the beauty within themselves and regain their confidence. This campaign was also initiated in China in 2011 and it has become AMOREPACIFIC China's representative social contribution activity. The campaign, scope of which was expanded to include the suburbs of Shanghai in 2013, has helped 327 female cancer patients through 9 events to date. We established partnership ties with medical institutes including the Shanghai East Hospital and Yueyang Hospital. We have also introduced a family invitation program for the cancer patients.

Of particular note, the Make up your life Campaign raised the awareness and stimulated interest in the social contribution programs of the company among the organization members, as evidenced by the fact that the volunteer team for the campaign is comprised of the em-

ployees of the company who voluntarily joined the program.

### Mamonde's social contribution activities in China

The M-Garden Campaign aims to provide emotional support to the marginalized classes using flowers, the brand theme of Mamonde. Together with the Shanghai Jiu-qian Volunteer Center, a non-government organization in Shanghai, we provided art education to the children of migrant workers<sup>1)</sup> and created a mini flower garden for them. The Beautiful Dream Campaign involves giving lectures to female college students in China as part of the effort to instill hope among the young adults, who are disheartened by the growing youth unemployment rate. In 2013, well-known female leaders from all over China were invited to speak about inner and outer beauty and 304 students who attended this lecture gave positive feedback, explaining that the lecture helped them realize the value of youth and gain more self-confidence.

AMOREPACIFIC is engaged in global social contribution activities, centering on China, with a belief that 'Beauty is a gift that will change the world.'

1) Migrant workers  
Workers in the low socioeconomic class who moved from rural areas to urban areas

Make up your life campaign  
in China





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## Taking Sustainable Actions

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AMOREPACIFIC is striving to become 'Asian Beauty Creator' that changes the world with beauty. For this purpose, we are making our utmost efforts to create a brighter future together with our customers, employees, business partners and society.

# Sustainability Management

AMOREPACIFIC strives to realize its vision of becoming 'Asian Beauty Creator' that changes the world with beauty in order to create a beautiful world where people, nature and companies can co-exist in harmony. For this purpose, we have taken initiatives in accordance with the following four major strategies: customers; the environment; em-


ployees and business partners; and social contribution. We also disclose the achievements made through our activities while guaranteeing transparency. Key initiatives for each of the strategies set forth are undertaken annually, and the Sustainability Management Committee, which is the top decision-making body, makes strategic decisions

on sustainability management and reviews the results of our key initiatives. In 2013, the results of the initiatives were reviewed twice, and we enhanced the effectiveness of sustainability management by linking the performance indexes of our strategic directions with the performance-based remuneration for the executives.

## Vision and Strategies of Sustainability Management



## Major Awards and Certifications

Awards & Certifications	Results
 Dow Jones Sustainability Index (DJSI)	Included into the DJSI World and chosen as the leader of the personal care product sector for 4 consecutive years
 FTSE4Good	Included into FTSE4Good for 3 consecutive years

# Risk Management

AMOREPACIFIC has reinforced its risk management system to preserve the value of the company and minimize the potential negative impact of internal and external environmental factors such as increased social demand for win-win relationships with business partners, stricter regulations on personal information protection, and increased management complexity due to global expansions.

In 2013, the Risk Management Committee consisting of our top management identified the major company-wide risks that might occur and discussed potential management and response plans. Accordingly, the Risk Management Office (RMO) continually monitored the 18 potential company-wide risks and 14 unit risks, classified by seriousness of risks. Company-wide risks divided into 5 categories, which are strategic, legal, operational, promotion, and financial risks.

In order to ensure systematic risk management, we devised management

plans in advance for each identified risk and carefully monitored the status quarterly. We also expand the scope of the risk monitoring on overseas and initiation of new businesses.

## Response to the Franchise Act

We reinforced the information provision system to prevent damage to the franchise operation and unfair practices. By re-examining the franchise business model and revising and supplementing franchise agreements at the group level, we endeavored to stop unfair practices in advance.

## Strengthening of Internal Security

AMOREPACIFIC provided internal information protection policy, 14 detailed guidelines, and the confidentiality pledges signed by our employees. Internal security is to prevent the leakage of business secrets such as cosmetics manufacturing technologies and techniques. They are monitored by the

information protection index on an annual basis.

In order to prevent hacking and leakage of corporate and customer information, we have been simulating a situation, in which our servers, networkers, databases and application programs were hacked into, annually as a means to identify and improve upon the weak points. We made a preemptive response to potential web-based hacking attempts against our B2B and B2C systems by reinforcing our firewall. Moreover, we have been conducting simulated training for post-disaster recovery processes twice a year to prepare ourselves for major network failure caused by DDOS attack among other factors.

## Global Operation Model

To response to the changes in the global business environment fluctuations, we have reinforced oversea subsidiary processes and systems for information reporting and sharing.

# Ethical Management

The year 2013 marked the 20th and 10th anniversaries of the announcement of the Unlimited Responsibility and Ethical Management policies by AMOREPACIFIC. A corporate ethics pledging ceremony was held to reflect on the past 68 years and to become resolved to adhere to one of the fundamental principles – 'Sincerity.'

## Revisions to the Code of Ethics and Introduction of the Ethical Sensitivity Index

First, the Code of Ethics, strictly observed by employees to prevent corruption, was revised in accordance with the domestic and overseas ethics guidelines and the needs of our executives and employees. We will strive to promote and spread the Code of Ethics as a 'strict principle' among the members of our organic network including the overseas subsidiaries and suppliers. In 2013, we independently developed and introduced an ethical sensitivity index as a means to measure the ethical climate of our entire organization. Based on the index, we derived ethical business strategies and discovered the weak points of each organization in order to set forth and implement tailored programs to

make improvements.

## Campaigns and Education

The 'Not Giving and Not Receiving Gift Campaign,' which had been consistently carried out for the past 10 years, was remodeled as the 'Doing the Right Things Campaign.' This campaign involves repeatedly communicating to the employees of our company the key matters related to the Code of Ethics to ensure that they do the right thing. In addition, we produced an online case book on unethical practices under the title 'Detective Amore' to be sent to those in managerial positions. Also, we published a newsletter and a webzine called 'The Moment of Sincerity' comprising the ethical practices of our employees and actively distributed them to the global subsidiaries.

Meanwhile, we launched a new education program called 'AMOREPACIFIC Ethical Expedition Team.' It is an online education program with a motto of 'Interesting Ethical Explorations' aiming to enhance the employees to make the right decisions in the event of ethically questionable situations by presenting them with cases of work-related ethical dilemmas. Furthermore, a book-based

education program called 'Sincerity Notebook' was developed for individual, team and organizational learning, and was conducted for 6 different organizations.

## Supporting the Introduction of Corporate Ethical System for Partners

Based on the operation of the pilot program in 2011, AMOREPACIFIC officially launched 'With,' a program aiming to assist in the introduction of corporate ethical system, in March 2013. It involves presenting the guidelines for ethical practices and providing support for adherence thereto. Of the direct suppliers, 16 took part in the program and various activities were carried out.

### Reported cases of unethical practices in 2013

(Unit: cases)



Internal policy	21
Customer consultation	8
Partners	1
<b>Total</b>	<b>30</b>

\* Reporting channels: reporting site (anonymous reporting), e-mail, phone, fax, etc.

# Communication with Stakeholders

AMOREPACIFIC communicates with diverse stakeholders to discover opportunities for growth and prepare for potential crises in advance. For this purpose, we have independently set up processes in which the stakeholders can participate and established communication channels. Through these efforts, we are analyzing the sustainability management issues of interest to our stakeholders and determining the matters of priority.

## Means of Communicating with Stakeholders

Stakeholders	Communication channels	Notable opinions	Responding efforts
Customers 	<ul style="list-style-type: none"> <li>Customer satisfaction surveys &amp; CGAP</li> <li>Prosumer activities</li> <li>Corporate and brand websites and social media pages</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of product safety</li> <li>Opposition to animal testing</li> <li>Improvement of customer services</li> <li>Expansion of sustainable products</li> </ul>	<ul style="list-style-type: none"> <li>Held exhibitions on CGAP cases to inform others of existing customer complaints for improvement measures</li> <li>Declared the ban on unnecessary testing of cosmetic products on animals</li> <li>Expanded sustainable products</li> </ul>
Employees 	<ul style="list-style-type: none"> <li>Employee satisfaction surveys &amp; regular labor-management meetings</li> <li>AMOREPACIFIC (in-house online community)</li> <li>2013 Sustainability Management Forum</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of a corporate culture emphasizing on respect and consideration for others</li> <li>Establishment of a differentiated employee welfare and benefits system</li> <li>Promotion of mutual growth between the company and employees</li> <li>Creation of a safe working environment</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened the ABC working time system</li> <li>Operated an in-house daycare center and rest area for female workers</li> <li>Reinforced the SHE (Safe, Health and Environment) management system</li> </ul>
Business partners 	<ul style="list-style-type: none"> <li>General assembly on win-win cooperation</li> <li>Seminars on win-win practices</li> <li>Online information sharing channel (purchasing portal, win-win portal, production information synchronization system)</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of benefits for business partners</li> <li>Reinforcement of an open communication system</li> </ul>	<ul style="list-style-type: none"> <li>Formed the Mutual Growth Committee for Door-to-Door Sales</li> <li>Supported the nurturing of technical professionals of business partners</li> </ul>
Local communities 	<ul style="list-style-type: none"> <li>Social contribution programs</li> <li>Social contribution portal</li> <li>Mecenat activities</li> </ul>	<ul style="list-style-type: none"> <li>Support for promoting healthy beauty among women</li> <li>Support for low-income women trying to earn a living</li> <li>Support for the marginalized classes</li> </ul>	<ul style="list-style-type: none"> <li>Conducted the Make up your life campaign</li> <li>Conducted the Pink ribbon campaign</li> <li>Supported the Heemang store(micro credit program)</li> </ul>
Government 	<ul style="list-style-type: none"> <li>Visits to and meetings with relevant governmental agencies</li> <li>Korea Cosmetics Association (KCA) activities</li> </ul>	<ul style="list-style-type: none"> <li>Manufacture and sales of safe, high-quality products that comply with regulations</li> <li>Support for cooperation in improving regulations to achieve industrial development</li> </ul>	<ul style="list-style-type: none"> <li>Monitored and observed the relevant laws and regulations</li> <li>Proposed improvements through the activities of relevant institutions' committees</li> <li>Supported governmental policy research</li> </ul>
External experts 	<ul style="list-style-type: none"> <li>Communicated with external stakeholders (human rights management specialists and NGOs)</li> </ul>	<ul style="list-style-type: none"> <li>Respect for diversity and expansion of the complaint resolution system</li> <li>Improvement of animal welfare and encouragement of sustainable consumption</li> </ul>	<ul style="list-style-type: none"> <li>Developed special jobs for the disabled and employed people with disabilities</li> <li>Increased the research efforts to discover alternative measures to animal testing</li> </ul>
Shareholders 	<ul style="list-style-type: none"> <li>Regular shareholders meetings</li> <li>IR Analyst Day</li> </ul>	<ul style="list-style-type: none"> <li>Provision of management performance results and business outlooks</li> <li>Enhancement of corporate access</li> </ul>	<ul style="list-style-type: none"> <li>Shared the medium-and long-term business directions</li> <li>Provided performance results and IR data</li> <li>Hosted an event for the Analyst Day event and participated in the global conference</li> </ul>

### 2013 Forum for Human Rights Management

AMOREPACIFIC attempted to strengthen its management practices that are considerate of the people and in line with the ideal human rights practices by appointing human rights management specialists.

**Date:** March 5, 2013

**Attendees:** Division Manager Sung-jin Kim (International Labor-Management Cooperation Division of the Labor-Management Development Foundation), Professor Cheol-woong Je (School of Law at Hanyang Univ.), Professor Hyo-seon Kim (Economics at Chung-Ang Univ.) and Ju-hyun Kang (representative of the Global Competitiveness Empowerment Forum)

#### Major Matters under Discussion

Emphasis on the importance of human rights management and the need for step-by-step introduction

At present, human rights management practices are recommended, but there is a possibility that it will become mandatory under the law. Thus, companies making preemptive responses will be able to enhance their global competitiveness. It is highly important that the human rights management system does not simply end with a grand slogan and declaration, but gets actually implemented in the operation process.

Most important agendas for AMOREPACIFIC are to meet the global standards, to respect diversity and to expand its complaint handling system

With respect to the issue of respecting diversity, there is a need to discover the marginalized classes in the blind spots of society including women, minorities and the disabled and to make an effort to resolve the related issues. Additionally, with the expansion into the overseas market in full swing, it is necessary to monitor forced labor and child labor practices engaged by overseas subsidiaries and business partners.

The current complaint handling system in place for the employees of AMOREPACIFIC must be expanded to include the sales beauty partners the retail stores. Of particular note, it is advisable to conduct social campaigns to resolve emotional labor issues together with distributors and cosmetic companies, who are facing the same problem.

### 2013 NGO Forum

As part of its efforts to encourage sustainable consumption and develop safe products, AMOREPACIFIC appointed NGO members to communicate with the stakeholders.

**Date:** June 21, 2013

**Attendees:** Professor Jae-cheon Ryu (KIST), President Jeong-hwa Kang (Consumers Union of Korea), President Ja-hye Kim (Consumers Korea), co-representative Mi-jung Nam (Korean Woman's Environmental Network), Yoon-mi Cho (Green Consumer Network in Korea), co-representative Soon-rye Yim (Korea Animal Rights Advocates), standing representative Hee-kyung Jo (Korean Animal Welfare Association)

#### Major Matters under Discussion

Efforts to ensure coexistence with animal welfare and product safety

AMOREPACIFIC declared a ban against unnecessary testing of cosmetic products on animals. There is also a need to pass on to the small- and medium-sized enterprises the alternative measures to animal testing. Further, it is necessary for AMOREPACIFIC to promote cooperation among Asian countries to increase the using alternative measures to animal testing, similar to the EU countries.

Development of sustainable products and sustainable consumption by customers

The use of simple and recyclable and upcycling packaging materials must be increased. There is a need to consider developing refillable or replaceable products in order to promote sustainable consumption.

At present, AMOREPACIFIC operates a promise mark system, which has not been effectively made known to consumers, and thus there needs to be improvement measures. In order for widespread sustainable consumption to be possible, it is necessary to educate the consumers as well. If necessary, AMOREPACIFIC needs to consider conducting wide-range sustainable activities together with NGOs and consumer organizations.

### Sustainability Management Introduction

# Material Issue Evaluation

#### Process of Selecting Significant Issues

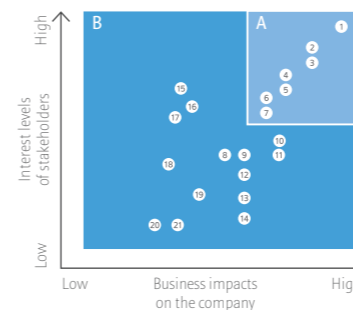
AMOREPACIFIC derived major issues based on the following 4-step significant issue selection process:

Issue pool	Degree of interest among stakeholders	Business impact	Derivation of major issues
Media analysis · Analysis of issues related to sustainability management (Jan. 1 to Dec. 31, 2013) Analysis of competitors · Analysis of the major sustainability issues of 7 competitors in the industry Analysis of the internal sustainability management strategies and KPI · Meeting minutes of the Sustainability Management Committee Analysis of the guidelines (GRI 3.1) and Q&A of external assessment institutions (SAM, FTSE4Good)	Measurement of the degree of interest among the internal and external stakeholders · Customers · employees · Business partners · Local communities · NGOs	Analysis of the degree of impact of the issue in question on management performance	Derivation of major issues based on the degree of interest among stakeholders and the results of the business impact assessment

AMOREPACIFIC reports an annual sustainability management report on the significant issues derived through the analyses of the levels of interest among the stakeholders and business impact. First of all, an issue pool was prepared by analyzing competitors in the media, cosmetics and personal care product sectors, international guidelines and KPI.

Then, a total of 21 major issues were derived based on the significant issue selection process outlined above. The major issues chosen in this manner were ranked based on the order of priority determined according to the levels of interest among the stakeholders and business impact. As a result, it was identified that the issues of 'building win-win relationships with

partners' and 'reinforcement of sustainable products' were considered most important by the stakeholders. In addition, an increasing degree of importance was placed on the issues 'customer satisfaction activities' and 'biodiversity preservation.' This report contains detailed information on the 21 major issues outlined below in their respective sections.



- | A  | B  |
|--|--|
| ① Building win-win relationships with partners<br>② Development of environmentally- and socially-friendly products<br>③ Customer satisfaction activities<br>④ Development of sustainable packages<br>⑤ Reinforcement of social contribution activities<br>⑥ Preservation of biodiversity<br>⑦ Green management | ⑧ R&D Innovation<br>⑨ Reinforcement of sustainability management of overseas subsidiaries<br>⑩ Assisting employees in balancing their careers and personal lives<br>⑪ Responding to climate change<br>⑫ Increase the diversity of executives and employees<br>⑬ Development and nurturing of human resources<br>⑭ Expansion of corporate culture<br>⑮ Information protection policy<br>⑯ Transparency of the governance structure<br>⑰ Management of harmful chemicals<br>⑱ Risk management<br>⑲ Ethical management<br>⑳ Green marketing<br>㉑ Labor-management relations |

# Sustainable Products

Under the three major principles of reinforcing product safety for consumers, minimizing environmental impact and harmonious coexistence with local communities, the sustainable products of AMOREPACIFIC are divided into three categories: customer-friendly products, environmentally-friendly products and socially-friendly products.

Our internal certification standards for the specific types of products belonging to these categories are continually revised in accordance with the domestic and international trends, amendments to the laws and regulations, and expert opinions.

## Reinforcing the Sustainability of the Raw Materials

In accordance with the 2020 Sustainable Raw Material Roadmap established in 2011, we are endeavoring to secure more outstanding raw materials from the three perspectives of customer-friendliness, environmental-friendliness, and social-friendliness, and based on the Raw Material Sustainability Assessment System introduced in the 2011, we are making ceaseless efforts to review new raw materials. In 2013 in particular, we made various efforts to

increase our utilization of raw materials derived from nature.

## Increased Utilization of Raw Materials Derived from Nature

To increase the use of ingredients derived from nature, AMOREPACIFIC set forth the standard volume for raw materials to be used in each of the cosmetic type and is working to develop the necessary technologies. We successfully developed an essence with 90% of its key ingredients originating from natural resources using a technology enabling the solubilization of natural substances, and we also developed a technology that can be used to increase the content of natural ingredients in foundation formulations. As for lipstick formulations, we plan on increasing the use of natural oils. Additionally, we are continually conducting joint research with external research institutions in order to replace petroleum-derived ingredients with plant-derived substances and to discover new active ingredients in nature.








## Development of Water-saving rinse-off formula

The findings of a life cycle assessment of rinse-off products showed that the highest amount of water was used in the usage phase. Based on this result, we conducted research to reduce water use during washing.

Through the R&D process, we developed a defoaming system that selectively acts upon being diluted during rinsing without influencing the amount of foam created, and allows the foam to disappear more quickly in the rinsing stage compared to the existing shampoo products of AMOREPACIFIC. Based on this technology, we developed a new formulation that shortens the rinsing time by 28% compared to the past shampoo products. This allows users to save water, while at the same time lowering the amount of water required for wastewater dilution (amount of clean water necessary to dilute contaminated water to the level of rainwater for discharge into the natural water systems).

Go to our website to check out our product safety reinforcement process ([http://www.amorepacific.com/sustain/safety\\_item\\_02.jsp](http://www.amorepacific.com/sustain/safety_item_02.jsp))

## Type of Sustainable Products and its Development

Type of sustainable products	Representative products	Number of items
Customer-friendly products	<b>Additive-free products</b> Products providing customer assurance and earning their trust with improved safety 	<b>Hanyul</b> Optimizing Serum 194
	<b>LOHAS certified products</b> Products that pursue a healthy and sustainable lifestyle 	<b>Happy Bath</b> Bio Bebe Soothing Lotion 4
	<b>Organic products</b> Products that received Ecocert or external organic certification 	<b>Songyum</b> My Child Toothpaste Strawberry 10
Environmentally-friendly products	<b>Ecosystem conservation products</b> Products that received the certified eco-label from the Korea Environmental Industry & Technology Institute 	<b>Happy Bath</b> Real Moisture Body Wash 6
	<b>Carbon footprint products</b> Products that received the certified carbon footprint labeling from the Korea Environmental Industry & Technology Institute 	<b>mise-en-scène</b> Pearl Shining Moisture Shampoo 15
Socially-friendly products	<b>Beautiful Fair Trade products</b> Products that use raw materials purchased through a win-win relationship with local communities 	<b>primera</b> Miracle Seed Essence 38
	<b>Universal design products</b> Products that are considerate of the needs and convenience of socially underprivileged, such as people with physical disabilities 	<b>mise-en-scène</b> Damage Care Shampoo 73
<b>Total</b>		<b>340</b>

Customers

## R&D Innovation

### Development of Technology for Standardization of Ginseng Berry Extract and Identification of Active Aging Efficacy

In the country of origin of Goryeo ginseng, we discovered a new value of ginseng and successfully developed Ginseng Berry<sup>®</sup> Extract Ampoule, presenting a new paradigm of the ginseng and red ginseng market. This product has been recognized for its innovative intake methods and formation, which eliminated inconveniences of traditional intake and formation of Goryeo ginseng.

Ginseng is a representative medical herbal plant of Korea that is well-known across the world. It has long been consumed as a health-boosting and general food product. However, ginseng was typically cultivated for its roots and its berries were used simply as seeds for cultivation in the following season. AMOREPACIFIC R&D Center separated the seeds from the ginseng berries, and extracted and concentrated the juice, pulp and peel of the berries using its independent technology. Through these processes, we successfully obtains a standardized substance containing a consistent amount of ginseng saponin,

i.e. ginsenoside.

The standardized ginseng berry substance designated as Ginseng Berry<sup>®</sup> is made up of a differentiated composition of ginseng saponin and its content is 2 to 3 times higher than ginseng roots. Ginseng Berry<sup>®</sup> has shown outstanding effectiveness in regulating the expression of SIRT1, known as a longevity gene, and also had an anti-aging effect. Also, it helped promoting the blood circulation in the peripheral arteries and improved the skin tone, while it was shown to have an effect in preventing cardiovascular diseases (e.g. arteriosclerosis).

For the newly developed technology for the standardization of ginseng berries and discovery of new efficacies, AMOREPACIFIC has filed for 73 patent applications in Korea and abroad, registered 4 patents and published papers in 4 SCI journals to date.

### Bioactive Targeting, a Stable Ingredient Delivery System

AMOREPACIFIC has jointly conducted research on an innovative biotechnology-based intelligent delivery system with Professor Jerome Bibette of ESPCI<sup>2)</sup> since 2009.

Through the joint research, we successfully developed a capsulation technology for stabilizing and protecting unstable compounds and took the research further to develop the bioactive targeting technology for delivery of the compounds to the targeted destination in a stable manner. This technology allows the accurate delivery of the active ingredients contained in a capsule in the form of a sponge, which can be deformed and absorbed by the skin easily, to the target area of action.

Using the bioactive targeting technology, we added the sequoia stem cells substances (Plant Stemcell Innovator<sup>™</sup>) with powerful action inside a capsule, enabling the active ingredients of the plant stem cells to travel to the area requiring intensive care. Sequoia is the world's largest tree species, known for its strong vitality that allows it to survive for more than a millennium. In order to maximize the extractions of the

1) Ginseng Berry<sup>®</sup> is the registered trademark of AMOREPACIFIC, which successfully developed a technology for the standardization of ginseng berries.  
2) ESPCI: Ecole Supérieure de Physique et de Chimie Industrielles de la Ville de Paris (France)

vital energy from the plant stem cells, AMOREPACIFIC has been cultivated the Plant Stemcell Innovator<sup>™</sup> in the conditions of harmful factors for the skin such as low temperature, UV rays, CO<sub>2</sub>, and Ozone.

### Bio-enzyme Cleanser Containing 3 Major Enzymes

IOPE Enzyme Powder Treatment Wash contains an independently developed bio-enzyme complex, which helps eliminate the unnecessary dead skin layer and controls excess sebum secretion. This is a bio product developed based on the principles of the bio activities of the skin in order to make the skin smooth not by physical friction but by enzyme activity. Additionally, the ingre-

dients obtained through enzyme synthesis and the mildly acidic cleansing base that helps maintain the natural pH level of the skin surface strengthen the skin barrier and enhances suppleness. This in turn facilitates absorption of the active ingredients by the skin after cleansing. Of particular note, AMOREPACIFIC has applied the polyol template and partitioning technology for micro-capsulation of papain enzyme, comprising the enzyme complex, in order to allow the creation of rich foam using just a small amount (0.5g recommended).

The 3 major enzymes making up the bio-enzyme complex are papain and keratinase, which break down protein, and lipase, which dissolves oily substances such as sebum. Each of these

enzymes helps break down the dead skin cells that accumulate on the skin surface with reduced turn-over rate. Papain promotes exfoliation in its micro-capsulation state, while keratinase removes only the keratinized or hardened layer of the skin. Lipase, on the other hand, breaks down fat (triglyceride), the main constituent of sebum that causes unwanted shine and dullness of the skin.

AMOREPACIFIC developed a technology integrating the use of lipase and chitosan to break down and absorb sebum, and applied it to IOPE Enzyme Powder Treatment Wash.



Ginseng Berry<sup>®</sup> Extract Ampoule

Application of the bio-active targeting technology to an active ingredient

IOPE Enzyme Powder Treatment Wash



Customers

# Open Innovation

As part of the open innovation activities, AMOREPACIFIC performs national R&D projects and joint research with external institutions to preemptively secure the technologies of the future necessary for business growth.

## Publication of 'The Cultural History of Korean Herbal Cosmetic Products' and Application to the Products

For sustainable development of Korean herbal cosmetic products, it is important to not only use outstanding ingredients and technologies, but also to incorporate the unique history, philosophy and culture of the brand. The AMOREPACIFIC R&D Center has been working together with the Institute of Oriental Medicine, Kyung Hee University to discover historical documents on herbal cosmetic products and skin care. Based on 3 years of research involving in-depth examination of medical documents such as Donguibogam as well as the Annals of the Joseon Dynasty and Gyuhapchongseo(a collection of books of matters concerning daily household), we published a book titled 'The Cultural History of Korean Herbal Cosmetic Products(Deulnyeok Publisher)' in April 2013. Some of the historical

documents we examined introduced the beauty care methods unique to Koreans; for instance, 'Miansu,' made at home, was applied in the last stage of base makeup application to moisturize the skin and make it appear more radiant. The formulation with characteristics similar to Miansu was developed in the same year in 2013 and was launched as Luminature Essential Finisher(Korean name: Mian Finisher).

This product designed to be used as an essence in the last step of the skin care routine to revitalize and add a healthy glow to the skin has becoming highly popular among consumers. By combining the principles of Korean medicine and advanced scientific technology, we plan to develop products that can be appreciated by our customers worldwide and continue our research to shed light on the cultural and historical value and significance of Korean herbal cosmetic products.

## Development of New, High-Refractive Makeup Material

People want makeup and sun care products that do not irritate the skin while maintaining their function of blocking the harmful UV rays. In order to meet these demands, the AMOREPACIFIC Makeup Research Institute decided to invest its efforts into the development of a skin-friendly, high-refractive substance. For 5 years since 2009, we conducted joint research with the research team led by Professor Ji-man Kim of Sungkyunkwan University with an aim to develop a new high-refractive, skin-friendly material. The research teams of AMOREPACIFIC and Sungkyunkwan University successfully performed nano-film, zero-defect coating of the inorganic UV block agent using phospholipids, which constitute the skin cell membrane, and successfully developed a stable compound by impregnating an organic UV block agent.

## Major Open Innovation Activities in 2013



Customers

# Customer Satisfaction Activities

## Customer Complaint Management Activities, CGAP

Customer Gift for AMOREPACIFIC (CGAP) is a customer complaint management policy unique to AMOREPACIFIC which involves collecting the voice of customers regarding their inconveniences and complaints and taking the corrective action necessary as quickly as possible. Customer complaints filed via

phone and the Internet and in person at stores are accepted humbly as 'gifts' that will contribute to product development, and we engage in active efforts to resolve the complaints and provide solutions as a way to further develop our company.

### Reinforced Consultation Services

In order to effectively respond to customer inquiries, we are undertaking

a wide range of activities to reinforce our customer consultation services. Customer consultation satisfaction rate is assessed on a regular basis to be reflected in the education and training programs, and we strive to provide accurate answers to the frequently asked questions through our portal site. In 2013, we revised our manual on customer consultation in order to enhance the quality and consistency of our customer services. Also, we even upgraded the customer consultation satisfaction rate assessment; we record the telephone calls and assess our customer consultation service based on the conversation exchanged between the customers and our service representatives.

### Solutions to Customer Complaints in 2013

#### Issue

A customer noted that it is difficult to open and close the cap of Lirikos Marine Expert Restoring Cream and thereby suggested improvement in its design.

#### Solution

The cap and container were newly designed to facilitate the opening and closing of the cap.



Before



After

### Voice of Customers (VOC) Management

(Unit: cases)

Channel	2011	2012	2013
Phone	138,173	135,880	173,596
Online	10,843	11,052	7,426

## Lifelong Customer Campaign

AMOREPACIFIC values each and every customer, and this is reflected in the Lifelong Customer Campaign. Efforts are made to build strong relationships with our customers including suggesting products and benefits based on the customers' prior purchases.

In 2013, we expanded the channels through which we communicate with our customers in addition to the existing online communication channels by setting up a Facebook account and collaborating with our affiliated com-

panies such as Smart Wallet and credit card companies. In addition, we have extended the diverse benefits to include personal care products and items bought at duty free shops.

Moreover, we are now providing benefits to approximately 3 million overseas customers in 9 countries including China, the U.S., Japan and Singapore.

### Beauty Point Services

AMOREPACIFIC is engaging affiliation marketing to provide more benefits through the beauty point card system.

In order to enhance the convenience of receiving the beauty points, we have launched mileage and beauty point cards and provided opportunities to 1.08 million customers of our affiliated companies to try out our products.

### Operation of the Chinese Prosumer Group 'Suhyedang'

In order to collect VOC overseas to be reflected in product development, we are operating a prosumer group comprised of Chinese citizens in Korea called 'Suhyedang.' In 2013, some 50 members took part in the development of new cleansing foam, anti-aging products and beauty food products, which were scheduled to be launched in China. They not only provided valuable opinions, but also participated in online promotional activities. In addition, the members were given a chance to experience the K-beauty Culture of AMOREPACIFIC by visiting Story Garden and participating in the Pink Ribbon Marathon.



Preference Test of Beauty Food Products by Suhyedang

## Customer Information Protection

AMOREPACIFIC strives to protect the rights of its customers through the customer information protection activities. With an understanding of the importance of securing and protecting customer information, we planned 14 projects to reorganize our security sys-

tem and management scheme in 2013 with an aim to complete them by the first half of 2014. Through these efforts, we have not only fulfilled our legal duties and obligations to protect the personal information of our customers, but also minimize the risks of abuse and leakage of customer information and enhanced the security of our company's confidential information including our know-hows.

Also, we combined the security organizations which had formerly been spread across the personal information protection and corporate information protection units among others, and newly established an information security team to oversee the security of information at home and abroad. As a result, it is now possible for us to make rapid and accurate responses to information security risks in an integrated manner.

### Reinforced Access Restrictions

In order to prevent access to the system containing customer and corporate information by unauthorized individual, we have upgraded the security measures to only allow access to the major systems through our internal network. Also, those wishing to access the system from

the outside must use a personal computer or tablet PC that has been registered and installed with a valid security program. Of particular note, those accessing the customer information database are subject to strict control and monitoring through the DB access restriction and DB encryption systems.

### Tracking of Customer Information Access Records

Every act performed while using the personal information system is tracked and recorded. Also, there is a system in place to immediately detect system access through an abnormal route or from a location different from normal or alarming behaviors such as viewing

information on a large number of customers by an executive, employee or a relevant party. In this case, the individual in question is summoned for questioning. Through these efforts, we can expect to prevent errors and illegal activities in advance, and to make it possible to stop the spread of damages and losses in the event of accidents by tracking the responsible party.

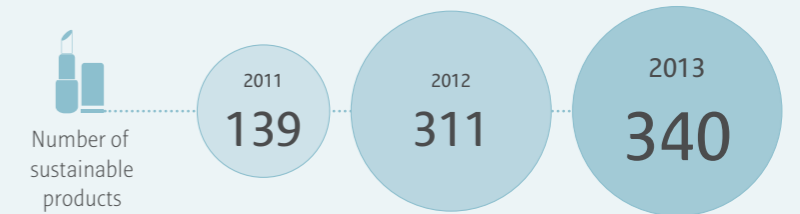
### Reinforced Management of Partners Handling Our Customer Information

AMOREPACIFIC is dedicated to fulfilling the management and supervision duties prescribed by the relevant law. We sign privacy policy agreements with all of our

partners, handling our customer information. In particular, we have frequently been diagnosing the security status of our partners commissioned to handle our customer information on our behalf starting in 2013 in order to ensure that such information is stored in a secure environment.

## Major Performance Results of the Customer

(Unit: products)



Major Performance Results		2011	2012	2013	
Number of patents	Domestic application	266	228	230	CASES
	Domestic registration	117	115	112	CASES
	Overseas application	200	209	210	CASES
	Overseas application	32	51	57	CASES
Number of published papers		57	48	47	CASES
R&D expenditure	Investment costs	73,396	71,483	83,167	mil. KRW
	Ratio of investment costs to sales	3.03	2.51	2.68	%
Ratio of customer complaints resolved		99.1	99.2	98.4	%
Average consultation satisfaction rate <sup>1)</sup>		95.9	93.0	92.8	%

1) The assessment standards for the consultation satisfaction rate were revised in 2012.  
\* The performances are for the domestic programs.

# Green Management

## Response to Climate Change

AMOREPACIFIC built an inventory to engage in companywide efforts to reduce greenhouse gas (GHG) emissions in response to the global climate change. Based on the mid- and long-term GHG reduction plan of the SCM established in 2011, efforts are being made to achieve the target of 30% reduction per unit of sales by 2020 in

comparison to the amount recorded in 2010.

### GHG Reduction Activities in the Production Process

At the Beauty Production Site, various activities were performed as part of the energy saving efforts such as boosting of the efficiency of the heating and cooling systems and air compressor, and application of the waste heat recovery system. Through these efforts,

the GHG emissions were lowered by about 1,149 tons of CO<sub>2</sub> and this resulted in cost savings of about 380 million KRW.

In case of the Mass Cosmetic Production Site, efforts were made to improve the processes and equipment such as the heating and cooling systems, with the highest energy consumption and the air compression system. By doing this, the GHG emissions were lowered by around 333 tons of CO<sub>2</sub> and about 100 million KRW was saved in costs.

<div style="background-color: #76b82a; color: white; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; flex-direction: column; justify-content: center; align-items: center;"> <div style="text-align: center; font-weight: bold; margin-bottom: 5px;">Establishment of the Waste Heat Recovery System</div> <div style="text-align: center; font-size: 0.8em; margin-bottom: 5px;">95.5 tons of CO<sub>2</sub> for GHG emissions are reduced each year</div> <div style="text-align: center; font-size: 0.7em; margin-top: 5px;">Beauty Production Site</div> </div> <p style="text-align: center; font-size: 0.8em; margin-top: 10px;">A waste heat recovery system was established to recover the high-temperature condensate water generated during the production of hot water for reuse. Through this, the temperature of the water supplied to the boiler was increased and energy was saved as a result.</p>	<div style="background-color: #76b82a; color: white; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; flex-direction: column; justify-content: center; align-items: center;"> <div style="text-align: center; font-weight: bold; margin-bottom: 5px;">Establishment of the Real-time Monitoring System</div> <div style="text-align: center; font-size: 0.8em; margin-bottom: 5px;">95.8 tons of CO<sub>2</sub> for GHG emissions are reduced each year</div> <div style="text-align: center; font-size: 0.7em; margin-top: 5px;">Beauty Production Site</div> </div> <p style="text-align: center; font-size: 0.8em; margin-top: 10px;">A monitoring system was installed in the central control center to check the operation of the production site in real time and cut off the utilities when the processes are complete in order to optimize the utility operation time.</p>	<div style="background-color: #76b82a; color: white; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; flex-direction: column; justify-content: center; align-items: center;"> <div style="text-align: center; font-weight: bold; margin-bottom: 5px;">Introduction of the Automated Cleaning System for the Freezer</div> <div style="text-align: center; font-size: 0.8em; margin-bottom: 5px;">42 tons of CO<sub>2</sub> for GHG emissions are reduced each year</div> <div style="text-align: center; font-size: 0.7em; margin-top: 5px;">Mass Cosmetic Production Site</div> </div> <p style="text-align: center; font-size: 0.8em; margin-top: 10px;">In the past, the freezer was cleaned chemically and mechanically once a year in order to prevent inefficiency caused by internal contamination. Now, with the introduction of the automated cleaning system, the operation efficiency has been optimized.</p>
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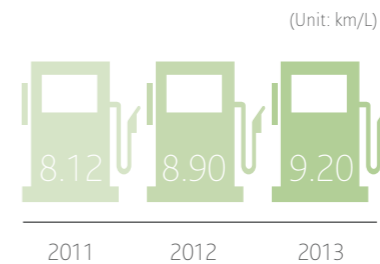
## GHG Reduction Activities in the Transport Process

AMOREPACIFIC is making diverse efforts to implement eco-friendly logistics.

Since 2012, we have been engaging in joint transport with Yuhan Kimberly for the distribution route between Osan and Gimcheon. We share the same vehicle when transporting goods between the Osan and Gimcheon logistics centers of AMOREPACIFIC and between the Gimcheon Factory of Yuhan Kimberly and Seoul Metropolitan Logistics Center. This helps reduce the environmental impact of transport, while reducing the transportation and distribution costs at the same time.

As for GHG emissions from the vehicles, the EMS(Eco-driving Management System) has been installed in the vehicles to collect information on the driving habits of the drivers, based on which Eco scores are given to the drivers, and those with high Eco scores are then provided incentives. As a result, fuel efficiency improved by about 3.4%, while the amount of diesel used decreased by 33,370 L and the GHG emissions were reduced by 87 tons of CO<sub>2</sub> in 2013 compared to 2012.

### Fuel efficiency on average



Also, we reduce power consumption at the logistics centers by increasing the efficiency of the processes and improving the facilities. For instance, the restocking process at the Osan Logistics Center was improved to decrease the average daily work time by 2.3 hours, while the 14 old stacker cranes at the Daejeon Logistics Center were modified to increase the operation efficiency per hour by 37%.

## Water Resources Management

In 2011, AMOREPACIFIC established the water Cross Functional Team (CFT) 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. In 2013, we set the management direction for each of the activities involving water use, and established mid- and long-term roadmaps to reduce water consumption. Through these efforts, we are striving toward our goal of reducing our water use by 30% per unit of output by 2020 compared to 2010.

### Reducing Water Use by Reusing Rainwater

AMOREPACIFIC is trying to reduce the amount of tap water used at the Beauty Production Site by reusing rainwater. A rainwater storage tank with 1,400 ton capacity and a purification treatment facility have been installed. In 2013, the water level of the storage tank was increased in order to enhance the efficiency of rainwater use. Additionally, a rainwater filter was installed to improve the quality of rainwater to be used in the cooling tower. Through this, Beauty Production Site reduced its water consumption by 20,223 tons in 2013.

## Green Management Activities at the Shanghai Production Site

The Shanghai Production Site of AMOREPACIFIC manufactures some of the products of Mamonde and innisfree that are sold in China. In order to reduce the environmental impact of the production processes, efforts are being made to reduce the GHG emissions and raise awareness of employees on site regarding the environmental issues. The new production and research base which is scheduled to be completed by 2014, the construction of which is scheduled to be completed by 2014, will be equipped with an improved environmental management system and be introduced with outstanding environmentally-friendly equipment and facilities.

### GHG Reduction Efforts

In 2013, the energy consumption rate was identified and measures for improvement were derived as part of the effort to reduce the GHG emissions from the production site. The work hours were monitored in real time to optimize the facility, lab and cooling system operation times, and the number of lighting fixtures was reduced in areas with low work load such as raw material storage facility. As a result, the GHG emissions were reduced by 15 tons of CO<sub>2</sub>. These activities and subsequent results were informed to the employees and

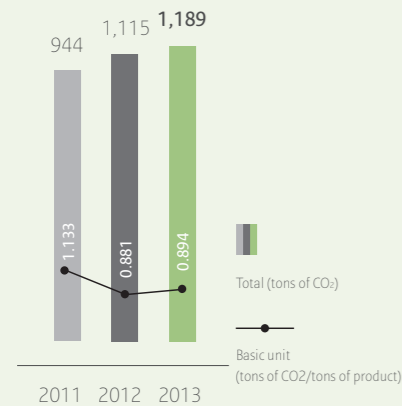
they were encouraged to engage in green practices in and outside of the production site for environmental protection.

### Energy Saving Education for Employees

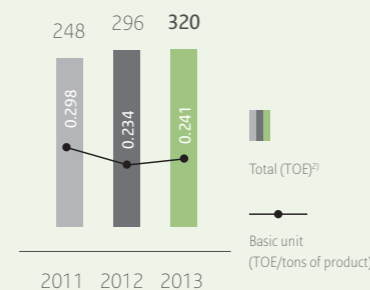
In the first half of 2013, energysaving education was provided to the employees. We informed them that energy can be saved even through the most trivial activities in our daily lives and encouraged them to engage in energy saving practices. In the second half of the year, an energy saving activity organization was formed so that all employees could participate in devising energy saving measures voluntarily.

## Results of Environmental Management of Shanghai Production Site

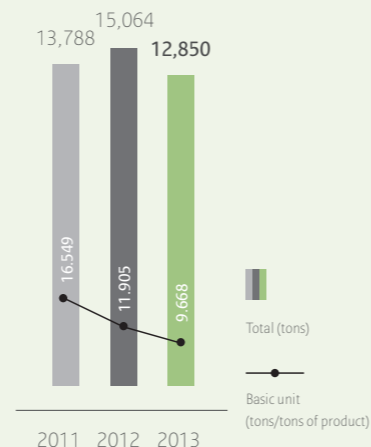
GHG emissions<sup>1)</sup>



Energy consumption



Water consumption



1) Calculation of GHG emissions is based on the standard of the demonstration project of Shanghai GHG emissions trading system at the Shanghai Municipal Development & Reform Commission  
2) TOE: Tonne of oil equivalent

## Sustainable Packages

AMOREPACIFIC is reinforcing the sustainability of packages by developing materials and alternatives as a means to reduce the environment impact. With the goal to reduce the amount of product packaging by 25% by 2020, it is pursuing sustainable packaging material development based on four strategies: Reduce, Recycle, Reuse, and Renewable.

### Recycle: Application of 100% PCR ABS<sup>1)</sup>

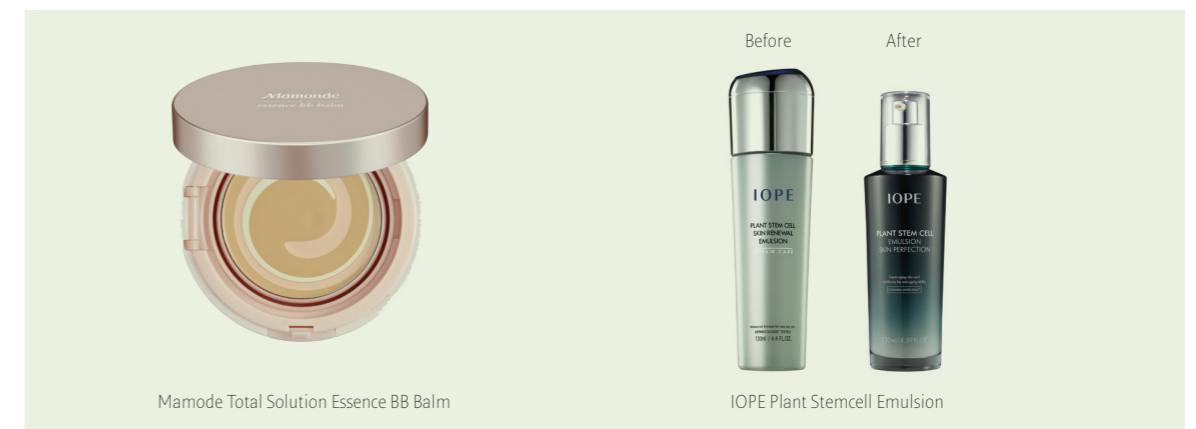
In order to spread the use of recyclable material with the same functionality and durability as the conventional materials yet causes less harm to the en-

vironment, we have discovered a business partner that can provide us with a stable supply of recyclable materials. With our partner, we have developed 100% PCR ABS material, which is more environmentally-friendly compared to the existing ABS material, while at the same time can be applied to compact cases. The quality of the newly developed material was checked through a packaging functionality test and it was subsequently used to make the packaging for Mamode Total Solution Essence BB Balm.

### Reduce: Participation in the Pilot Program to Reduce Package Volume

We signed an agreement to participate in a pilot program to reduce package volumes, which has been initiated by the Ministry of Environment for the purpose of reducing the amount of cosmetics packages that can potentially harm the environment. In accordance with the agreement, we are planning to reduce the packaging volume by more than 10% for more than three of the skin care products by 2014. The efforts to reduce the container volume in 2013 included the simplification of the cap of IOPE Plant Stemcell Emulsion and as a result, the package volume was reduced by 23%.

1) PCR ABS : Post-Consumer Recycled ABS



# Biodiversity Conservation

## Sponsoring the Establishment of the Biodiversity Foundation

AMOREPACIFIC has been taking part in wildlife research and preservation activities in Korea and abroad and also supported the primate research conducted by the research team led by Jae-chun Choe Professor of Eco Science at Ewha Woman's University through the AMOREPACIFIC Foundation. In addition, we sponsored the establishment of the Biodiversity Foundation in order to contribute to the preservation of biodiversity and promote the respect for all living things.

The Biodiversity Foundation was established to conduct research on wild flora and fauna, to disseminate the idea of respecting all living creatures, and to develop and provide technologies necessary for preservation of nature. AMOREPACIFIC became an official sponsor of the foundation's establishment, which was launched through a foundation ceremony in May 2013.

The Biodiversity Foundation established partnership ties with primera, natural cosmetic brand, and has since been conducting a wide range of joint programs. In time for the Month of Earth Environment, employees took part in the 'Roots and Shoots' activities to create beautiful roads and streets, and donated notebooks made with recycled paper to protect the environment. As a result, a total of 1,000 notebooks were donated to the foundation and delivered to the children in Indonesia and the domestic children centers. On the International Day of Peace (observed annually on Tuesday in the third week of September; designated as a day without wars in hopes of world peace), a large dove sculpture was created together with the foundation and was used in the parade taking place on the Ewha Woman's University Campus. primera donated some of the proceeds from its sales, and the funds obtained through the environmental protection campaign primera Friends to the Bio-

diversity Foundation. The fund is to be used toward the foundation's academic research on animals, plants and the environment, and the biodiversity preservation activities.

## Preservation of Traditional Knowledge of Jeju Plants

AMOREPACIFIC has consistently engaged in activities to study and conserve the plants native to Jeju Island and the related traditional knowledge. With the adoption of the Nagoya Protocol for biodiversity preservation and the growing importance of access to genetic resources and sharing of benefits, it has become just as essential to protect intangible assets as protecting tangible assets. AMOREPACIFIC is operating an advisory group on the traditional knowledge of Jeju plants as a means to research and preserve the tangible and intangible traditional knowledge of Jeju plants and the related culture. Traditional plant materi-

als of Halla Mountain and Gotjawal<sup>1)</sup>, which are regarded as a repository of biodiversity, are discovered to examine the intangible heritage of Jeju Island and its people such as their traditions and culture.

The advisory group comprised of 4 members (Professor Gwan-pil Song from the

Jeju Environment Research Institute, Jeju Culture and Tourist Guide Dong-Yul Jwa, as well as Professor Sin-ho Kang and Professor Pyeong-jae Lee from Semyung University) has been gathering regularly every quarter since April 2013 to discuss the culture and lifestyle of the people of Jeju Island that are re-

lated to the native plants for a better understanding. Also, they are conducting research on Jeju plants and striving to contribute to the preservation of the information and knowledge related to the genetic resources that have been disappearing over the years.



Donation to the Biodiversity Foundation

1) Gotjawal, Jeju Island  
A unique forest and terrain found on Jeju Island that is the one and only place in the world containing both the tropical northern limit plants and polar southern limit plants.

Environment

# Green Communication

## Creation of Osan Dullegil

AMOREPACIFIC Beauty Production Site signed a memorandum of understanding (MOU) with Osan-si of Gyeonggi-do Province for a local community development project including the creation of Dullegil bridging the production site with the Mulhyanggi Arboretum. The existing 1.5 km hiking trail was improved and 300 m road was newly created as its extension. Also, the AMORE Beauty Herb Center, where plants from which cosmetic ingredients are derived, was created within the Arboretum to raise people's understanding of cosmetic ingredients and to create a pleasant resting area.



Signing of the MOU for Local Community Development

## LIRIKOS' Save the Sea Campaign

LIRIKOS, which initiated the Save the Sea Campaign in 2004, decided to join forces with UNEP Korea in 2011 for afforestation of the oceans, considered the source of life. The campaign aims to prevent desertification of the marine environment caused by various pollutions and wastes and restore a healthy marine ecosystem. In 2013, a group of marine supporters consisting of university students experienced marine plant ecosystem and engaged in promotional activities to raise awareness of the practices that can restore the marine ecosystem.



Marine afforestation activities off the coast of Chuncheongnam-do as part of LIRIKOS' Save the Sea Campaign

## LANEIGE Waterful Sharing Campaign

Since 2010, LANEIGE has been implementing the Waterful Sharing Campaign to provide clean water to children who suffer from unsafe drinking water. After establishing partnership ties with UNICEF in 2013, LANEIGE initiated its activities to improve the living and educational environment for children in Asian countries with water shortages. Some of the proceeds from the sales of the limited edition of the hydration products of LANEIGE were donated toward the UNICEF Wash in School Project, aiming to install drinking water facilities and improve the sanitation of schools in the Asian countries suffering from shortages of clean water.



Agreement signing ceremony between LANEIGE and UNICEF

# innisfree's green story

Under the slogan, 'Natural Benefit from Jeju,' innisfree is delivering the cleanness, purity and beauty of Jeju Island and practicing green lifestyle together with its customers.

## Expansion of the Eco-friendly Product Line

innisfree is using recycled resources for 31 items. It uses the plant byproducts (green tea, tangerine peel, seaweed, and bean peel), which typically become thrown away, to make paper products for the product boxes to reduce pulp consumption and protect forests. Also, it is actively participating in the carbon footprint labeling certification system supervised by the Ministry of Environment. In addition to the two items

in the Green Tea line certified in 2012, four more items in the Apple Juicy line were additionally certified in 2013. Through the certification system, the direct and indirect CO<sub>2</sub> emissions during the life cycle of products are indicated on the container to provide the information necessary for consumers to engage in a more eco-friendly lifestyle.

## Empty Bottle Recycling Campaign for Environmental Conservation

The Empty Bottle Recycling Campaign

began in 2003 and a large number of customers are still taking part in the campaign to this day. Over 56 tons of empty containers have been returned in 2013 alone, and this is equivalent to planting 949 trees.

## Green Christmas, 'You are the Santa' Campaign

innisfree conducted 'You are the Santa' Campaign to bring warmth in the Christmas season. When anyone

## Carbon Footprint Certifications in 2013



Apple Juicy Liquid Foaming Cleanser



Apple Juicy Deep Cleansing Foam



Apple Juicy Cleansing Oil



Apple Juicy Lip & eye remover

posted one's video file showing children's wishes on SNS, innisfree helped to deliver the children's wishes so that the one who posted on SNS could become a special Santa for them. The campaign was designed when the video files are shared and spread more, so as children's wishes are delivered more 500 KRW was donated for every Green Christmas limited edition product was sold, and the proceeds were donated to Save the Children Foundation.

**Sponsoring the Gotjawal Trust of Jeju**

As an invaluable ecosystem on the Jeju Island and the largest evergreen forest in Korea, Gotjawal is regarded as a clean natural heritage that also plays a significant role in improving the underground water of Jeju.

However, its area has been decreasing gradually due to the discriminate development. To prevent further destruction, the Gotjawal Trust of Jeju is striving to purchase the privatized lands to be converted into publicly owned lands as part of the effort to conserve the area and its ecosystem. innisfree donated 100 million KRW to the foundation in January 2013 and took part in protecting the region. The donated amount is enough to purchase about 10,330 m<sup>2</sup> to 16,529 m<sup>2</sup> of the land. innisfree plans to continue making such donations to help converse the invaluable Gotjawal.

**Global CSR, Prevention of Desertification in China 'Million Tree Project'**

The 'Million Tree Project' initiated by 'Roots and Shoots,' a non-governmental organization, is a tree planting campaign aiming to stop the desertification occurring in some of the regions of China. innisfree took part in this project and donated 10,000 trees. In April 2013, the employees and customers of innisfree traveled to the desertification region in Inner Mongolia to create an innisfree forest. This year, 10,000 more trees were bought using the proceeds from the sales of Green Tea Seed Serum and Eco Bazaar and donated for the desertification of China. There are plans to undertake continuous management and conservation activities to ensure that the innisfree forest grows dense with trees.



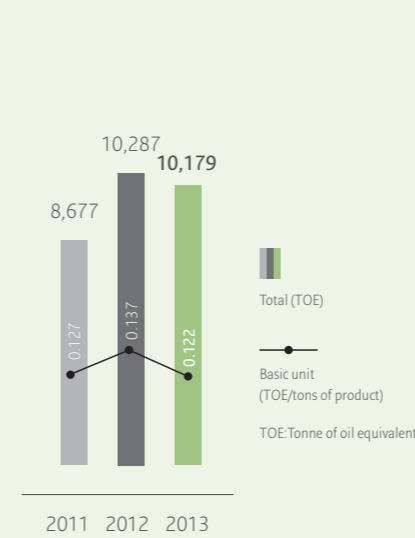
Million Tree Project

**Green Christmas Campaign in China, Green Library Project**

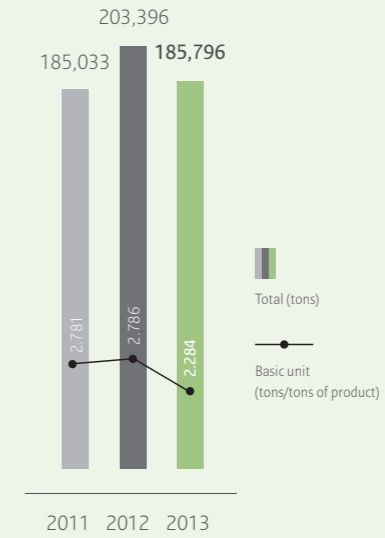
In December 2013, innisfree, together with the Shanghai Song Ching Ling Foundation, built the innisfree Green Library for children in 4 schools Yunnan. The green libraries were established in order to deliver learning materials and other books to children from low socioeconomic classes and create a better educational environment for these kids. In order to share the joy of charity activities with our customers, we donated one book to a green library every time a Christmas limited edition product was sold, and delivered an 'angel certificate' with a drawing made by the kids in Yunnan to the participating customers.

**Major Performance Results in the Environment**

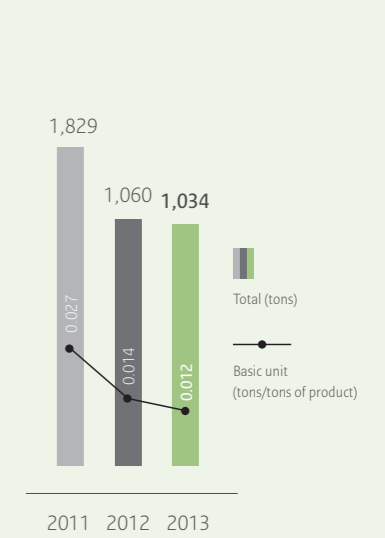
**Energy consumption**



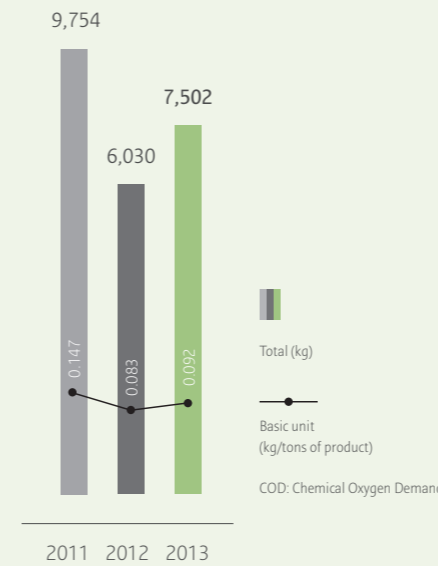
**Wastewater discharge**



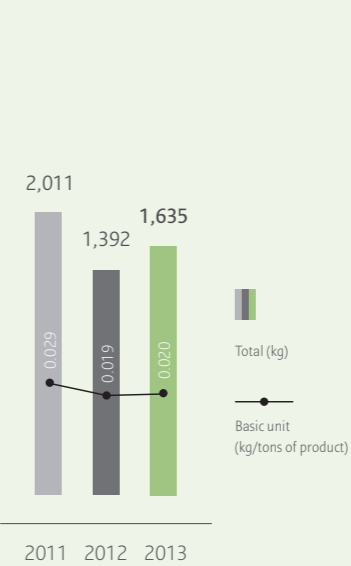
**Landfill waste dispose**



**COD generation**



**Dust discharge**



**Rainwater use in 2013**



**Recycled water in 2013**



The scope of these performance results includes the Beauty, Mass Cosmetic and Sulloc Tea Production Sites in Korea.



# Human Resources Management

AMOREPACIFIC encourages the executives and employees to fulfill their calling to become Asian Beauty Creator, envisioned by the company, by realizing their full potential and enhancing their level of achievements at work.

## Executives and Employees in Korea and Overseas

The number of executives and employees of AMOREPACIFIC in Korea is 4,735 as of December 2013. The male-female ratio is 36:64, with women accounting for a greater percentage of our personnel. The number of female executives and managers is also increasing every year. On the other hand, the number of executives and employees of AMOREPACIFIC overseas is 6,486 in total as of December 2013. Majority of our overseas personnel including the management and general employees are from locals for a more localized personnel management system.

## Diversity among the Executives and Employees and Prevention of Discrimination

AMOREPACIFIC provides equal opportunities to all of its executives and employees according to their competency

and qualifications in accordance with Chapter 4 of the Code of Ethics. Also, fair evaluations and rewards are given based on their job performance, while discrimination based on gender, place of birth, educational background, disability and nationality is strictly forbidden. Moreover, in compliance with the employment policy, collective agreements and the Labor Standards Act, we strictly forbid child and forced labor. In 2013, we made the necessary preparations to establish a standard production site in order to recruit more people with disabilities. As of 2013, 17 people of disabilities and 71 war veterans are employed by our company.

## Channel Booster, a new employee recruitment brand

Channel Booster is a brand for recruiting activities for talents in sales and marketing, reinforced by preliminary verification process, adopting individu-

al fits and preferences. It is a program allowing selection with applicants whose jobs have a close association with our business. It prevents unilateral recruitment and dispatch by the company, while allowing the applicants to explore their aptitude in advance so that they do not feel lost when they begin their work. In order to pursue individual's mutual growth with the company, one's higher satisfaction for the job is considered as one of the important factors and it is affected by one's job fit. The new process, recruiting collectively in various positions, enables individual's job preferences to be applied by offering chances to experience the job before the selection.

## AP Career Market

AMOREPACIFIC is operating a variety of career development programs such as education programs tailored to different job positions, job rotations and job posting to assist the employees in

personal growth and development. Additionally, we introduced the AP Career Market, a career development scheme allowing employees to actively participate and make plans themselves. It is a job rotation system, through which the employees take initiatives in dispatch, that guarantees transparency in job rotations to enhance HR satisfaction. Through this system, our company can secure a broad human resources pool and well-prepared and talented individuals, while the employees can design their career paces more clearly and engage in self-development to meet their own goals. So, in essence, our company and employees are gaining competitiveness together. The AP Career Market is serving as the basis for our human resources system, which creates outstanding results for our organization.

## Fair and Consistent Performance Management System

Under the performance based HR sys-

tem, we are further reinforcing the performance management system to motivate the executives and employees to realize their full potential and exert their maximum capabilities by giving fair evaluations and rewards.

In order to achieve fairness in our performance management system, we introduced a performance management maturity index to monitor from the aspect of objectivity, fairness, acceptability and transparency, and we proceeded with regular training and communication at the same time. Moreover, the evaluators gathered together to discuss the job performance of the evaluatees in order to prevent evaluation errors and heighten fairness and acceptability of the results. Also, in pace with the rapid global business expansion, we are establishing a global performance management system to ensure that all the executives and employees of AMOREPACIFIC in Korea and abroad are evaluated and rewarded based on their efforts and achievements under the same criteria.



Channel Booster interns in the first and second halves of the year

# Human Resources Development

AMOREPACIFIC is committed to nurturing globally talented Asian Beauty Creators, who are creative and challenging, based on the HR development system of the AMOREPACIFIC WAY.

## Vision Passing on the Management Philosophy and Value to All the Employees

AMOREPACIFIC has established a code of conduct for each of the sub-organizations and designed an internalization program to ensure that the core values pursued by the company are made aware to all the employees. It is the employees who can create sound and unwavering corporate culture and design a great future for our company. We desire to become a 'Great Global Brand Company' by reinforcing the global competence of our employees and pursuing brand innovation from the perspective of our customers, and as part of the effort, we are supporting the personal growth and development of our employees.

## Innovation Innovation Education Program

In order to nurture experts in the main fields of our group's focus, AMOREPACIFIC established an education and training system through which employees can choose a program they desire in order to enhance their job competency. The members of our organization with crucial knowledge are appointed as in-house instructors to pass on their knowledge to others. Also, in order to nurturing track in order to foster sales and marketing experts, we are operating a marketing expert to establish and disseminate our sales and service philosophies, concentrate on strengthening the basic skills, and promote innovative products.

On top of that, we operate diverse education and training programs so that the beauty partners working on the frontline can take pride in themselves as Asian Beauty Creators and hone their

skills and competency. AMOREPACIFIC Beauty University(ABU) is an in-house school providing education in reflection of the characteristics of each of the distribution channels aimed at improving the vocational skills and job competency to an appropriate level. Also, various qualification tests are conducted to reinforce the beauty partners' knowledge and capabilities with respect to beauty, sales and service.

## Global Global Competency Reinforcement Program

AMOREPACIFIC has been committed to recruiting and nurturing talented individuals who can lead the global business arena through the Hyecho Project, initiated in 2011. The project aims to develop global talent who can shine on the global stage by instilling in them the spirit of tackling new challenges reminiscent of Hyecho, Korea's first frontier to go abroad and

record the journey to five countries of India(Wangocheonchukgukjeon). As of 2013, the cumulative number of employees dispatched overseas is 186. efforts were made to prepare the talented individuals for the global stage such as inviting excellent overseas employees to work at the headquarters in Korea, providing a technical expert program for training in advanced overseas technologies, and overseas internship program for employees with great potential.

The participants of the program are largely divided into regional experts and field experts. A system to support the employees dispatched overseas was established to provide specialized education according to the job duties, teach global business manners and foreign languages, build an intercultural understanding and facilitate early adjustment to the new environment to their families. In addition, in order to meet the request to increase the support personnel for the global business, we are concentrating our support toward educating and training candidates for overseas dispatch, and conducting in-house Chinese proficiency tests to encourage everyone to learn foreign languages. Additionally, a system was established and is in operation to pass on the values of AMOREPACIFIC to the overseas subsidiaries, and a global beauty system was set in place to provide education and training to our overseas beauty partners.

## Leadership Fostering Talented Leaders of the Future through Leadership Training

Based on a leadership model unique to our company, we implement a structured leadership pipeline model consisting of training of the essential leadership skills required in each of the job positions. With recognition of the changes in the role of the leaders within an organization and establishment of a new value system, we present the roles and necessary skills for each of the job positions so that all the leaders can be equipped with the essential capabilities in advance with an aim to build a strong pool of talented individuals and to ensure seamless operation.

In addition, new recruits take part in the structured on-the-job training (SOJT)

program for 10 weeks to acquire the skills for their assigned jobs early on. At the same time, in order to induce practical and dynamic personal development among our personnel, we introduced a new learning management system that mitigated the problem identified in the mandatory learning point acquisition system. The new learning management system promotes self-motivated learning and enhances learning efficiency by allowing individuals to personally determine the programs that they wish to take part in instead of making the programs obligatory. Through this shift in the paradigm from obligated learning to self-motivated learning, we hope that each of the individuals becomes self-driven and absorbed in the education and training programs to make greater achievements.



Hyecho House

Employees and Business Partners

# Great Work Place

AMOREPACIFIC strives to create a great work place by developing a harmonious and smart working environment where there is no gender discrimination.

## Creative Work Style, Smart Work

AMOREPACIFIC is implementing the Smart Work system to create an envi-

ronment where the employees can be creative in their work. In 2013, spatial changes were made to bring forth innovation in the ways we work. A program for the management was set in

place in order to provide the necessary support to ensure that the concept of Smart Work can internalized.

### Diverse Communication Spaces

In order to increase the frequency of official and non-official meetings and non-scheduled encounters, we have designed communication spaces such as AP Cloud and Interactive Hug on each of the floors.



### Big Think Time

Big Think Time is in operation to allow individuals to think about and contemplate on the vision and the essence of the business among other matters without any interruptions.



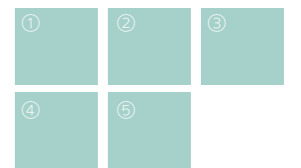
### Flexible Seating System

The Flexible Seating System implemented for our sales and marketing personnel was introduced to turn offices into sales locations to allow them to engage in sales activities closer to the customers.



### Eliminating Unnecessary Work

By discovering and eliminating unnecessary work that is only performed to follow the conventional practices with respect to costs, environment, etc., we were able to save 3.6 billion KRW, eliminate 417 types of unnecessary tasks and 10 tons of unnecessary documents.



- ① AP Cloud : Lounge
- ② AP Cloud : Library
- ③ AP Cloud : Biz.Center
- ④ Flexible Seats
- ⑤ Interactive Hub

## Win-Win Relationship between Labor & Management

AMOREPACIFIC is proud for no conflicts or disputes between labors and managements for the past 22 years. The numbers of employees in the labor union were 2,372, 50.7% of all employees. Joining Labor unions depends on individual own will by registering or leaving at any time. A group agreement is signed once every 2 year, and the provisions stipulated in the agreement applies to all the employees. The Labor-management committee operates at each of the production sites. At the meeting held every quarter, the members of the committee consult on the matters related to welfare promotion, resolution of difficulties, safety and health, and improvement of the working environment in order to ensure that everyone's work and life balances. Also, the management and the union leaders meet on a regular basis for bilateral communication, and participate in meetings held with employees of the production sites to obtain and take heed of the opinions of the on-site leaders.

## Monitoring of Labor Regulations and Human Rights Education

AMOREPACIFIC strictly adheres to the laws and regulations on labor practices such as maternity protection, prohibi-

tion of child labor, and forced labor. Their compliances are monitored by each of the relevant departments at in good faith. Also, educations to prevent sexual harassment in the work place are consistently provided as a mandatory e-learning program. The department store and production line workers were trained through videos and printed materials provided.

## Safety and Health of Executives and Employees

### Safety and Health Management System Certification

AMOREPACIFIC strives to ensure the safe work place for all employees. 'Beauty Production Site' and 'Mass Cosmetic Production Site' had acquired the safety and health management system certification (K-OHSMS 18001) from the Korean Standards Association. The production sites are continuously improving their safety and health management standards to prevent any accidents in advance. The sub-committee and a working-level committee for SCM Safety Environment work to reinforce the safety management throughout the company, performing inspections and monitoring.

### Regular Health Examinations and Smoking Cessation Clinic

AMOREPACIFIC commits to promot-

ing the health of all employees and ensuring healthy, disease-free lives. The effort of the company expands the healthcare programs for individual personnel. Discounted vaccinations for hepatitis A and cervical cancer applied to all employees and expanded to one's families and employees at partner companies.

### 'Love Your Body' Program and Low-Sodium Meals

In order to promote the importance of taking care of one's health, AMOREPACIFIC conducted special lectures through the 'Love Your Body' Program under the themes of abdominal fat food and exercise through the in-person and online lectures, a total of 310 participated. Also, health columns and in-house announcements were provided under themes of skin cares in winter, and danger awareness of smoking and drinking.

In order to help everyone incorporate healthy habits, 'health & diet' meals, low in sodium and calories, and salads made with fresh ingredients are provided.

## Communication with Executives and Employees

### Evergreen Board

Based on the principles of communication, field-oriented, encouragement and acknowledgement, AMOREPACIFIC is making an active effort to create a physically and emotionally pleasant environment at the work place. Evergreen Board is a communication forum where the diverse opinions of our employees are obtained to be reflected in our management activities. The young employees who have been with the company for 3 to 5 years joined CEO Suh on a hike to freely voice their opinions and discuss their difficulties and problems as a means to seek solutions together.

### Happy Plus

'Happy Plus' program is to support all employees working joyfully and using their creativity. In 2013, the lectures on humanities and the graphic noble lecture were offered. Also, the Thank You Card Campaign was initiated for the purpose of building stronger ties and solidarity among them. The Beautiful AMOREPACIFIC Member Award given to those who demonstrated superb performance as well as the Outstanding Contact Point Service Award are presented. These awards encourage a corporate culture for appreciating one's achievements.

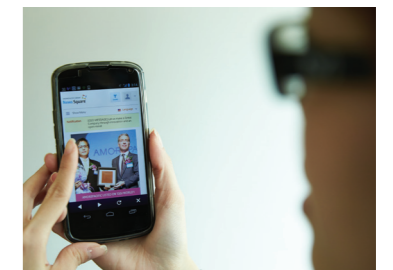
### Online Community, 'AP IN'

AMOREPACIFIC IN (AP 人) is an on-line community where people can propose and share ideas. In the community site, everyone is welcome to suggest ideas regarding any matters related to the company including customer services, products, working environment and employee welfare and benefits. The ideas obtained through this channel are reflected in development of innovative products, effective sales activities and improvement of diverse systems and policies. Moreover, AP IN is used as a place for communication and information exchange among all employees. Through this platform, we provide the latest information on our businesses and a wide range of quality contents from our affiliates to promote the job competency of the participants. The members of AMOREPACIFIC are sparing no efforts to create a great work place themselves through AP IN, a horizontal communication platform allowing diverse thoughts and information to be shared.

### Diverse Communication Channels for Domestic and Foreign Executives and Employees

AMOREPACIFIC is operating multiple in-house communication channels to promote communication at the work place. 'News Square', on-line magazine, provides contents in Korean,

English and Chinese to ensure that the members of AMOREPACIFIC around the world receive the information related to the company and be passed on the values we pursue. The members of AMOREPACIFIC themselves participate in the creation of the contents by serving as columnists and sharing their talent and knowledge. This communication channel can be accessed from anywhere around the world via the Internet using any mobile devices. Furthermore, we have an audio program called Radio Star and publish a quarterly communication magazine called 'Asian Beauty Creator' so that all employees and stakeholders can interact with each other regardless of location, affiliation, and job position.



## Mutual Growth with Suppliers

AMOREPACIFIC deploys strategy for mutual growth with partners in 3 directions, ‘implementing fair trading culture’, ‘communication and participation’, and ‘reinforcing cooperation and supports’.

### 3 Directions for Mutual Growth

AMOREPACIFIC is engaging in activities for mutual growth with its partners. First, we maintain our relationships with suppliers that comply with the principles of fair trade based on reasonable procedures and standards. In order to propagate the fair trade culture to the primary and secondary suppliers, we are establishing and implementing a wide range of support policies and strategies. Second, for communication with and participation of our partners, we engage in continuous communication to ensure that their voices are heard and reflected in our purchasing policies. Third, we provide practical and effective assistance to help nurture their corporate ecosystem and enhance their technical capacity.

### Implementing Fair Trading Culture

### Introduction of the Standard Subcontracting Agreement and the Corporate Ethics Program, ‘With’

AMOREPACIFIC introduced the four major guidelines recommended by the Fair Trade Commission (selection and management of suppliers, signing of agreements, issuance and retention in writing, and operation of an internal review committee for subcontracted work) as our standard work process, based on which we signed the standard subcontracting agreements with our suppliers. Also, we are operating a corporate ethics introduction support program called ‘With’ to support our suppliers to comply with the corporate ethical code and fair trade observances.

### Mutual Cooperation Index

In order to estimate the degree of mutual cooperation and growth with our suppliers, we developed a mutual cooperation index in 2012 to examine

whether our suppliers are complying with the fair trade guidelines and the level of cooperation and support. In 2013, the current status of the cooperative relationships with our suppliers was inspected based on the mutual cooperation index. This was part of our efforts to ensure that all the members in the value chain help one another and to gain sustainable global competitiveness.

### Soundness of the Corporate Ecosystem Obtained through Sustainability Assessment of suppliers

AMOREPACIFIC established sustainability guidelines for its suppliers to reinforce the sustainability of the corporate ecosystem in 2011, and set forth the criteria and standards for sustainability assessment in 2012. The sustainability assessment of our suppliers is largely divided into four fields: environment, safety and health, labor and human rights, and corporate ethics. The key

matters that must be complied with by our suppliers were selected as ‘Musts’ as a means to enhance the soundness of our corporate ecosystem. Accordingly, in 2013, sustainability assessment was conducted on our suppliers, and for those who were deemed to be below standard in some of the areas, we plan on providing the necessary assistance to raise them above the standard by the next assessment period.

### Communication and Participation

#### Maintaining a Communication Channel with suppliers

The Partners Committee comprised of 5 sub-committees focusing on raw materials, packaging materials, ODM, production and logistics has been in operation since 2010 to obtain opinions from our suppliers that can be reflected in the implementation strategy to maintain stronger relationships.

At the General Assembly for Mutual Growth held in February 2013, the long-term visions of AMOREPACIFIC were announced in the presence of the representatives of 67 suppliers. In November, we held a win-win practice seminar under the slogan "Together, We Can" and obtained feedback from the representatives of 69 suppliers companies as part of our effort to create a stronger bond. In addition, regular meetings have been held by each of the sub-committees to provide essential information to the suppliers such as the amended law on cosmetics and to promote communication and participation for the purpose of establishing and maintaining strong relationships.

#### Formation of Secondary suppliers Committee

In 2013, AMOREPACIFIC expanded the scope of its meeting activities to include not only the primary suppliers but also the secondary suppliers by establishing

the Secondary Partners Committee. The committee is convened every quarter to obtain feedback from those working in the field and to eliminate any unreasonable practices. Various activities are being undertaken to gradually expand our cooperation and support to our secondary partners.

#### Operation of a Win-Win Cooperation Portal

AMOREPACIFIC is using a win-win cooperation portal to provide information on diverse events and education programs to the suppliers, and a cyber-arena is in operation to listen to the voices of our suppliers who are facing difficulties and hardship for bilateral communication. Also, a guidance reflecting the four major guidelines related to fair trade is posted on the website to provide a clear explanation of the supplier policy of AMOREPACIFIC.

### Reinforcing Cooperation and Supports

#### Expanded Scope of Financial Assistance

In 2012, we increased our win-win co-operation fund to 20 billion KRW and expanded the eligibility criteria for the financial support to include not only the packaging suppliers but to the secondary suppliers who play an important role in our value chain. Accordingly, additional funding of 4.8 billion KRW was provided to our suppliers, who invested the money to revamp their production, quality and technology infrastructures. Also, various conditions were fine-tuned to facilitate the cash flow of the suppliers such as decreasing the payment settlement period to less than 10 days and setting the payment of 17.5 billion KRW in advance before Chuseok arrives.

#### Outstanding Partner Awards

AMOREPACIFIC evaluates its suppliers on a regular basis based on their performance and capacity and based on the results of the evaluation, outstanding suppliers are selected for total prize

money of 250 million KRW and their employees are provided with a special change to receive overseas training. We will continue our efforts to help to boost our suppliers' capacity and capabilities based on the guidance regarding the 6 major capacities required of our suppliers: excellent technology, quality, supply, unit price, reliability and sustainability. The fair evaluation and reward system motivates our suppliers to fortify their competitiveness.

#### Passing on the Knowledge of Automated Technology to Boost the Production Technology Capacity

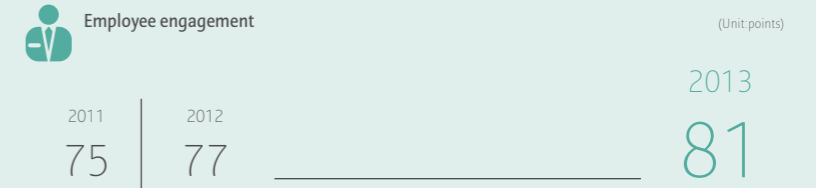
The employees of 25 suppliers were invited to the production sites of our company on two occasions in June and July 2013 to learn about the technologies used in our automated systems. Of particular note, they were given a chance to learn about the operating principles of simple automated facilities which could easily be applied by their companies and the application cases. Moreover, we have provided our suppliers with our unique automated technology by allowing field visits and inspections and providing technical

data and information.

#### Assisted Payment of the Joint Patent Costs to Support Technological Development

We provide financial assistance for the costs incurring from the registration of joint patents as well as technical advice and information on the relevant procedures. Also, we license our patents and provide the right to use our patents free-of-charge for outstanding suppliers in order to assist them in developing their technical competency.

### Major Performance Results of Employees and Business Partners



Major Performance Results	2011	2012	2013	
Education & training hours per person	100.8	105.6	75.4 hours	
Education & training costs per person <sup>1)</sup>	1.7	1.6	1.3mil. KRW	
Percentage of women in the management	17.0	18.0	18.1 %	
Percentage of employees in the labor union	51.2	50.6	50.7 %	
Accident rate	Accident	0.00	0.11	0.04 %
	Accident frequency rate	0.00	0.52	0.02 %
Number of trainees in the Consortium Education Program (Suppliers)	1,725 persons			

<sup>1)</sup> Education & training costs per person: incl. domestic programs only  
 \* The performances are for the domestic programs.

Social Contribution

# Social Contribution Strategies

AMOREPACIFIC is implementing strategic social contribution activities to change the world and create value for society under the slogan, 'MAKE UP YOUR LIFE'

AMOREPACIFIC has undertaken a mission to 'create healthy beauty for women and their families as a responsible corporate citizen.' In order to fulfill our

mission, we are implementing social contribution activities in three major areas under the slogan, 'MAKE UP YOUR LIFE' In addition, we are operating non-

profit foundation for promoting public interests and striving to fulfill our corporate social responsibility by sharing and making social contributions.

MAKE UP YOUR LIFE by AMOREPACIFIC			
Project areas	Health	Growth	Self-reliance
	Support women to become physically and emotionally healthy based on our principle of 'Beauty & Health'	Promote balanced growth of mankind, nature and companies	Support women to become financially self-reliant
Key projects	Make up your life campaign Pink ribbon campaign	GREENCYCLE	Heemang store
Implementing foundation	Korea Breast Cancer Foundation	AMOREPACIFIC Foundation	AMOREPACIFIC Welfare Foundation
Other projects	Mise-en-scène Short Film Festival (MSFF), Sulwha Culture Exhibition, Cultural Heritage Caring Services, LANEIGE Waterful Sharing Campaign, Asia women Eco-science Forum, Beautiful Life		

# Make up your life Campaign

AMOREPACIFIC's Make up your life Campaign is a social contribution program conducted to present 'beauty,' the core value of our company, in order to instill confidence in women and cultivate their inner beauty for improved quality of life. Through the campaign, we pass on our makeup and skin care know-hows to female cancer patients, who are distressed by the changes in

their appearance resulting from the anti-cancer treatments, in order to restore self-confidence and eliminate the feeling of loss. In 2013, it was conducted in 36 hospitals in 5 cities nationwide with some 1,000 participants. We've also been offering the same services at the homes of patients, who find it difficult to visit the hospitals, for the past 4 years. A

number of hospitals nationwide are actively participating in this program as our partners. Those who provide the makeup services to the patients are the makeup experts dispatched from our company. In 2013, 540 Amore counselors participated in the program as volunteers.



Make up your life campaign

Social Contribution

# Pink ribbon Campaign

The Pink ribbon campaign conducted for the purpose of promoting the prevention of breast cancers that the Pink Ribbon Campaign, a worldwide representative campaign that promotes the prevention of breast cancers for women, is conducted in Korea by AMOREPACIFIC as one of social contribution activities. Through this campaign and the related activities, AMOREPACIFIC aims to educate people on the importance of breast health and breast cancer prevention.

We established a non-profit organization called the Korea Breast Cancer Foundation to help women lead healthier lives, and are actively encouraging relevant organizations and institutions as well as other companies to

join us in the campaign efforts. Every year, we hold the Pink tour, a health examination program aiming to raise public awareness of the importance of early diagnosis and prevention of breast cancer, and Pink generation, an event where the general public is invited to serve as the ambassadors of our campaign. In 2013, we recruited 202 Pink generation ambassadors for online activities to promote self-diagnosis methods and make the contents go viral. Moreover, experts were invited to share their talent and knowledge to inform people how early diagnosis and prevention are essential.

In addition, the Pink ribbon love marathon, one of the representative events of the campaign, was held in 5 cities

in Korea in order to improve people's understanding of the significance of breast health and regular mammograms under the slogan 'My Beautiful Breasts 333'<sup>1)</sup>. It became a celebration of women and their strength, and people came with their entire families. About 23,000 people participated in the marathon, each donating 10,000 KRW as a participation fee. The proceeds were donated to the Korea Breast Cancer Foundation to be used toward its breast cancer prevention and treatment efforts.

1) 'My Beautiful Breasts 333' is a message reminding women to raise three fingers and draw three circles on the third day after the end of their monthly menstrual period.



Pink Generation

# Employees' Sharing Activities

AMOREPACIFIC conducts employees' sharing activities where the employees can experience and disseminate the value of sharing and exert a positive influence on society as a whole.

The sharing activities include the Beautiful sharing activities, Beautiful Saturday (donation of goods), the Donation of a fraction of employees' salary (monetary donation), Matching gift, and Cultural heritage caring services (protection of cultural heritage). These activities in principle require that the employees participate voluntarily. In addition to

providing simple labor services, they are also sharing their talent and knowledge wherever they are wanted and needed. Meanwhile, there is a department that provides all the support necessary for the employees to voluntarily join these programs. There is a sharing mileage certification system where rewards are given according to the frequency of participation in these sharing activities, and there is a matching gift system through which the company matches the amount of donations made by the employees. Also, a thematic sharing

activity program was introduced to choose a unique monthly theme of the sharing activities every month for more fun and excitement.

In 2013, about 3,500 employees took part in the social contribution programs and the average volunteer hours per person increased from last year to about 7 hours. Furthermore, we donated our company's personal care, makeup and green tea products to over 1,000 facilities.



Beautiful Saturday (donation of goods)



# Operation of Public Welfare Foundation

In addition to the social contribution activities, AMOREPACIFIC operates three foundations for public interest: AMOREPACIFIC Foundation, Korea Breast Cancer Foundation, and AMOREPACIFIC Welfare Foundation. Each of the foundations undertakes academic and cultural research projects and social contribution activities for betterment of women's health and welfare.

## AMOREPACIFIC Foundation

The AMOREPACIFIC Foundation is acquiring knowledge and information necessary to create a more beautiful world by supporting comprehensive research integrating science, arts, everyday life and academics based on the keywords of 'Beauty of Asia' and 'Women and Culture.' It publishes 'Woman and Culture' and conducts a refinement lecture program called, 'Mi (Beauty)' through which the outcomes of its activities are presented. Also, it is contributing to the discovery of researchers

and creation of an outstanding research environment. Moreover, it has support 16 research projects including the long-term projects such as the 'Study of Historical Records on Korean Women's Lifestyle,' 'Study of Literature on Tea,' and Korea's first 'Primate Research Project.' The foundation provided about 500 million KRW per year for various activities including holding lectures for the public and creating and distributing online contents to communicate the research outcomes to the public.

## Korea Breast Cancer Foundation

The Korea Breast Cancer Foundation is involved in multiple projects related to breast cancer such as the Pink ribbon campaign, lecture on health and breast cancer, financial assistance for low-income women with breast cancer and financial assistance for academic research. In 2013, it executed a budget of 1.1 billion KRW for the Pink tour consisting of 145 lectures, financial assistance for 107 breast cancer patients

in low-income families.

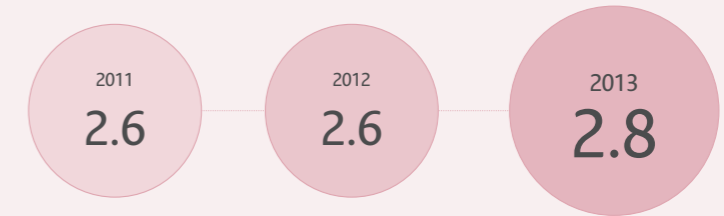
## AMOREPACIFIC Welfare Foundation

The AMOREPACIFIC Welfare Foundation is operating projects to promote the welfare of women from the low-income classes. In 2013, it implemented a project to improve the environment of facilities for women, through which the bathrooms in 5 facilities were maintained and repaired and a rest area and education center for women were installed in 7 facilities. Moreover, in order to promote cultural diversity in Korean society, it supported the cultural contents activities in 19 communities with a high population of non-Korean women. Also, it produced photo essay albums of foreign women and their families to be sent to the women's families in their native countries. In 2013 alone, a budget of 500 million KRW was executed to help improve the welfare of women in marginalized classes including minority women.

## Major Performance Results of Social Contribution

Social contribution activities expenditures (ratio compared to pre-tax profits)

(Unit: %)



Major performance results		2011	2012	2013
Social contribution activities expenditures	Amount of expenditures	11,068	9,330	10,013 mil. KRW
	Ratio compared to sales	0.4	0.3	0.3 %
Pink ribbon Campaign	Number of marathon participants	24,827	24,470	23,852 persons
	Number of health lecture participants	31,227	31,150	25,193 persons
	Financial assistance for surgery and treatment	249	258	319 mil. KRW
Sharing activities for employees	Number of participants	2,951	3,932	3,516 persons
	Average volunteer hours	6.2	6.4	7.0 hours
Public welfare foundation expenditures	AMOREPACIFIC Welfare Foundation	468	420	530 mil. KRW
	AMOREPACIFIC Foundation	444	590	526 mil. KRW
	Korea Breast Cancer Foundation	1,915	980	1,110 mil. KRW

\* The value of donated goods in 2012 was re-estimated based on their actual prices.

\*\* The performances are for the domestic programs.

# Consolidated Statements of Financial Position

End of 2013: As of Dec. 31, 2013

End of 2012: As of Dec. 31, 2012

(Unit: million KRW)

	AMOREPACIFIC Corporation	
	2013	2012
<b>Assets</b>		
<b>Current assets</b>	<b>967,574</b>	<b>804,189</b>
Cash and cash equivalents	294,012	170,707
Bank deposits	140,193	142,499
Trade receivables	197,428	170,180
Other receivables	25,859	20,076
Other current assets	27,322	33,294
Inventories	282,761	267,433
<b>Non-current assets held for sale</b>	<b>-</b>	<b>-</b>
<b>Non-current assets</b>	<b>2,434,275</b>	<b>2,222,004</b>
Bank deposits	6,699	5,158
Other receivables	105,797	82,383
Available-for-sale financial assets	7,015	6,243
Property, plant and equipment	1,936,044	1,766,807
Investment Property	201,632	203,232
Intangible assets	132,572	121,208
Investments in associates	7,886	5,093
Deferred income tax assets	36,606	31,870
Other non-current assets	26	10
<b>Total assets</b>	<b>3,401,849</b>	<b>3,026,193</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>542,699</b>	<b>417,240</b>
Trade payables	115,350	100,405
Borrowings	82,397	22,553
Other payables	182,668	150,721
Current income tax liabilities	55,624	41,517
Deferred revenue	38,657	42,144
Provisions for other liabilities	3,622	6,702
Other current liabilities	64,382	53,198
Current liabilities held for sale	-	-
<b>Non-current liabilities</b>	<b>291,018</b>	<b>265,165</b>
Borrowings	68,992	42,850
Retirement benefit obligations	44,274	47,542
Deferred income tax liabilities	158,099	149,703
Other non-current liabilities	19,655	25,070
<b>Total liabilities</b>	<b>833,717</b>	<b>682,406</b>
<b>Equity attributable to owners of the Parent</b>		
Capital stock	34,508	34,508
Additional paid-in capital	712,702	712,702
Capital surplus	7,770	7,761
Other components of equity	-1,810	-1,810
Accumulated other comprehensive income	-14,021	-12,011
Retained earnings	1,815,257	1,592,449
Non-controlling interests	13,725	10,188
<b>Total equity</b>	<b>2,568,132</b>	<b>2,343,787</b>
<b>Total liabilities and equity</b>	<b>3,401,849</b>	<b>3,026,193</b>

	AMOREPACIFIC GROUP	
	2013	2012
<b>Assets</b>		
<b>Current assets</b>	<b>1,552,258</b>	<b>1,378,649</b>
Cash and cash equivalents	364,548	227,459
Bank deposits	529,193	535,799
Trade receivables	243,296	221,531
Other receivables	7,391	9,183
Other current assets	39,512	48,389
Inventories	342,133	333,989
<b>Non-current assets held for sale</b>	<b>26,185</b>	<b>2,299</b>
<b>Non-current assets</b>	<b>3,369,598</b>	<b>3,137,305</b>
Bank deposits	7,525	5,603
Other receivables	135,208	109,713
Available-for-sale financial assets	30,987	32,372
Property, plant and equipment	2,288,369	2,102,570
Investment Property	201,632	203,232
Intangible assets	650,753	636,794
Investments in associates	11,618	8,911
Deferred income tax assets	43,473	38,093
Other non-current assets	33	18
<b>Total assets</b>	<b>4,921,856</b>	<b>4,515,955</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>644,292</b>	<b>528,704</b>
Trade payables	110,831	116,411
Borrowings	84,237	24,812
Other payables	221,750	202,861
Current income tax liabilities	76,518	56,592
Deferred revenue	48,037	48,855
Provisions for other liabilities	7,518	11,734
Other current liabilities	84,485	67,439
Current liabilities held for sale	10,914	-
<b>Non-current liabilities</b>	<b>368,618</b>	<b>353,038</b>
Borrowings	68,992	51,750
Retirement benefit obligations	54,029	58,112
Deferred income tax liabilities	221,350	213,543
Other non-current liabilities	24,247	29,633
<b>Total liabilities</b>	<b>1,012,909</b>	<b>881,742</b>
<b>Equity attributable to owners of the Parent</b>		
Capital stock	44,451	44,451
Additional paid-in capital	673,017	673,096
Capital surplus	22,622	7,385
Other components of equity	-140,830	-134,507
Accumulated other comprehensive income	-7,323	-2,479
Retained earnings	1,533,662	1,390,507
Non-controlling interests	1,783,348	1,655,760
<b>Total equity</b>	<b>3,908,947</b>	<b>3,634,213</b>
<b>Total liabilities and equity</b>	<b>4,921,856</b>	<b>4,515,955</b>

# Consolidated Statements of Comprehensive Income

Years Ended December 31,

2013 and 2012

(Unit: million KRW, except per share amounts)

	AMOREPACIFIC Corporation		AMOREPACIFIC GROUP	
	2013	2012	2013	2012
<b>Sales</b>	<b>3,100,413</b>	<b>2,849,462</b>	<b>3,895,391</b>	<b>3,431,733</b>
<b>Cost of sales</b>	<b>911,807</b>	<b>847,204</b>	<b>1,199,461</b>	<b>1,013,893</b>
<b>Gross profit</b>	<b>2,188,607</b>	<b>2,002,258</b>	<b>2,695,930</b>	<b>2,417,840</b>
Selling and administrative expenses	1,818,769	1,636,920	2,226,179	1,967,424
<b>Operating profit</b>	<b>369,838</b>	<b>365,339</b>	<b>469,751</b>	<b>450,416</b>
Finance income	11,345	12,208	25,974	29,446
Finance costs	2,664	2,125	3,325	2,298
Other non-operating gains (losses)-net	-18,149	-15,379	-14,837	-9,774
Share of profit of associates	3,156	1,675	4,330	2,921
<b>Profit before income tax</b>	<b>363,526</b>	<b>361,718</b>	<b>481,892</b>	<b>470,711</b>
Income tax expense	96,167	92,460	126,887	124,003
<b>Profit for the year</b>	<b>267,359</b>	<b>269,258</b>	<b>355,005</b>	<b>346,709</b>
Profit attributable to:				
Owners of the Parent	267,975	270,430	163,011	154,828
Non-controlling interests	-616	-1,172	191,993	191,881
<b>Other comprehensive income</b>	<b>-2,565</b>	<b>-20,748</b>	<b>-7,477</b>	<b>-24,015</b>
Actuarial loss on post-employment benefit obligations	-264	-10,545	-1,330	-13,603
Change in value of available-for-sale financial assets	-87	-1,892	-3,883	785
Share of other comprehensive income of associates	-286	-151	-286	-2,447
Loss on currency translation of foreign operations - net	-1,927	-8,160	-1,978	-8,750
<b>Total comprehensive income for the year</b>	<b>264,794</b>	<b>248,509</b>	<b>347,528</b>	<b>322,694</b>
Attributable to:				
Owners of the Parent Company	265,687	250,341	157,066	144,705
Non-controlling interests	-892	-1,832	190,462	177,989
Earnings per share (Unit: KRW)				
Basic earnings per share for profit attributable to the ordinary equity holders	38,842	39,198	20,102	19,143
Basic earnings per share for profit attributable to the preferred equity holders	38,893	39,248	20,157	19,193
Diluted earnings per share for profit attributable to the ordinary equity holders			19,539	18,602
Diluted earnings per share for profit attributable to the preferred equity holders			19,594	18,652

## Economic Value Creation & Distribution

(Unit: 100 mil. KRW)

	2011	2012	2013
Employee <sup>1)</sup>	3,375	3,974	4,453
Government <sup>2)</sup>	1,278	1,209	1,329
Local community	56	39	54
Creditor	17	12	15
Shareholder	449	449	449
Company	2,824	2,236	2,231
Beauty partner <sup>3)</sup>	3,958	4,244	4,871
Distributed economic value	11,957	12,162	13,402

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.

# Independent Assurance Report

We were engaged by Amore Pacific Corp. ('AP') to provide independent assurance on the information presented in AP's 2013 Sustainability Report ('the Report'). AP is responsible for preparing the Report, including the identification of stakeholders and material issues. Our responsibility is to provide an opinion on the Report.

**Context and scope** Our engagement was designed to provide limited assurance on whether:

1. AP has applied the "AA1000 AccountAbility Principles Standard(2008)"
2. The information in the Report is fairly stated in all material respects, based on the reporting criteria set out in 'About This Report'

The scope of our engagement conforms to the AccountAbility AA1000AS(2008), including the aspect of "materiality". With regard to the financial data stated on pages 114-115, our procedures were limited to verifying that they were correctly derived from AP's audited financial statements. To obtain a thorough understanding of AP's financial results and position, the audited financial statements of AP for the fiscal year ended 31 March 2014 should be consulted.

**Criteria** The Report was prepared in accordance with AA1000APS(2008) which consists of three principles as stated in "About This Report": inclusivity, materiality and responsiveness. The report was also prepared in accordance with the GRI(Global Reporting Initiative) Sustainability Reporting Guidelines (G3.1).

**Assurance standards** We conducted our engagement in accordance with the ISAE3000 and AA1000AS. The limited assurance of ISAE3000 corresponds to the moderate level assurance defined in AA1000AS(2008). Among other things, these standards contain requirements regarding the independence and competency of the assurance team.

**Independence, impartiality and competence** We conducted our engagement in compliance with the requirements of the IFAC (International Federation of Accountants) Code of Ethics for Professional Accountants which requires, among others, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence, due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

We conducted our engagement with a multidisciplinary team including specialists in stakeholder engagement, auditing, environmental, social and financial aspects, and similar engagements in the related industries.

**Work performed** Our work included the following procedures to form our conclusion on the Report:

- Evaluated AP's stakeholder engagement process
- Evaluated AP's process for determining material issues
- Conducted media analysis and internet search for references to AP during the reporting period
- Interviewed with the person in charge to assess AP's sustainable business activities and processes during the reporting period
- Reviewed of internal documentation and data base, including the aggregation of data into information as presented in the Report
- With regard to the financial data included in the key figures on pages 114-115, verified that they were correctly derived from AP's audited financial statements

**Opinions and conclusions** During our engagement, we discussed the necessary changes to the Report with AP and reviewed that these changes were adequately incorporated into the final version.

**On the AA1000AS:** **In relation to the principle of Inclusivity: the engagement of stakeholders**

- AP engages stakeholders all throughout sustainable business. The Report identifies customers, employees, suppliers, local community, government, NGO and shareholders as stakeholders and stipulates the operation of communication channels.
- We are not aware of any key stakeholder group which has been excluded from dialogue in the Report.

**In relation to the principle of Materiality: the determining and reporting of material issues**

- To deduct material issues in sustainability, AP determines a pool of issues by analyzing the media, competitors, internal KPI and external evaluation and measures the concerns of stakeholders and the impact of business.
- We are not aware of any material aspects concerning its sustainability performance which have been excluded from the Report.

**In the relation to the principle of Responsiveness: the organization's response to the issues**

- AP determines material issues in sustainable business by incorporating the stakeholders' opinions through the conduct of a materiality test, and reports the results.
- Nothing has come to our attention that causes us to believe that AP has not applied the responsiveness principle in considering the matters to be reported.

**On the content of the report** Based on the above work, we conclude that the information in the Report does not appear to be unfairly stated in terms of principles for defining report content.

**Recommendations** Without prejudice to our conclusions presented above, we believe the following matters can be considered for improved sustainability reporting of AP:

- The establishment of an internal process to measure and monitor the performance of strategic subjects in the vision and purpose of sustainability is needed. It is recommended to develop a quantifiable performance index on AP's sustainability strategy directions and issues, and to disclose the schedule, target and performance in order to report the current state of affairs in achieving strategies.
- It is necessary to report in more detail the contents of specific stakeholders' engagement activities, the interested matters of stakeholders and responsive performance in the deduction of material issues. We expect AP to intensify stakeholder responsiveness by continuously supplementing the evaluation process to identify and manage the material issues in sustainability through stakeholders' engagement.
- As the proportion of overseas business increases, it is necessary to match the reporting scope of financial and nonfinancial performances. In order to intensify reliability, AP should consider expanding the reporting scope of nonfinancial performances to include overseas businesses as is the scope of financial performances disclosed in the Report.

We have discussed the reporting process and observations with AP. They were receptive to our comments.



Seoul, April 2014  
KPMG SAMJONG Accounting Corp.  
CEO Kim, Kyo Tai

1) International Standard on Assurance Engagements. Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Federation of Accountants  
2) The 2nd AA1000 Assurance Standard, issued by the Institute of Social and Ethical Accountability

# GRI Index

● Fully Reported ● Partly Reported N/A No Material

	G31	Indicators	Reporting Status	Page	UNGC	ISO 26000
<b>Official Notice on Profiles</b>						
<b>Strategy and Analysis</b>	1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the reporting organization and strategy		20, 21		6.2
	1.2	Description of key impacts, risks and opportunities		20, 21, 42, 43		6.2
<b>Organizational Profile</b>	2.1	Name of the organization		122		
	2.2	Primary brands, products and/or services		6-15		
	2.3	Operational structure of the organization, including main divisions, subsidiaries and joint		36, 37		6.2
	2.4	Location of head office/headquarter		36, 37		
	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		36, 37		
	2.6	Nature of ownership structure and legal form		22		
	2.7	Characteristics of markets served		24-29		
	2.8	Scale of the reporting organization		36, 37, 39		
	2.9	Significant changes during the reporting period regarding size, structure or ownership		22		
	2.10	Awards received during the reporting period		24, 70		
<b>Reporting Parameters</b>	3.1	Reporting period for information provided		122		
	3.2	Date of the most recent report		122		
	3.3	Reporting cycle		122		
	3.4	Contact point for questions regarding the Report or its contents		122		
	3.5	Process for defining report contents		73-75		
	3.6	Boundaries of the Report		122		
	3.7	Matters on any specific limitations on the scope or boundary of the Report		122		
	3.8	Basis for reporting on the entities that can significantly affect comparability from period to period and/or between organizations		122		
	3.9	Data measurement techniques and the bases of calculations, including assumptions and		39, 45, 51, 57		
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		28, 51, 113		
<b>Governance, Commitments and Engagement</b>	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		None		
	3.12	GRI Index		118-120		
	3.13	Independent Assurance Report		116-117		75.3
	4.1	Governance structure of the organization		22, 23		6.2
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer		22		
	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		22		
	4.4	Mechanisms enabling shareholders and employees to provide recommendations or directions to the highest governance body		22		
	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)		70		
	4.6	Processes in place for highest governance body to ensure conflicts of interest are avoided		22		
	4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees		22		
<b>Economic Performance</b>	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		38, 44, 50, 56, 70		
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance		22		
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		71, 1)		
	4.12	Externally developed economic/environmental/social charters, principles, or other initiatives to which the organization subscribes or endorses		21		
	4.14	List of stakeholder groups engaged by the organization		73		
	4.15	Basis for identification and selection of stakeholders		73		
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		73		
	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		73		
	EC1	Direct economic value generated and distributed	●	39, 115		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	●	86-87	7	6.5.5
<b>Market Presence</b>	EC3	Coverage of the organization's defined benefit plan obligations	●	115		
	EC4	Ratio of standard entry level wage by gender compared to local minimum wage at significant locations of operation	●	2)		
	EC5	Ratio of local purchasing policies, practices and percentages at significant locations of operation	●	48	1	6.4.4, 6.8
EC7	Ratio of local hiring and proportion of senior management from the local community at significant	●	96	6	6.8, 6.8.5, 6.8.7	

	G31	Indicators	Reporting Status	Page	UNGC	ISO 26000	
<b>Indirect Economic Impacts</b>	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	●	108-113, 115		6.3.9, 6.8, 6.8.3, 6.8.5, 6.8.6, 6.8.7, 6.8.9	
	EC9	Understanding and describing indirect economic impacts	●	58, 60, 104-106		6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8.5, 6.8.6, 6.8.7	
<b>Environmental</b>							
<b>Energy</b>	EN3	Direct energy consumption by primary energy source	●	88, 95	8		
	EN4	Indirect energy consumption by primary energy source	●	88, 95	8		
	EN5	Energy saved due to conservation and efficiency improvements	●	86-87	8, 9		
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services	●	86-87	8, 9		
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	64, 86, 87	8, 9		
	<b>Water</b>	EN8	Total water withdrawal by source	●	51, 88	8	
		EN9	Water sources significantly affected by withdrawal of water	N/A		8	
EN10		Total and ratio of reused and recycled water	●	87, 95	8		
<b>Biodiversity</b>	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●	15, 94		6.5, 6.5.6	
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	None				
	EN13	Habitats protected or restored	●				
	EN14	Strategies, current actions, and future plans for managing biodiversity	N/A	54, 90-91			
	EN15	Number of national conversationalist list species with habitats in areas affected by operations, by level of extinction risk	N/A				
<b>Emissions, Effluents and Wastes</b>	EN16	Total direct and indirect greenhouse gas emissions by weight	●	51, 88	8	6.5, 6.5.5	
	EN17	Other relevant indirect greenhouse gas emissions by weight	●	87	8		
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	51, 86	7-9		
	EN20	NOx, Sox, and other significant air emissions by type and weight	●	95	8	6.5, 6.5.3	
	EN21	Total water discharged by quality and destination	●	95	8		
	EN22	Total weight of waste by type and treatment method	●	95	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		
<b>Products and Services</b>	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, 6.5.4, 6.5.6	
	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	64, 76, 89, 92-94	7-9	6.5, 6.5.4, 6.6.6, 6.7.5	
<b>Compliance</b>	EN27	Ratio of recycling of sold products and relevant packaging materials	●	89		6.5, 6.5.4, 6.7.5	
	EN28	Monetary value of fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	●	3)	8	6.5	
<b>Transport</b>	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workplace	●	87	8	6.5, 6.5.4, 6.6.6	
<b>Overall</b>	EN30	Total environmental protection expenditures and investments by type	●	4)	7-9	6.5	
<b>Labor Practices and Decent Work</b>							
<b>Employment</b>	LA1	Total workforce by employment type, employment contract, and region	●	36, 37		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	●	102, 5)		6.4, 6.4.3, 6.4.4	
	LA15	Return to work and retention rate after childcare leave, by gender	●	57			
<b>Labor / Management Relations</b>	LA4	Percentage of employees covered by collective bargaining agreements	●	102	1, 3	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10	
	LA5	Minimum notice period regarding important operational changes	●	6)	3	6.4, 6.4.3, 6.4.4, 6.4.5	
<b>Occupational Health and Safety</b>	LA6	Percentage of total workforce represented in the formal joint labor-management health and safety committee	●	102	1	6.4, 6.4.6	
	LA7	Number of injuries, occupational diseases, lost days, and absenteeism, and work-related fatalities	●	107	1		
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist work-force members, their families, and community members regarding serious diseases	●	102	1	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8	
<b>Training and Education</b>	LA9	Health and safety topics covered in formal agreements with trade unions	●	102	1	6.4, 6.4.6	
	LA10	Annual average hours of training per person by employee category	●	107		6.4, 6.4.7	
	LA11	Job training and lifelong learning programs for continuous employment and assisting retired employees	●	98-99		6.4, 6.4.7, 6.8.5	
<b>Diversity and Equal Opportunity</b>	LA12	Percentage of employees receiving regular performance and career development reviews by gender	●	97		6.4, 6.4.7	
	LA13	Composition of governance bodies and breakdown of employees by gender, age group and minority group	●	22, 96, 107	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	●	96	1, 6			

● Fully Reported ○ Partly Reported N/A No Material

G3.1	Indicators	Reporting Status	Page	UNGC	ISO 26000
<b>Human Rights</b>					
Investment and Procurement Practices	HR2	Percentage of human rights evaluation conducted on major suppliers and subcontractors	●	7)	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	●	102	1,6 6.3, 6.3.5
Non-Discrimination	HR4	Total number of discrimination cases and measures taken	●	96	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	●	102	1-3 6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3
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	●	96	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	●	96	1,2,4
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	●	102	
Remediation	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	●	102-103	
<b>Society</b>					
Local Community	SO1	Effectiveness of any programs and practices that assess and manage the impacts of operations on communities	●	62-67, 108-112	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	●	72	10 6.6, 6.6.3
	SO3	Percentage of employees trained in anti-corruption policies and procedures	●	72	10
	SO4	Measures taken in corruption cases	●	72	10
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying	●	60, 89	6.6, 6.6.4, 6.8.3
	SO6	Total amount of cash or in-kind donations made to political parties or politicians	None		
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 non-compliance with laws and regulations	●	3)	6.6, 6.6.7, 6.8.7
	SO9	Operations with significant potential or actual negative impacts on local communities	None		
Local Community	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	●	64, 108-112	
<b>Product Responsibility</b>					
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	●	8)	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		
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	●	77, 93	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	●	81-83	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,	●	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	●	3)	
Customer Privacy	PR8	Total number of complaints regarding breach of customer privacy and losses of customer data	●	84	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	●	3)	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](http://www.amorepacific.com/sustain/justice_summary.jsp)
- 2) Minimum wage laws are strictly followed.
- 3) There were no violations of laws and regulations during the reporting period.
- 4) Environmental conservation costs amount to KRW 3,132 million in 2013.
- 5) Information on AMOREPACIFIC's benefits program is available at <http://recruit.amorepacific.co.kr/people/welfare.do>
- 6) Articles 13 and 19 of the Collective Agreement stipulate the minimum notice period.
- 7) The sustainability of major cooperative companies is evaluated through regular audits.
- 8) Information on AMOREPACIFIC's product safety process is available at [http://www.amorepacific.com/sustain/safety\\_item\\_01.jsp](http://www.amorepacific.com/sustain/safety_item_01.jsp)

#### FOR INQUIRIES

Please contact the AMOREPACIFIC Growth Support Division CSV2 Team

Signature Tower, 100 Cheonggyecheon-ro, Jung-gu, Seoul, Korea

Tel +82. 2. 709. 5355 Fax +82. 2. 709. 5419

E-mail [csr@amorepacific.com](mailto:csr@amorepacific.com)

[www.amorepacific.com](http://www.amorepacific.com)

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

# 2013 AMOREPACIFIC Sustainability Report

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<b>Purpose</b>	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.
<b>Scope</b>	<p>This report specifies the activities and performances of the AMOREPACIFIC Head Office, R&amp;D Center, Human Resources Development Center, Provincial Offices, Beauty Production Sites, Mass Cosmetics Production Site, and Sulloc Production Site.</p> <p>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.</p>
<b>Period Covered</b>	This report covers AMOREPACIFIC's activities from January 1, 2013 to December 31, 2013. Data from 2011 and 2012 were included for comparative purposes.
<b>Report Verification</b>	To verify the accuracy and enhance the credibility of the contents of this report, we received an independent outside verification.
<b>Standards Followed</b>	The 2013 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.

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# AMORE PACIFIC



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