
2014 AMOREPACIFIC GROUP SUSTAINABILITY REPORT

2014 Six Key Issues

- | Acceleration of Growth in the Global Market
 - | Expansion of Sustainable Product Development
 - | Reinforcement of Win-Win Relationships with Partners
 - | Fostering of Experts and Leaders
 - | Advancement of SHE Management System
 - | Social Contribution Activities for Women
-

AMOREPACIFIC GROUP

Creating a
Beautiful
Life

The logo consists of the text "Creating a Beautiful Life" arranged in three lines. The word "Creating" is in a smaller font, "Beautiful" is in a larger, bold font, and "Life" is in a medium font. The text is surrounded by decorative elements: a leafy branch on the left, a cluster of small flowers and leaves below "Beautiful", and another leafy branch on the right.

2014 AMOREPACIFIC Group Sustainability Report

Creating a Beautiful Life

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01

AMOREPACIFIC Group Business Overview



For the past 70 years, AMOREPACIFIC Group has continued the journey of beauty in response to our customers' expectations and support. Based on Asian wisdom regarding nature and human beings, we have played a pioneering role in the field of beauty care, and we are now moving toward our new future of recreating the beauty of Asia on the world stage.

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CEO Message



We will endeavor to emerge as an esteemed company that changes the world with beauty and health for a more beautiful future.

AMOREPACIFIC Group will endeavor to become a great global company that brings brighter future to the next generation by changing the world into a more beautiful and healthier place.

Honoring our founder's philosophy of contributing to mankind by creating beauty and health through technology and heartfelt sincerity, AMOREPACIFIC Group has continued the journey of beauty for the past 70 years to change the world with our unique Asian beauty. Under our mission to spread the essence of Asian beauty around the world as the Asian Beauty Creator, we have been fully devoted to discover the value of harmony and beauty based on Asian wisdom and deliver them to our customers all over the world.

Despite the fast-changing global business environment and economic uncertainties in the recent few years, we have never ceased to grow by constantly innovating ourselves to provide better products and services based on the voices of our customers and by always reminding ourselves to stay humble and learn from our customers. Today's success could not have been possible without the great support from our customers as well as the society in which we have been working together and the nature that we owe to the next generations. For this reason, we have engaged in various sustainable activities in order to promote harmonious co-existence and co-prosperity between our customers, society and natural environment.

First, as part of these efforts, we have established and implemented strategies to minimize social and environmental impact in the entire life cycle of our products from technological development to disposal. In addition, we will maximize the customer value by continuing to launch innovative products that consider the diverse preferences shown by our customers around the world, and offering differentiated shopping experiences through digital innovation.

Second, we are engaging in various green activities to reduce the environmental impact of our corporate activities and protect our planet. In response to the global issues of climate change and water scarcity, we are not only trying to reduce carbon emissions and water consumption, but also strengthened our safety and environmental management systems. We also made efforts to preserve biodiversity by conducting research on the recovery and efficacy of rare indigenous plant species.

Third, we are reinforcing our win-win relationships with our executives, employees and partners. We heightened our education and training standards to foster global talents and enhance the competencies of our executives and employees. Also, we are committed to creating a pleasant working environment that helps our employees maintain a good balance between their work and personal life. Meanwhile, to ensure a harmonious mutual growth with our business partners, clients and beauty partners, we strengthened financial and educational support, and prepared the foundation to promote open communication and active participation.

Fourth, we, as a responsible corporate citizen, are dedicated to fulfilling our corporate social responsibility by helping women and the members of local communities to realize beautiful and healthy lives, thereby creating a prosperous society. By spreading the value of beauty in three areas- women, natural ecosystem and culture, we will discover and create new values that can be shared with society, and spread those values beyond our national borders across the whole world.

Lastly, as a global citizen, we will support and adhere to the 10 principles of the UN Global Compact (UNGC) regarding the human rights, labor, environment and anti-corruption, and we will continue to advance with respect to these principles in our management practices.

Honorable stakeholders

2015 is a meaningful year as it marks the 70th anniversary of AMOREPACIFIC Group's foundation. Now is also a time of transition as our 70-year journey that has travelled through a pond, stream and river has finally set sail for the greater ocean. AMOREPACIFIC Group will never cease its efforts to make a positive impact on people's lives through beauty and health, and engage in sustainable management to become a great global company that is trusted and supported by customers throughout the world.

Thank you.

Kyung-bae Suh, Chairman & CEO of AMOREPACIFIC Group

History

~1940s

1932

Launch of cosmetic business in Kaesong by Dok-jeong Yoon (mother of Sung-whan Suh)
Production of camellia oil

1945.09

Foundation of Pacific Chemical

太平洋化學工業社

1948.01

Release of MELODY cream



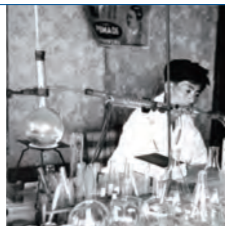
1950s

1951.11

Release of ABC pomade, Korea's first plant-derived product

1954.08

Establishment of the industry's first research lab



1956.08

Relocation of the headquarters (Hangang-ro, Yongsan-gu, Seoul)

1958.08

Publication of Korea's first monthly beauty magazine, 'Hwajanggye'



1959.09

Incorporation as Pacific Chemical Co., Ltd.
Signing of the industry's first technology licensing agreement with Coty France (release of Coty powder)

1960s

1962.11

Completion of the factory construction in Yeongdeungpo (Korea's largest automated cosmetics manufacturing facility)

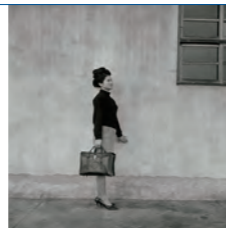


1964.08

Korea's first to export cosmetic products (Oscar Cosmetics)

1964.09

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



1970s

1971.04

Launch of Korea's first makeup campaign (Oh, My Love)



1973.03

Establishment of the Pacific Scholarship and Cultural Foundation (present-day AMOREPACIFIC Foundation)

1973.05

Initial public offering of AMOREPACIFIC Chemical Industries Co., Ltd.



1978.10

Establishment of the R&D center

1979.12

Opening of the Museum of Cosmetics History



1980s

1982.04

Establishment of the Pacific Museum of Cosmetics History (present-day AMOREPACIFIC Welfare Foundation)

1984.05

Opening of Amore No. 1, a beauty center (Myeong-dong, Seoul)



1987.06

Change of company name to Pacific Chemicals Co., Ltd.

1990s

1990.09

Establishment of a subsidiary in France

1992.01

(Service to Mankind, Respect for Humanity and Future Creation)



1992.08

Completion of the construction of the R&D center (Giheung, Yongin)

1993.03

Change of company name to Pacific Co., Ltd.

1993.09

Total Commitment Initiative (Quality, Service, Environment)



2000s

2000.07

Establishment of the Korea Breast Cancer Foundation

2001.09

Opening of O'sulloc Museum (Seogwang Tea Garden on Jeju Island, present-day OSULLOC Tea Museum)

2002.03

Change of company name to AMOREPACIFIC



2003.06

Set-up of the Beautiful World Fund by the late founder Sung-whan Suh (Support fund for Heemang Store)

2006.06

Initiation of the holding company system (AMOREPACIFIC Group)

2007.11

Registration in the UN Global Compact (UNGC)



2008.02

Declaration of the AMOREPACIFIC WAY

2010s

2010.09

Completion of the construction of Mizium a 2nd R&D center

2010.10

Incorporation into the Dow Jones Sustainability Index (DJSI) World

2011.05

Platinum sponsor of the 22nd World Congress of Dermatology



2012.05

Completion of construction of AMOREPACIFIC Beauty Campus Osan



2013.09

Opening of Story Garden

2014.09

Groundbreaking ceremony for the new AMOREPACIFIC Group headquarters

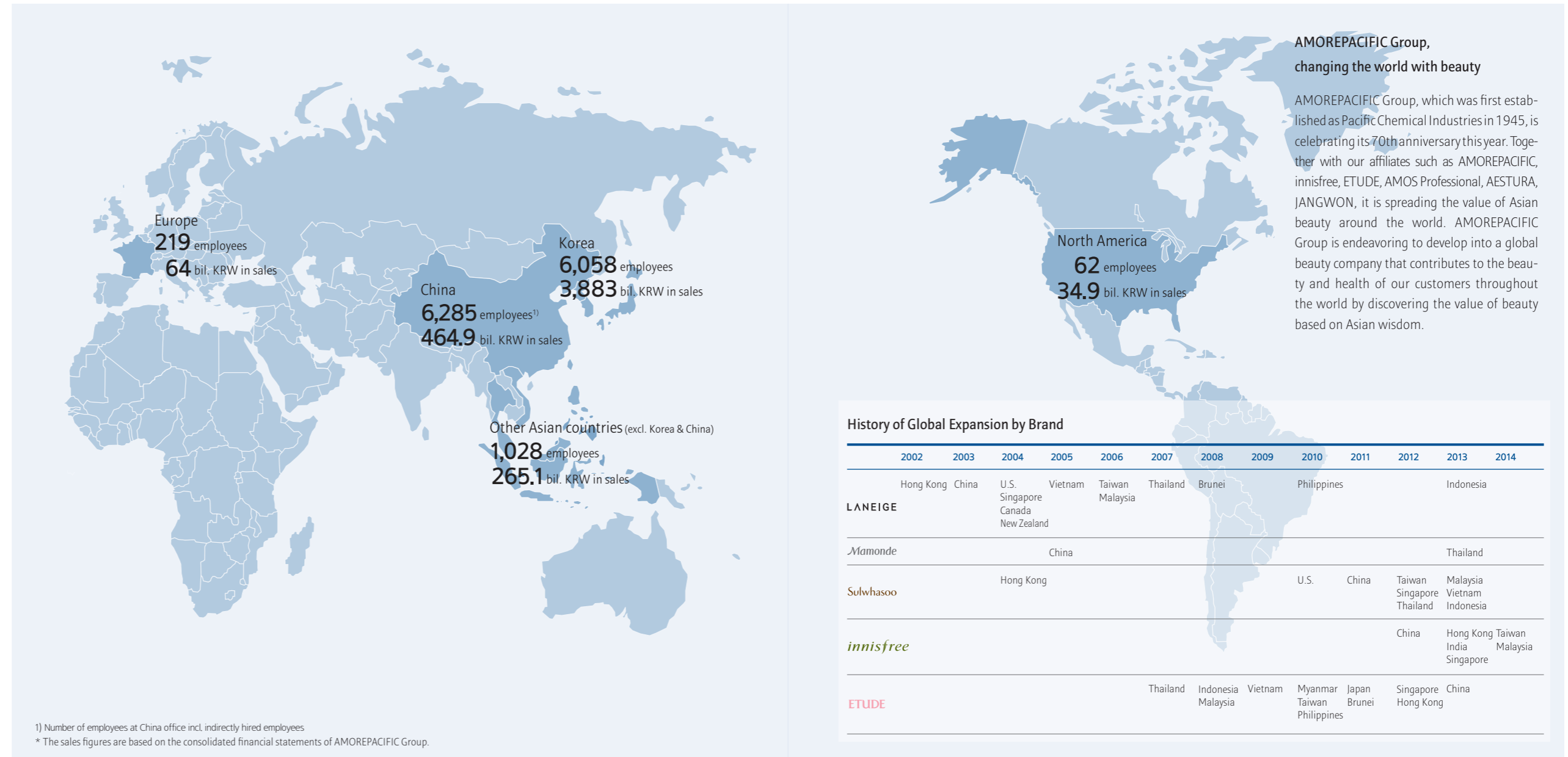
2014.10

Completion of construction of AMOREPACIFIC Beauty Campus Shanghai

Worldwide Business



AMORE PACIFIC
70 Years of Beauty Creation



AMOREPACIFIC Group, changing the world with beauty

AMOREPACIFIC Group, which was first established as Pacific Chemical Industries in 1945, is celebrating its 70th anniversary this year. Together with our affiliates such as AMOREPACIFIC, innisfree, ETUDE, AMOS Professional, AESTURA, JANGWON, it is spreading the value of Asian beauty around the world. AMOREPACIFIC Group is endeavoring to develop into a global beauty company that contributes to the beauty and health of our customers throughout the world by discovering the value of beauty based on Asian wisdom.

History of Global Expansion by Brand

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
LANEIGE	Hong Kong	China	U.S. Singapore Canada New Zealand	Vietnam	Taiwan Malaysia	Thailand	Brunei		Philippines			Indonesia	
Mamonde				China								Thailand	
Sulwhasoo			Hong Kong						U.S.	China	Taiwan Singapore Thailand	Malaysia Vietnam Indonesia	
innisfree											China	Hong Kong India Malaysia Singapore	
ETUDE							Thailand	Indonesia Malaysia	Vietnam	Myanmar Taiwan	Japan Brunei	Singapore China Hong Kong	Philippines

¹⁾ Number of employees at China office incl. indirectly hired employees
* The sales figures are based on the consolidated financial statements of AMOREPACIFIC Group.

Governance Structure

Transparent Governance Structure

In order to ensure a transparent governance structure and concentrate our core capacity in the fields of beauty and health, we are operating a deliberative corporate governance structure in our holding company and a responsible management system for each business. Based on this, we are continually reinforcing our competency and expertise for our beauty and health care businesses, which include cosmetic, personal care and health products. Furthermore, we are enhancing our corporate value by promoting our stock value and dispersing management risks through the improvement of our corporate governance structure, thereby continually increasing benefits for our stakeholders.

BOD Operation

To ensure efficient management, the AMOREPACIFIC Group Board of Directors(BOD) deliberates on key management issues. In 2014, a total of 6 Board meetings were convened at AMOREPACIFIC Group. At AMOREPACIFIC, which is one of our major affiliates, there are expert committees in operation including the Executive Committee, Audit Committee, and Non-Executive Director(NED) Nominating Committee. In 2014, the BOD of AMOREPACIFIC convened 8 times, Executive Committee 2 times, Audit Committee 5 times and 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 of AMOREPACIFIC Group has authority as the top decision-making party of our organization. As of the end of March 2015, the Board is comprised of 5 registered members, including 3 executive directors and 2 NEDs. The BOD for AMOREPACIFIC is comprised of 8 registered members, including 3 executive directors and 5 NEDs as of the end of March 2015. Each director on the Board is obligated to faithfully exercise his 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 and NEDs of AMOREPACIFIC Group has been nominated by the Board among those with abundant expertise and experience in their respective fields and requires approval from the shareholders at a general meeting of shareholders to be appointed to be as directors. In the case of AMOREPACIFIC, executive directors are the head of their respective divisions and are nominated by the Board, while the NEDs are external experts in their respective fields including but not limited to business management, finance, global affairs, environment and marketing. Those who are nominated by the NED Nominating Committee need shareholder's approval at a general meeting of shareholders to be appointed as non-executive directors. 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.

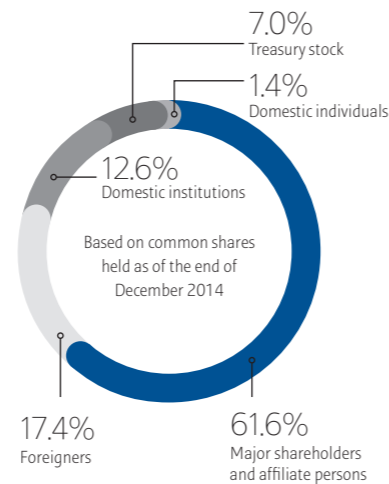
AMOREPACIFIC Group

Board of Directors

Category	Name	Position/Affiliation	Major responsibility
Executive directors	Kyung-bae Suh	CEO, Chairman of BOD	Supervision of management
	Jeong-gy Baek	Vice Chairman	Supervision of management
	Seung-hwan Kim	Executive Vice President	Group strategies
Non-executive directors	Dong-youb Shin	Professor of Business Administration, Yonsei University	Overall business management
	Woo-young Lee	Former president of PACIFIC PHARMA	Overall business management
Auditor	Sung-ho Kim	Full-time auditor	Audit

As of March 2015

Major Shareholders



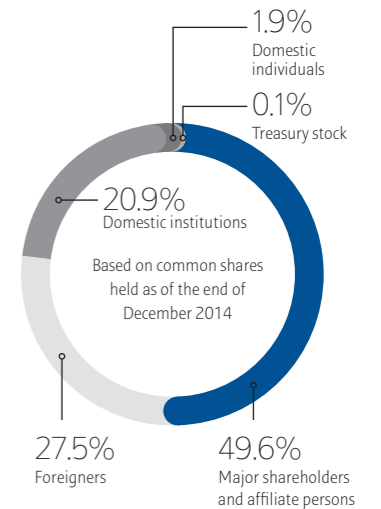
AMOREPACIFIC

Board of Directors

Category	Name	Position/Affiliation	Major responsibility
Executive directors	Kyung-bae Suh	CEO, Chairman of BOD	Supervision of management
	Sang-bae Shim	President	Supervision of management
	Dong-hyun Bae	Executive Vice President	Supervision of management support
Non-executive directors	Jae-yong Song	Professor of Business Administration, Seoul National University	Chairman of Audit Committee
	Eon-oh Lee	President of Proper Management Research Institute	Audit Committee member
	Eun Namkung	Professor of Environment and Energy Engineering, Myongji University	Audit Committee member
	Seong-su Kim	Professor of Business Administration, Seoul National University	Overall business management
	Dong-won Park	Former ambassador to Paraguay	Overall business management

As of March 2015

Major Shareholders



Top Management



1



2



3

From left

- 1 Kyung-bae Suh, Chairman & CEO, AMOREPACIFIC Group
Jeong-gy Baek, Vice Chairman, AMOREPACIFIC Group
Sang-bae Shim, President, AMOREPACIFIC
Young-chul Son, Auditor General, AMOREPACIFIC Group
- 2 Dong-hyun Bae, Executive Vice President, Corporate Support Unit, AMOREPACIFIC
Yang-sun Chai, Executive Vice President, Marketing Strategy Unit, AMOREPACIFIC
Jae-cheon Yoo, Executive Vice President, Luxury BU, AMOREPACIFIC
Min-jeon Rhee, Executive Vice President, Premium BU, AMOREPACIFIC
Chan-hoi Kim, Executive Vice President, Mass BU, AMOREPACIFIC
- 3 Byeong-do Kang, Executive Vice President, SCM Unit, AMOREPACIFIC
Sang-hoon Han, Executive Vice President, R&D Unit, AMOREPACIFIC
Jae-wan Shim, Executive Vice President, New Growth BU, AMOREPACIFIC
Seung-hwan Kim, Executive Vice President, Strategy Unit, AMOREPACIFIC Group

Brand Portfolio

Sulwhasoo LANEIGE Mamonde *innisfree* ETUDE

AMOREPACIFIC H E R A IOPE primera HANYUL

ANNICK GOUTAL PARIS LIRIKOS Lolita Parfums Paris Lempicka eSPOIR ARITAUM O D Y S S E Y



VITAL BEAUTY VB OSULLOC JEJU TEA GARDEN SINCE 1979 AESTURA makeON



Holistic Beauty
from Asian Wisdom

Sulwhasoo

Sulwhasoo revives Asian medicinal herbs with the advanced modern science for offering holistic skin solution that treats the skin from deep inside and delivers holistic beauty where the body and mind are in optimum balance. Focusing on the cyclical imbalances, we provide the optimum skin balancing care by rigorously selected Asian medicinal herbs and formulation. We comfort your body and mind through indulging the senses(scents, texture etc.)and optimize skin care effects through Asian beauty ritual. By doing so, Sulwhasoo completes holistic beauty for harmony and balance.

www.sulwhasoo.co.kr



Unleash the Sparkling
Beauty in You

LANEIGE

LANEIGE pursues Sparkling Beauty. Not just only in the form of clear, transparent and glowing skin, but we also seek to unleash that dazzling charm within you. We lead with an open mind, create trends with new energy, and transform women's lives every day, making them more beautiful. Beauty that glows more radiantly than before, smiles that look more lively than before, live a life more confidently than before.

www.laneige.co.kr



Blooming Beauty from Flowers

Mamonde

Inspired by flowers ; Mamonde researches the source of beauty based on the beauty possessed by flowers. It creates beauty similar to flowers that give rise to life with their incredible energy and produce beauty.

www.mamonde.co.kr



Natural Benefit
from JEJU

innisfree

innisfree means 'an island that relaxes the skin' with an effort to provide healthy beauty for customers with the benefits of nature offered by the pure island of Jeju and to actualize an eco-friendly green life that treats nature with respect.

www.innisfree.co.kr



An Iconic and Fun Makeup Brand that Helps all Women Realize Their Dream of Becoming a Princess

ETUDE

ETUDE House, which was the first makeup brand in Korea, has been presenting women with magical experiences of becoming alluring princesses. It has been spreading the 'fun makeup culture' by showing that makeup is fun and easy, and it is arguably the no. 1 K-beauty makeup brand in Asia.

www.etude.co.kr

AMOREPACIFIC

High Performance Anti-aging Skin Care
Powered by Asian Botanicals

The flagship brand of AMOREPACIFIC Corp. representing the company's 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



HERA

Exceptional Beauty,
Exceptional Moments

Beauty evolves. HERA has harmonized the new with the beauty of the times for the superb aesthetical sense of Korean women. And now, HERA is heralding a new iconic woman, SEOULISTA, under the theme of Exceptional Beauty from Seoul.
www.hera.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



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



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.ryohair.com



VITAL BEAUTY **VB**

Inner Beauty for Completing
the Healthy and Beautiful Look

We believe that healthy beauty comes from within. We help our customers realize beautiful living and beautiful aging based on the strictly verified inner beauty science.
www.vbprogram.co.kr



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 hair-styles by producing innovative hair solutions, just as a quality film requires the producer's meticulous effort in every scene.
www.mjsen.co.kr

OSULLOC
JEJU TEA GARDEN SINCE 1979

The Elegant Lifestyle and Inner Healing Offered
by the Aroma of Jeju Tea

OSULLOC is the finest tea brand that offers the benefits of a beautiful nature of Jeju Island. It is worth more than just a tea, providing the value of health and inner healing. Our unique tea culture created from Jeju helps modern day customers slow down for a moment with a sip of green tea so that they enjoy more valuable and elegant lives.
www.osulloc.com



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



Revitalizing the Skin
with Skin Care Products
Made with Ingredients
from Germinated Seeds

primera
www.primera.co.kr



Traditional and Natural
Cosmetics from Korean
Nature and
Mother's Wisdom

HANYUL
www.hanyul.co.kr



A Romantic Scented
Skin Care Brand
for Men

ODYSSEY



illi,
the Only Logical Solution
for a Beautiful Figure

illi
www.illi.co.kr



Prestige Marine Brand
Creating Natural Beauty
through Discovery and
Expertise

LIRIKOS
www.lirikos.co.kr



A Fascinating Designer
Perfume that Captures
the Hearts of Men and
Women Alike

Lolita Parfums
Paris Lempicka
www.lolitalempicka.co.kr



Dental Cosmetics Brand
for a Beautiful Smile

메디안
MEDIAN
www.median433.co.kr



Professional Touch
for Professional

amos
PROFESSIONAL
www.amosprofessional.com



Professional
Makeup Brand

eSpoir
www.espoir.com



A Reasonable and Sensuous
Beauty Brand that Reflects
the Latest Trends

ARITAUM
www.aritaum.com



A Derma-Care Brand
Based on Skin Researches
and Technology

AESTURA
www.aestura-dermacare.com



Life Beauty Device Brand
that Brings Changes
to the Beauty Routines

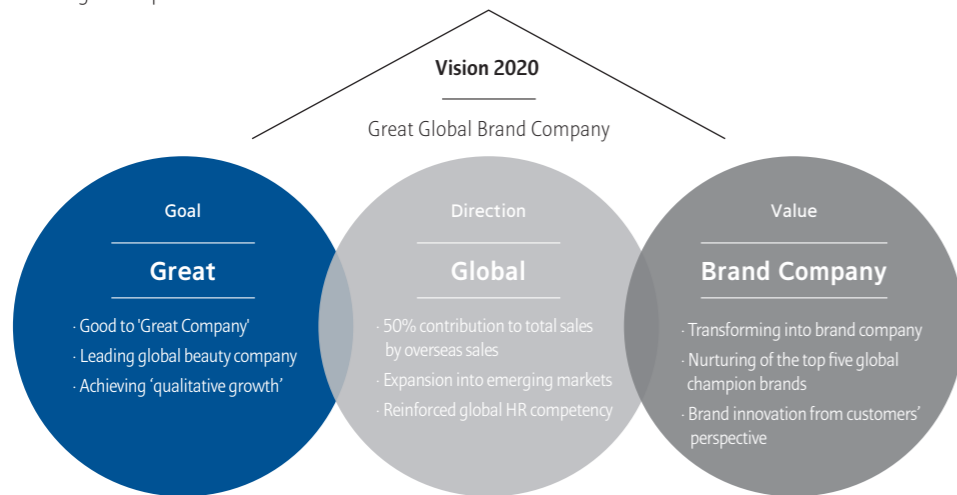
makeON
www.makeonbeauty.co.kr



Vision

Vision 2020 : Great Global Brand Company

At AMOREPACIFIC Group, we set forth our 2020 vision of 'Great Global Brand Company' in 2013 and established the implementation strategies for the three directions toward this vision. Based on this, we are dedicating our efforts to emerging as a great company that changes the world by offering beauty and health solutions, and beautifies the world with Asian beauty care. Accordingly, in order to create a platform for sustainable growth, we are making ceaseless efforts to discover our future growth engines such as global expansion, endless technical innovations and development of products that satisfy customer needs. In addition, we are striving to be an esteemed company by minimizing our impact on the environment and fulfilling our corporate social responsibility through the stakeholder-centered management practices.



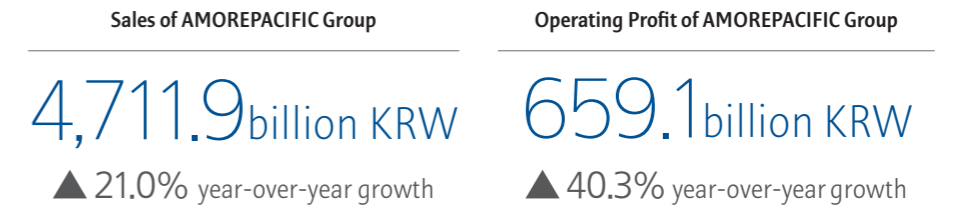
Core Values : AMOREPACIFIC WAY

The AMOREPACIFIC WAY encompasses the core values of our corporate culture that need to be upheld by all of our organization members and serves as the code of conduct. The five core values are Openness, Integrity, Innovation, Proximity and Challenge, which serve as the most fundamental basis for every decision made by AMOREPACIFIC Group. The essence of 'Openness' focuses on the importance of engaging in external communication, i.e. dialogues with customers, 'Integrity' on considering every aspect of one's work as having direct impact on themselves and their families, 'Innovation' on maintaining the passion to present something new to the world, 'Proximity' on maintaining closeness with the customers, and 'Challenge' on avoiding complacency.



Financial Performance

Despite the sluggish economy at home and abroad in 2014, AMOREPACIFIC Group managed to achieve steady growth with innovative products, differentiated services and aggressive global expansion. As a result, we recorded 4,711.9 billion KRW in sales, a 21.0% year-over-year growth, and 659.1 billion KRW in operating profits, a 40.3% year-over-year growth. The domestic business continued to see strong growth thanks to the strengthened brand equity, expanded sales of hit products, diversified distribution channels and reinforced retail capacity. Digital and ARITAUM channels showed marked growth, and the sales through duty-free channels rose significantly due to the increase in Chinese visitors to Korea. As for our global business performance, the five global champion brands branched out further into the global market and achieve high growth resulting in over 17% contribution to the overall sales. With improved profitability in emerging markets, we successfully achieved a surplus in our global business.



Domestic Business Performance

Due to the changes in the distribution environment and the widespread trend of reasonable consumption, the 2014 Korean cosmetic market is characterized by a shift from the heavy reliance on conventional luxury sales channels to new distribution channels and a rise in the sales of innovative products. In addition, the sales at duty-free shops surged as a result of an increased number of Chinese inbound tourists. By actively responding to these changes in the market environment, the domestic sales of AMOREPACIFIC Group reached 3,883.0 billion KRW, which was a 15.7% increase from the previous year, and profitability also improved substantially.



Luxury Businesses (door-to-door sales, department stores, duty-free shops)

With the traditional luxury sales channels in a slump, AMOREPACIFIC Group concentrated its efforts to securing business soundness and achieving qualitative growth in the door-to-door and department store sales channels. The visibility of the door-to-door sales channel was secured by innovating the sales methods and adjusting inventory levels. On the other hand, for department stores, the stores recording deficits were placed under management and the profitability was improved due to the solid sales per door growth. As for the duty-free sales channel, there was a considerable boost in sales resulting from our brands gaining more fame and recognition in China and the increase in Chinese visitors to Korea. In addition to Sulwhasoo, LANEIGE and HERA, IOPE, which newly opened stores in duty-free, also achieved fascinating growth in sales.

Premium Businesses (ARITAUM, digital channels, discount stores)

ARITAUM devoted its efforts to providing an enjoyable shopping experience for the customers and reinforcing its retail capacity by diversifying product types and improving its customer service. The heightened popularity of the ARITAUM exclusive brands and the rising sales of the major brands such as IOPE, LANEIGE, HANYUL and Mamonde led to steady sales growth. As for the home shopping and online sales channels, there was substantial growth resulting from the increased popularity of digital sales platforms among consumers. In addition, the increased fame of VERITE, digital exclusive brand, and the diversified product categories also led to sales increase and strengthened market leadership. As for the discount store channel, profitability was improved backed by efficient cost management.

Personal Care Product & Green Tea (Mass & Sulloc) Business

Personal care business saw increased contribution from the premium products backed by strong sales growth of the functional products. The slower growth of the discount store channel resulted in a slightly decreased sales, but there was a major increase in sales of the functional products across the categories ranging from hair and body care to oral care product lines. Of particular note, we gained the No. 1 market share in the body cosmetic market thanks to the increased sales of the premium moisturizer lines of Happy Bath and illi.

As for the green tea business, the strengthening of the brand power of OSULLOC led to sales growth accompanied by improved profitability. The scope of the customer contact points was expanded through the opening of the OSULLOC Tea House, OSULLOC Tea Shop at department stores and OSULLOC.com website, while the expanded product lines such as fermented and blended tea lines resulted in the growth of the premium product business.

innisfree and ETUDE

innisfree accomplished strong sales growth accompanied by improved profitability based on differentiated brand assets and swift market response. The rising sales of products made with ingredients originating from Jeju Island and the increased flow of customers led to stable sales growth at existing stores,

while the growing number of Chinese tourists and the expansion in the global business led to favorable results in the duty-free shop and export channels.

ETUDE reestablished its brand value as 'princess fantasy' and became committed to enhancing its brand attractiveness by innovating its products, designs and store spaces. By improving the constitution of its domestic and foreign businesses through qualitative management, ETUDE will re-emerge as a makeup brand for youth that spreads the fun makeup culture.

In addition, the eSpor Business Unit, which had been operating under the umbrella of ETUDE, has been spun off and became an independent affiliate of AMOREPACIFIC Group. By offering quality makeup product and differentiated services, eSpor plans to grow as professional makeup brands.

AESTURA

AESTURA turned over the Pharmaceutical Business Unit to Handok Co., Ltd. in February 2014. Afterwards, it concentrated on the medical beauty businesses, centering on the skin care, hair care and obesity care products. Although its sales and profits declined due to the transfer of the Pharmaceutical Business Unit, the increased sales of its main products such as ATOBARRIER and CLEVIEL helped the company achieve growth in the medical beauty care division.

Overseas Business Performance

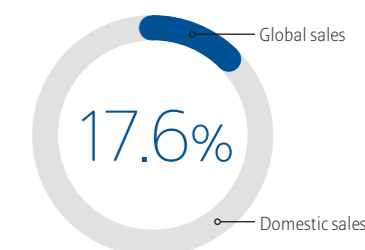
The accelerated growth of the global champion brands, Sulwhasoo, LANEIGE, Mamonde, innisfree and ETUDE resulted in overseas sales of 828.9 billion KRW, a 53.6% year-over-year growth.

Global Sales of AMOREPACIFIC Group

828.9 billion KRW

▲ 53.6% year-over-year growth

Ratio of Global Sales to Total Sales of AMOREPACIFIC Group



Emerging Markets

As a result of dedicating our efforts to diversifying the distribution channels and improving brand awareness in the key emerging markets, specifically China and ASEAN countries, we achieved sales growth accompanied by improved profitability. The solid qualitative growth of our existing brands and the successful market entry of the new brands in China contributed to strong growth. LANEIGE and Sulwhasoo

delivered strong same-store sales growth thanks to the increased number of the hit products such as the BB cushion compacts, sleeping packs and First Care Serum and also the expansion of the customer base. On the other hand, innisfree accomplished strong growth based on its free standing store business model, providing optimized shopping experience for customers and offering a differentiated brand story based on Jeju Island. Mamonde prepared the platform for sound growth by reorganizing its distribution channels and renewing its stores. Furthermore, distribution channel portfolio has been more diversified by expanding free standing stores and online stores as well as department stores. As a result, we recorded 464.9 billion KRW in sales in China, which was a 38.2% year-over-year growth.

As for the other Asian markets excluding China and Japan, we achieved a surplus thanks to the qualitative growth of Sulwhasoo and LANEIGE. The improved brand awareness, successful new product launching and reinforced customer services contributed to the strong same-store sales growth accompanied by improved profitability. Meanwhile, innisfree newly branched out into Taiwan and Malaysia amid an explosive response from the local consumers. We also consolidated our position in the Hong Kong market by acquiring the shares of the joint venture, through which we have been operating the businesses of Sulwhasoo and LANEIGE since 2001.

AMOREPACIFIC Group : Sales in China

464.9 billion KRW
▲ 38.2% year-over-year growth

AMOREPACIFIC Group : Sales in Asia(excl. China)

265.1 billion KRW
▲ 151.8% year-over-year growth

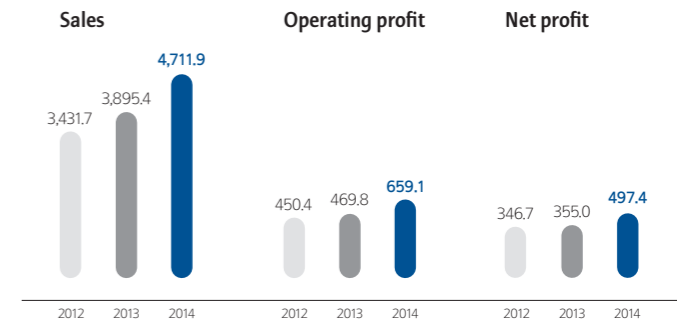
Developed Markets

In the developed markets such as the U.S., France and Japan, our objective has been to raise brand awareness and achieve a stable profitability together with solid sales growth.

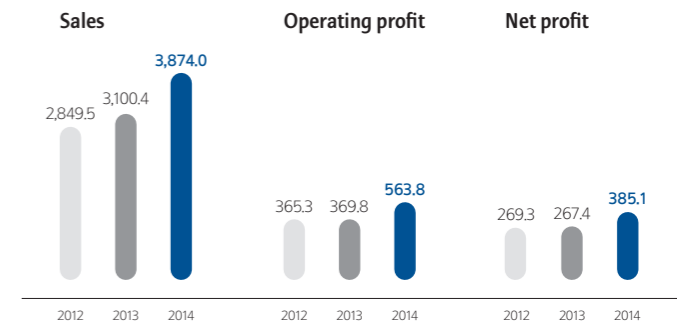
In the U.S., we recorded a surplus for the first time since entering the American market as a result of the success we gained at department stores with our Amorepacific brand and ARITAUM shops. The Amorepacific brand achieved substantial growth in sales at the existing stores with the successful launch of new products and increased sales of the main products, while the ARITAUM shops continually grew with improved profitability by increased sales of major brands, expanded customer base, and reinforced the customer services. In France, there was a decline in sales due to the domestic recession and a slump in export, but the amount of deficit was reduced through efficient execution of the budget. Meanwhile, in Japan, we dedicated ourselves to ensuring the soundness of our businesses by reorganizing our brand and channel portfolios.

Key Financial Performance

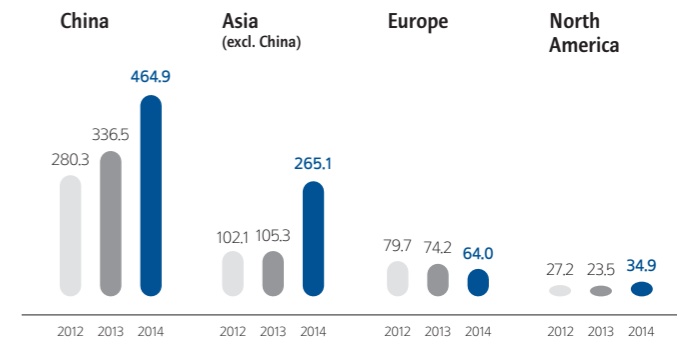
AMOREPACIFIC Group¹⁾
(Unit: billion KRW)



AMOREPACIFIC²⁾
(Unit: billion KRW)



AMOREPACIFIC Group¹⁾
Global Sales by Region
(Unit: billion KRW)



1) Calculated based on the consolidated financial statements of AMOREPACIFIC Group
2) Calculated based on the consolidated financial statements of AMOREPACIFIC.

02

AMOREPACIFIC Group Sustainability Overview

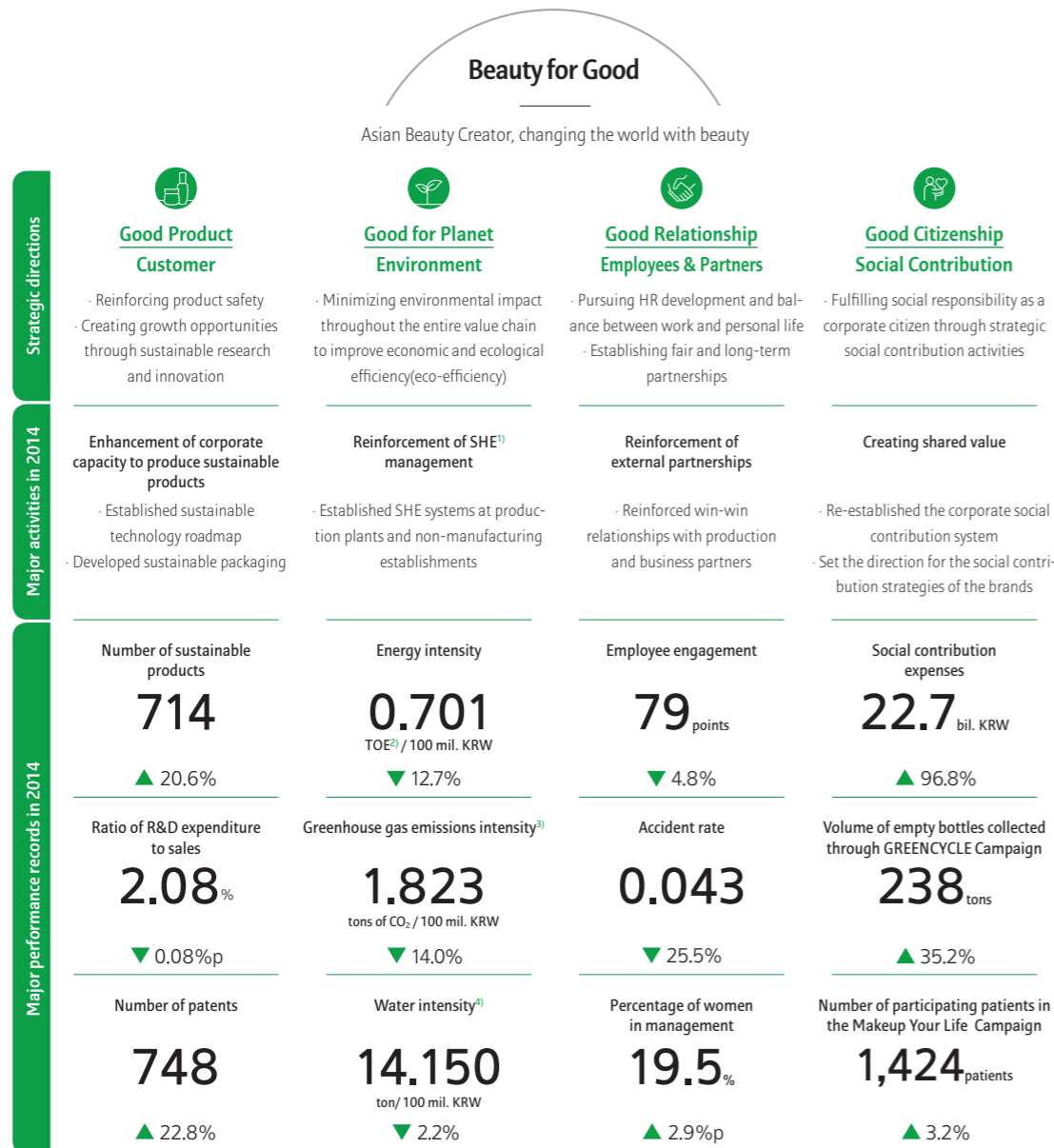


AMOREPACIFIC Group seeks to create a beautiful world where nature, people, and businesses co-exist in harmony.

Through our sustainability management activities under the four strategic directions relating to customers, environment, employees and business partners and social contribution, we aim to fulfill our corporate social responsibility and achieve business growth at the same time.

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- 36 Ethical Management
- 37 Risk Management
- 38 Communication with Stakeholders

Sustainability Management Strategies and Performance

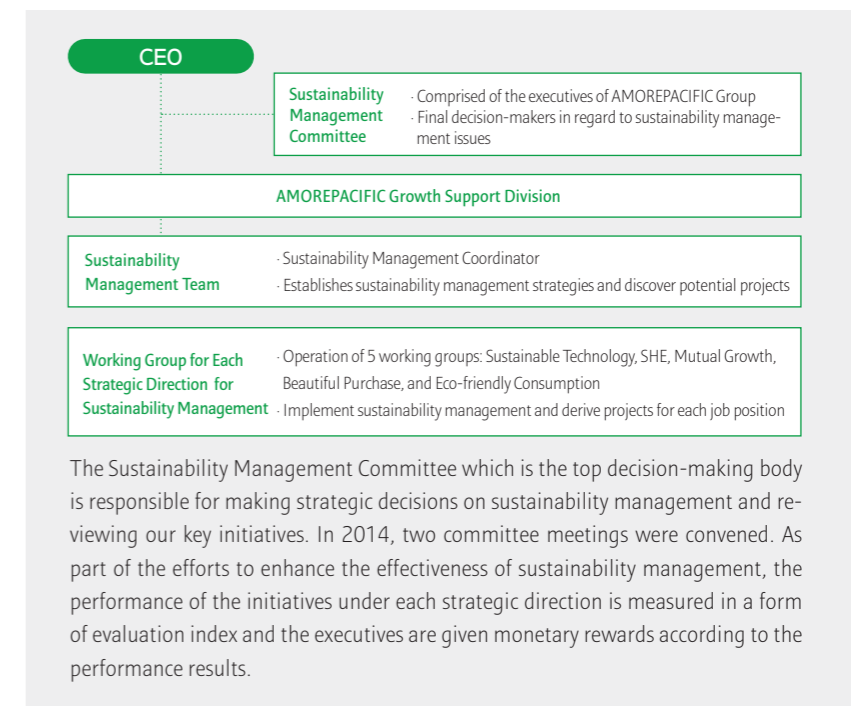


1) SHE : Safety, Health and Environment
 2) TOE (tonne of oil equivalent) : amount of energy released by burning one ton of crude oil
 3) GHG emissions calculation method is based on IPCC 2006
 4) Excl. the volume of water use by PACIFIC PACKAGE
 * The basic units for the ratio of R&D expenditure to sales and environmental performance are based on sales records in the consolidated financial statements of AMOREPACIFIC Group.
 * The environmental performance records exclude the performance of the production site in France and JANGWON.
 Rate of increase or decrease from the previous year ▲N%

Vision and Strategic Directions of Sustainability Management

In pursuit of creating a beautiful world in which there is harmonious coexistence of nature, people and enterprises, AMOREPACIFIC Group has been engaging in sustainability management activities under the four strategic directions relating to ‘customers,’ ‘environment,’ ‘employees and partners,’ and ‘social contribution.’ Each year, we set out new initiatives in accordance with the four strategic directions and make public our performance results in a transparent manner. In 2014, we conducted 14 sustainability management projects while strengthening our sustainability through organic collaboration among departments involved. The report is to provide reliable information to all the stakeholders who are keenly interested in the sustainability management activities of AMOREPACIFIC Group and its affiliates. Through these efforts, we wish to communicate the sustainable values pursued by our group to wider audiences.

Sustainability Management Organization



The Sustainability Management Committee which is the top decision-making body is responsible for making strategic decisions on sustainability management and reviewing our key initiatives. In 2014, two committee meetings were convened. As part of the efforts to enhance the effectiveness of sustainability management, the performance of the initiatives under each strategic direction is measured in a form of evaluation index and the executives are given monetary rewards according to the performance results.

Major Awards and Incorporations*

<p>Incorporation into the Dow Jones Sustainability Index (DJSI) World for five consecutive years</p>	<p>Incorporation into FTSE4Good for four consecutive years</p>	<p>Designation as one of the climate change response carbon management sector winners and excellent company in essential consumer goods by CDP Korea</p>
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*Based on the award and incorporation statuses of AMOREPACIFIC

Ethical Management

Since the announcement of the Ethical Management Policy in 2003, AMOREPACIFIC Group has continuously engaged in ethical practices in order to deliver its promise and spread ethical corporate culture in the entire corporate ecosystem. The corporate ethics of AMOREPACIFIC Group is based on honesty, one of the five core values of AMOREPACIFIC WAY. As the code of conduct for all members of the group, it serves mental and behavioral guidance on our journey of beauty.

Campaigns and Education & Training

Since the announcement of the Ethical Management Policy, AMOREPACIFIC Group has consistently carried out 'No Gift Giving, No Gift Receiving' campaign. We encourage all employees to participate in the campaign through various education and training programs and, send out campaign notices twice a year to our 6,000 or so business partners. We also operate a Gift Report Center to send back the gifts delivered from external stakeholders or to donate them to social welfare organizations.

In addition, cases of unethical practices were shared regularly while offline training on ethical practices was provided to the leaders of each division for the purpose of strengthening the ethical leadership of our employees in managerial positions.

Furthermore, we developed a fun online educational program, 'AP Ethics Expedition: Season 2,' to provide education to about 3,100 employees through practical ethical dilemma cases that will better prepare them for such experiences. 'AP Ethics Expedition' was also produced in Chinese for 860 employees of our China office.

Ethics Pledge by Employees

All of employees of AMOREPACIFIC Group are annually required to sign an ethics pledge online as part of our efforts to raise ethical awareness based on the value of honesty. Starting in 2014, employees of our overseas offices in China, Japan and the U.S. have also joined the movement. Through these efforts, we aim to abide by the laws and social norms and to fulfill our social responsibilities in order to contribute to the creation of a beautiful and healthy society.

Ethical Management Meeting with Partner

We held an Ethics Management Meeting with a design partner in December 2014, during which we provided the guidelines on ethical practices, cases of unethical practices and other relevant information, and listened to the difficulties and predicaments of our partner.

Launch of Ethical Management Website

In January 2014, we launched our ethical management website (ethics.amorepacific.com), where we introduce our ethical management system, provide ethics consultation services and collect reports of unethical cases. One of the objectives of this website is to allow all of our stakeholders including our employees and partners to easily report any unethical situations and cases causing them ethical dilemmas.

Reported Cases of Unethical Practices in 2014

Internal policy	18 _{cases}
Customer consultation	5 _{cases}
Partners	9 _{cases}
Total	32_{cases}

Reporting channels : ethics management website (anonymous tips), e-mail, phone, fax, etc.

Risk Management

At AMOREPACIFIC, we are running an effective risk management system with the aim to promptly respond to the changes in the management environment such as unstable economies and various political issues globally. The Risk Management Committee, primarily comprised of the members of top management, has classified 44 major risks based on the levels of importance and severity. Of these, 14 key risks that can have a companywide impact are classified as AMOREPACIFIC Group risks for extra attention. The group risks are managed through the operation of a sub-committee for each type of risk and project, and their statuses are monitored on a regular basis.

Advancement of Risk Management Communication

Due to the rapid increase in the incidence of crises resulting from social, cultural and economic factors, we have advanced and segmented our crisis management communication responses. We have separate committees for domestic, global, regular and emergency issues, and there is a cooperation system set in place for the PR Team, acting as the control tower, and the relevant departments to work closely together for an integrated response. Of particular note, each case at home and abroad is added into the database in order for us to build competency in risk management.

Response to the Franchise Act

We have continuously strengthened our institutional framework to eliminate unfair practices and protect our franchisees. Upon the franchise agreement, we prohibit the establishment of additional franchises or branch stores in the areas where there are existing franchised stores. We inform the franchisees of projected sales volume and revenue in advance so that they can secure stable income. In addition, we are seeking ways to improve the conventional business practices and reduce partnership risks by promoting open and mutual communication with our business partners.

Introduction of a Security Control System

In the first half of 2014, we established an information security control system with the aim to efficiently prevent various violations of our information system on the online platform and leak of important information such as confidential business and personal information. This system is expected to safeguard the valuable information of our group and customers.

Enhancement of In-house Security

In 2014, we conducted two semi-annual education programs that provide employees with security guidelines on management of important corporate and customer information. Hacking simulations are regularly performed to identify the loopholes of our security system, thereby preventing any potential hacking threats and information theft in reality. Also, we conduct the 'post-disaster recovery' simulations to better prepare ourselves to promptly respond in the event of a disaster.

Communication with Stakeholders

AMOREPACIFIC Group communicates with various stakeholders through diverse communication channels. Through this way, we analyze the sustainability management issues which are the most concerned about among the stakeholders and rank our priority issues to solve and, discover opportunities for growth and prepare for potential crisis in advance.

Target	Communication channels	Notable opinions	Actions taken in response
Customers	<ul style="list-style-type: none"> ◦ ‘Customer consultation service’ satisfaction surveys and CGAP ◦ Prosumer activities ◦ Corporate and brand websites and SNS 	<ul style="list-style-type: none"> ◦ Reinforce customer services ◦ Reinforce product safety ◦ Expand the sustainable products 	<ul style="list-style-type: none"> ◦ Shared customer complaints and improvements through CGAP exhibition ◦ Established a technology roadmap and executed relating tasks to develop sustainable products
Employees	<ul style="list-style-type: none"> ◦ Employee satisfaction surveys ◦ Regular labor-management consultation meetings ◦ AMOREPACIFIC People (In-house online community) 	<ul style="list-style-type: none"> ◦ Spread a positive corporate culture ◦ Provide more opportunities for the build-up of employees’ individual competency ◦ Create a safe working environment 	<ul style="list-style-type: none"> ◦ Conducted the Gratitude Campaign ◦ Promoted the Career Market ◦ Reinforced the SHE management
Business partners	<ul style="list-style-type: none"> ◦ General assembly for win-win relationships (for each business channel) ◦ Seminars on win-win practices ◦ Online purchasing portal 	<ul style="list-style-type: none"> ◦ Reinforce management support ◦ Create a culture that encourages mutual communication and active participation 	<ul style="list-style-type: none"> ◦ Assisted partners in branching out into the overseas markets ◦ Reinforced the field training for partners ◦ Held a win-win relationship agreement ceremony
Local communities	<ul style="list-style-type: none"> ◦ Corporate and brand social responsibility activities ◦ Social contribution portal ◦ Cultural Mecenat activities 	<ul style="list-style-type: none"> ◦ Assist women in gaining healthy beauty ◦ Assist low-income women in entering the workforce ◦ Provide support to marginalized classes 	<ul style="list-style-type: none"> ◦ Conducted the Makeup Your Life Campaign ◦ Conducted the Pink Ribbon Campaign ◦ Supported the Heemang store (Micro Credit)
Government	<ul style="list-style-type: none"> ◦ Visit relevant government agencies for meetings ◦ Korea Cosmetic Association (KCA) activities 	<ul style="list-style-type: none"> ◦ Manufacture and sell safe, high-quality products in compliance with regulations ◦ Provide cooperation and support for regulatory improvement for industrial development 	<ul style="list-style-type: none"> ◦ Monitored and observed the relevant laws and regulations ◦ Suggested ideas for improvement through the committee activities of relevant organizations ◦ Supported government policy research
External experts	<ul style="list-style-type: none"> ◦ Communication with external stakeholders (academic and consumer organizations) 	<ul style="list-style-type: none"> ◦ Provide accurate information and encourage sustainable consumption 	<ul style="list-style-type: none"> ◦ Developed sustainable packaging ◦ Reinforced GREENCYCLE(bottle recycling) Campaign
Shareholders	<ul style="list-style-type: none"> ◦ General Shareholders meeting ◦ IR Analyst Day 	<ul style="list-style-type: none"> ◦ Present management performance results and business outlook ◦ Expand corporate access 	<ul style="list-style-type: none"> ◦ Shared the mid and long-term business directions ◦ Provided performance results and IR data ◦ Held the Analyst Day event ◦ Attended global conferences

Communication with Stakeholders in 2014

6 cumulative meetings for Communication with stakeholders since 2011

Since 2011, AMOREPACIFIC Group has engaged in communication with various stakeholders to listen to their voices and gather their opinions to be reflected in our management activities. The meetings are held once or twice a year with various experts. In 2014, we held a discussion on the topic of green consumption based on responsibility marketing with NGO experts as new members.

Promoting Green Consumption Based on Responsibility Marketing

Date: April 29, 2014

Attendees: Jae-cheon Ryu(KIST professor), Eun-hee Lee(Inha Univ. professor), Ja-hye Kim(President of Consumers Korea), Hak-hee Kim(President of Consumers Union of Korea, Gyeonggi-do Branch), Jeong-su Jangi(Co-President of Korean Women’s Environmental Network), Yun-mi Jo(Co-President of Green Consumer Network)



Major Agendas for Discussion

1 Building a green management system as a leading company

As a leading cosmetics company, AMOREPACIFIC Group needs to establish a companywide green management system and engage in proactive corporate practices transcending the recommended national guidelines. We should categorize the multiple activities we are involved in, discover the common objectives and establish strategies for each objective to more effectively communicate them to the involved parties.

2 Providing fair information

We should provide accurate and scientific information to consumers for accurate understanding of our products including ingredients that may cause harm or side-effects. Moreover, we should form a multi-party consultative body in connection with consumer organizations and the government for inspections and improvements.

3 Promoting green marketing

We should promote public marketing and green marketing, which exert a positive impact on society. We should also reinforce our bottle recycling campaign, raising awareness of the product life cycle from production and distribution to disposal, and carry out full-fledged promotional activities in combination. We should also develop customer participation programs promoting green consumption and eco-friendly practices.

03

Material Issues



AMOREPACIFIC Group selected six material issues in sustainability management, in terms of the stakeholders' interest and impact on business. We are conducting multi-faceted management activities with six material issues such as global growth, win-win relationships, and social contribution activities reflected in our management strategies

- 42 Materiality Assessment
- 44 Acceleration of Growth in the Global Market
- 48 Expansion of Sustainable Product Development
- 52 Reinforcement Win-Win Relationships with Partners
- 56 Fostering of Experts and Leaders
- 60 Advancement of SHE Management System
- 64 Social Contribution Activities for Women

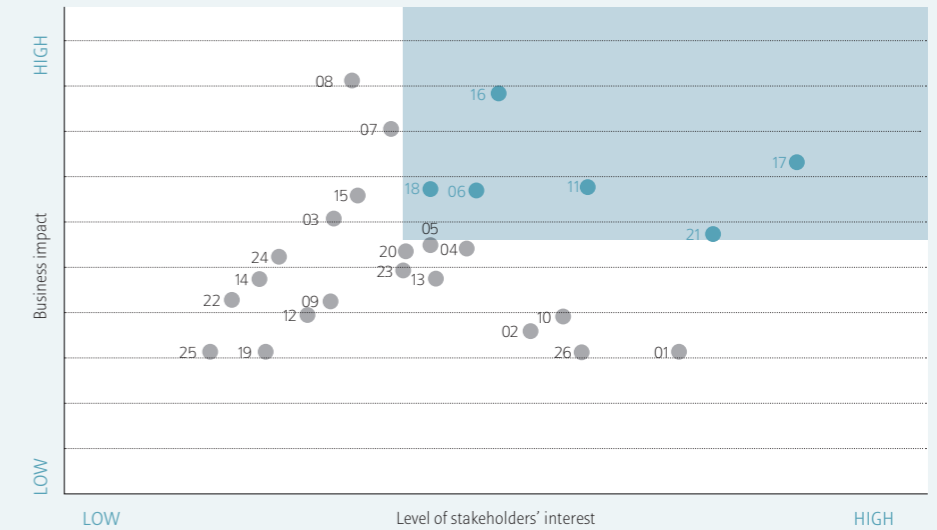
Materiality Assessment

AMOREPACIFIC Group selected six material issues related to sustainability management, in terms of stakeholder interest and impact on business. We are conducting multi-faceted management activities and focusing on these six material issues, which include global growth, win-win relationships, and the social contributions reflected in our management strategies.



Results of the Materiality Assessment

Through the first-stage selection process, 26 issues were selected and ranked according to their business impact and the level of stakeholders' interest. Based on the results, the selected six material issues are 1) Acceleration of growth in the global market, 2) Expansion of sustainable product development, 3) Reinforcement of win-win relationships with partners, 4) Fostering of experts and leaders, 5) Advancement of SHE management system, 6) Social contribution activities for women. In this report, we delve into these six issues, the information on which can be found in the following pages.



Six Material Issues	Stakeholder Impact	Page
06 Acceleration of growth in the global market	Customers, Employees, Business partners, Local communities, Shareholders	44
11 Expansion of sustainable product development	Customers, Employees, Local communities, Government, External experts	48
16 Reinforcement of win-win relationships with partners	Business partners, Customers	52
18 Fostering of experts and leaders	Employees, Customers, Local communities	56
17 Advancement of SHE management system	Customers, Employees, Local communities, Government	60
21 Social contribution activities for women	Local communities, Customers	64

Issues					
05 Companywide sustainability management system	20 Work-life balance of employees	14 Sustainable packaging development	26 Human rights management		
04 Communication with stakeholders	13 Sustainable water management	09 Green marketing	01 Transparency of governance structure		
07 Brand management	23 Diversity of employees	12 Conservation of biodiversity	22 Information protection policy		
08 R&D innovation	03 Risk management	10 Response to climate change	19 Labor-management relations		
15 Enhancement of customer satisfaction	24 Spreading the corporate culture	02 Ethical management	25 Alternatives to animal testing		

1

Acceleration of Growth in the Global Market

OUR APPROACH

While our market expansion is accelerating, infinite potential lies in the global market for us. The global market is a channel through which AMOREPACIFIC Group can spread the essence of Asian beauty and a stage on which we can reconfirm the value of our existence.

OUR STRATEGY

In line with our role as the 'Asian Beauty Creator' we aim to become the No. 1 cosmetics company in Asia and rank in the top 5 in the world by 2020. For this purpose, we are actively introducing diverse brands and innovative products, centering on our top 5 global champion brands that encompass the essence of Asian beauty and wisdom to meet the needs of our customers in global markets.

OUR ACHIEVEMENTS

- 81% year-over-year growth in sales of Sulwhasoo in China
- LANEIGE, now purchasable at TARGET in the U.S.
- Mamonde, reorganizes its distribution channel
- innisfree, branches out into Taiwan and Malaysia
- ETUDE, opens new stores in Asia
- Cumulative sales of cushion compacts reach 46,867,848
- Construction of a Beauty Campus Shanghai completed

OUR PLAN

We endeavor to continue strengthening our foothold in the global market, and become a global leading cosmetics company with overseas sales contributing more than 50% of our total sales volume by 2020.

Sulwhasoo

81%

Year-over-year growth
of sales in China

LANEIGE

35%

Year-over-year growth
of overseas sales

innisfree

294%

Year-over-year growth
of sales in China

ETUDE

Flagship store opened in

Shanghai

Achievements of Our Global Brands

Sulwhasoo concentrated its efforts in gaining the reputation as a holistic beauty brand through various marketing activities in China, a key market for the growth of AMOREPACIFIC, including outdoor advertising in major cities and VIP communication. The launch of the 'Perfecting Cushion' and the opening of stores in 13 new departments led to a huge increase in new customers followed by an 81% year-over-year growth. According to a survey conducted by People's Daily Online, Sulwhasoo was selected as the No.1 premium Korean cosmetic brand loved by Chinese people in 2014.

LANEIGE achieved strong sales growth in China through department stores and online distribution channels, centering on the top 3 hit products, which are BB cushion, Sleeping pack and Water Bank Essence. In the ASEAN countries, it opened additional free standing stores(FSS) in Hong Kong, Singapore, Malaysia and Vietnam, thereby creating new momentum for further growth. In 2014, it established shops at TARGET, a major retailer chain in the U.S, and actively promoted the brand to American consumers by introducing its brand identity and key technologies to the editors of major magazines.

Mamonde secured business visibility in China by rearranging its distribution channels, and stabilized its platform for qualitative growth. It renewed 150 or so counters in department stores and its retail stores at Watson. In addition, it has secured momentum for further growth in China by expanding its business area to major online retail sites. Stories of the five major floral ingredients used in Mamonde products are being communicated to consumers through digital contents such as web cartoons and music

videos, while its makeup line has been newly launched to add strength to its product portfolio. In addition, the Mamonde Global Blooming Tour was held for the global media and press to inform them of its brand philosophy.

innisfree is managed only through directly operated-stores under the so-called 'Cluster Strategy' in the vast territories of China. Since entering the East(Shanghai) and North (Beijing) clusters in 2012, it has expanded to the South(Guangzhou and Shenzhen) and to the West(Chongqing and Xi'an) clusters in 2013 and 2014, respectively. In September 9, 2014, the 99th innisfree store was opened on Chunxi Road in Chengdu, which had been assessed to have the highest cosmetic purchasing power in China. In December, another store was opened at Joy City in Xidan, Beijing. By the end of 2014, there were 108 stores in 20 cities under 4 clusters, serving Chinese customers. As a result, innisfree's sales volume in China, which had been 3.5 billion KRW in 2012, increased dramatically to 25.4 billion KRW in 2013 and 100 billion KRW in 2014.

ETUDE has constantly expanded its business in Southeast Asia and now, it is operating stores in 12 countries throughout Asia. In 2014, it opened the first global flagship store on Nanjing East Road, the busiest street in Shanghai, and the second global flagship store in Zhongguancun, a college district in Beijing. These flagship stores operate a makeup zone, where customers can check out the latest Korean-style makeup and other experience zones that provide customers with much insight into the brand value of ETUDE. On Orchard Road, which is the city center of Singapore, it opened its largest flagship store.

Cushion – An Innovation that Changed the Global Makeup Culture

Cushion compacts are a special cosmetic product that contain basic makeup products such as sunscreen, makeup base and foundation that are absorbed in a special sponge. Since the launch of IOPE Air Cushion® in 2008, cushion compacts have been affecting global makeup market trends and driving innovation at home and abroad. The cushion compacts introduced through the 13 brands of AMOREPACIFIC Group achieved more than 641 billion KRW in sales in 2014 alone and the cumulative sales volume reached over 46.8 million. Of particular note, over 1,000% year-over-year growth was observed in the global market, evidencing the cushion compact craze. AMOREPACIFIC Group's cushion compacts led to the creation of a brand new makeup category and are transforming the global makeup culture. Its innovativeness has also been recognized through the 114 domestic and overseas patent applications and 13 patent registrations. In addition, it received the Excellence Award at the 2012 Korea Technology Awards and the Grand Prize at the Korea Technical Innovation Management Awards, followed by the Next-Generation Global Premium Product in 2013 and the IR52 Jang Yeong-sil Award in 2014. This attests to its highly regarded reputation as an iconic innovative product. AMOREPACIFIC Group, which brought forth a brand new product category of cushion compacts and caused a major change in the makeup culture, will never cease to innovate and evolve its cushion compacts through endless technical innovation and R&D.

Sales of Cushion Compacts



Cumulative Sales Volume Up to 2014
46,867,848

Sales in 2014
641.1 billion KRW

Year-Over-Year Growth in Overseas Sales in 2014
1,000%

Launch of the First Cushion Compact



Beauty Campus Shanghai in Numbers

Lot Area
92,787m²

Annual Production Capacity
100 million products

Time Required for Shipping (all over China)
3~4 days

Completion of Construction of Beauty Campus Shanghai

Beauty Campus Shanghai was constructed in October, 2014 in order to respond to the rapidly growing cosmetics market in China. As an integrated hub of production, research and logistics, the Beauty Campus Shanghai spans 92,787m² which is 12 times the size of a soccer field with a building area of 41,001m². It boasts a variety of eco-friendly facilities that are best in class in China.

Beauty Campus Shanghai has production capacity of 13,000 tons, which amounts to 100 million products. The production site will be organized into both cell production methods suited for small-quantity production and mass production methods prepared for rapidly growing demand in the China market. In order to ensure absolute quality products that can be trusted by our customers, we adhere to the Good Manufacturing Practice (GMP), and enhanced the standards for product quality and inventory management through the

Warehouse Management System (WMS). The upgraded logistics center operates in connection with the local logistics centers in Shenyang and Chengdu, processing orders and delivery from all over China. Well-connected logistics centers will respond more quickly than the past to the changes in the distribution environment by shortening the product delivery times to an average of 3-4 days. The new site also represents AMOREPACIFIC Group's commitment to environmental sustainability. It features various eco-friendly facilities such as a wastewater treatment system, rainwater recycling system and water heat storage system which uses off-peak electricity. AMOREPACIFIC Group will continually enhance the management standards of the Beauty Campus Shanghai to keep upgrading our production efficiency and fulfill our corporate social responsibility in relation to the environment.

View of the Beauty Campus Shanghai



2

Expansion of Sustainable Product Development

OUR APPROACH

Product sustainability must be ensured in order to achieve sustainable development and better quality of life. Indiscriminate development of products and unsustainable consumption will cause environmental pollution and depletion of resources which will eventually lead to the total destruction of our natural ecosystem. AMOREPACIFIC Group, as a consumer goods manufacturer, takes full responsibility to ensure product sustainability for our own future as well as that of our customers and society.

OUR STRATEGY

AMOREPACIFIC Group has always pursued effective co-existence with our customers, environment and society. As part of the efforts, we have been developing sustainable products through creative innovation activities since 2011. Sustainable products are developed under the three principles of ‘reinforcing product safety for customers’, ‘minimizing environmental impact’ and ‘harmonious coexistence with the local communities’. We are also engaging in various efforts to promote sustainable consumption in the market.

OUR ACHIEVEMENTS

- A total of 714 sustainable products(AMOREPACIFIC Promise)
- Green Technology certification for the manufacturing technology of innisfree’s Squeezed Green Tea Water
- 10 Beautiful Fair Trade agreements(cumulative)

OUR PLAN

We are aiming to reinforce sustainability for customers, the environment and society in each of the stages of a product lifecycle, ranging from procurement of raw materials to production, consumption and disposal while expanding the scope of sustainable product development.

Development of Sustainable Products(AMOREPACIFIC Promise)

AMOREPACIFIC Group has been developing sustainable products under the name, AMOREPACIFIC Promise, since 2011 with the aim to promote sustainable consumption. Based on the three principles of ‘reinforcing product safety for customers’, ‘minimizing environmental impact’ and ‘harmonious coexistence with the local communities’, the sustainable products of AMOREPACIFIC Promise are divided into three categories: customer-friendly products, environmentally-friendly products and socially-friendly products. Products are given ‘Sustainable Product’ certifications, only when they meet the strict internal guidelines which are equivalent to the

external certification standards. The certification criteria for each of the sustainable product types were first established in 2011 and have been continually revised according to amendments to the domestic and international laws and regulations as well as expert opinions. The number of sustainable products has increased steadily every year, and in 2014, a total of 714 types of AMOREPACIFIC Promise-certified products are on sale. AMOREPACIFIC Group will dedicate its efforts to encouraging sustainable consumption and fulfilling its corporate social responsibility by diversifying its sustainable product lines and expanding the scope of their sales.

Type of Sustainable Products and its Development

Customer-friendly products			Environmentally-friendly products				Socially-friendly products		
Additive-free products	LOHAS certified products	Organic products	Ecosystem conservation products	Carbon footprint products	Recycled products	Refillable and replaceable products	Beautiful Fair Trade products	Universal design products	Social contribution products
Products providing customer reassurance and earning their trust with improved safety	Products that fit into a healthy and sustainable lifestyle	Products that received Ecocert or external organic certification	Products that received the certified eco-label from the Korea Environmental Industry & Technology Institute (KEITI)	Products that received the certified carbon footprint labeling from the KEITI	Products with packaging made from recycled materials	Products that are refillable or packaged in replaceable containers	Products that use raw materials purchased through a win-win relationship with local communities	Products created in consideration of the needs and convenience of socially underprivileged, such as people with physical disabilities	Products developed with emphasis on social contribution in the planning stage
									
Mamonde Extra Moisture Emulsion	Happy Bath Bio Bebe Soothing Lotion	primera Organience Cure Eye Cream	Happy Bath Real Moisture Body Wash	Happy Bath Lavender Essence Relaxing Body Wash	innisfree Super Volcanic Pore Clay Mask	innisfree Olive Real Cleansing Oil	HANYUL Rice Essential Skin Softner	mise-en-scène Damage Care Shampoo	HERA Cell Essence Pink Ribbon Edition (large size)

714 in total, year-over-year growth ▲ 20.6%

Development of the Squeezed Green Tea Water by innisfree

In 2014, innisfree developed Squeezed Green Tea Water, using undried green tea leaves. By implementing an extraction technology that involves compressing fresh green tea leaves without the high-heat drying process, we were able to reduce the CO₂ emission by 50.6% compared to the conventional method of using dried green tea leaves. In addition, in order to minimize environmental impact, a 100% natural preservative system was used during the manufacturing process without the use of organic solvents. Wastes generated in the manufacturing process were then reused as compost in order to further minimize the environmental impact. The

manufacturing technology applied in the development of the Squeezed Green Tea Water and the products containing this ingredient (a total of 10 items) gained recognition for their technological and eco-friendly significance. It received the Green Technology and Green Product certifications from the Ministry for Food, Agriculture, Forestry and Fisheries in addition to the Best Beauty Innovator Award at the 13th World Korean Business Convention. By developing green technologies and products that benefit the environment and customers, innisfree is endeavoring to further enhance the sustainability of its products.

Green Technology Certification of the Squeezed Green Tea Water Manufacturing Technology and Applied Products

Technical Excellence
Sustainable material development technology and skin improvement effects

Eco-friendliness
Reduction in CO₂ emission by 50.6% compared to the use of dried green tea leaves

Squeezed Green Tea Water Manufacturing Technology



(from left)
innisfree The Green Tea Seed Serum
innisfree The Green Tea Seed Cream
innisfree Green Tea Mineral Mist

primera Products Containing the Indian Mango, the First Global Beautiful Fair Trade Raw Materials



Mango Butter Comforting Hand Cream



Mango Butter Comforting Body Lotion



Mango Butter Comforting Body Wash

The Emblem Used on Packages Made with Jeju Tangerine Paper



Procuring Socially-Friendly Ingredients through the Beautiful Fair Trade

Beautiful Fair Trade is the name for AMOREPACIFIC Group's unique method of raw material procurement from local communities. The Beautiful Fair Trade program helps us maintain sustainable relationships with local communities and our consumers are clearly informed of the original producers of the raw materials of our products. Starting with the procurement of camellia from Jeju in 2010, we have signed 9 domestic agreements and 1 overseas agreement for the Beautiful Fair Trade program as of the end of 2014. In addition to the materials prescribed in the agreements, we purchase other local specialty products

in an effort to contribute to the local communities. Mangos purchased through the Beautiful Fair trade are used in primera's Mango Butter Comforting Body Lotion, Body Wash and Hand Cream. Furthermore, since 2013, primera has donated part of the revenues it gained from the product sales through the Let's Love Campaign, which donates mango tree saplings to households with young daughters in Jamui, India. In 2014, a total of 1,000 mango tree saplings were given to some 100 households to be planted. Through the Let's Love Campaign, which resumed in December 2014, primera is continuing its donation efforts.

3 Principles of Beautiful Fair Trade

<p>1 Safety of the natural raw materials</p> <p>We reassure our customers of the product safety and quality by ensuring the transparency of the producers of the raw materials. We strive to obtain quality ingredients that were cultivated in a clean natural environment.</p>	<p>2 Protection of the ecosystems</p> <p>We make an effort not to use chemical fertilizers to prevent damage to the natural environment in the process of cultivating and acquiring raw materials.</p>	<p>3 Win-Win relationships with local communities</p> <p>We contribute to local communities by making a promise to continually purchase their products at reasonable prices.</p>
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Eco-friendly Packaging Made with Jeju Tangerine Paper

In 2014, innisfree successfully developed Jeju tangerine paper by unifying previously developed green packages including green tea, tangerine, seaweed, and bean papers. The Jeju tangerine paper was developed in collaboration with Hansol Paper, which is one of the top paper manufacturers in Korea. This project led to the improvement of quality compared to the existing green

packages as well as productivity. The packaging material containing 95% recycled paper and 5% tangerine peel has also been found to be more eco-friendly than the previous packaging materials. Furthermore, it also made it possible to improve the design thanks to the enhanced quality and stability of the paper material.

3

Reinforcement of Win-Win Relationships with Partners

OUR APPROACH

In order to achieve sustainable growth as a global company, we need to coexist harmoniously with the surrounding environment. We at AMOREPACIFIC Group believe that building win-win relationships with all of our business partners enhances not only our competitiveness, but also lays groundwork for qualitative growth. Mutual growth based on mutual trust and cooperation is a precondition for co-existence and co-prosperity, which are part of our ethical principals. In this manner, we seek to achieve harmonious development in the corporate ecosystem.

OUR STRATEGY

In order to build strong partnerships, we are implementing a win-win relationship strategy by engaging in activities that support growth and to promote communication and participation of our partners through our fair trade culture. We are providing a great deal of assistance ranging from finance to education and training in order to support our partners' growth and operating a close communication system for the stakeholders of each of our partners for the purpose of promoting open communication and active participation.

OUR ACHIEVEMENTS

- Evaluated as satisfactory by the 'Mutual Growth Index'
- Creation of a 'Mutual Growth fund' of 23.9 billion KRW
- 1,337 participants in the training for the National HR Development Consortium Project
- More than 16 cases of joint patent applications with partners
- Win-Win relationship agreement ceremony for each partner and reinforced communication programs

OUR PLAN

We plan to engage in diverse cooperation activities with the aim to create an ecosystem where we can harmoniously co-exist with our partners and firmly establish the foundation necessary for our mutual growth.

Cooperation with Production and Assistance Partners

Increased Financial Support

For the purpose of achieving mutual growth with our partners, AMOREPACIFIC introduced a financial support program in 2014, which is an integrated support program created through cooperation with several financial institutions. This is on top of the existing direct assistance fund of 20 billion KRW. This fund, which amounts

to about 3.5 billion KRW, provides favorable interest rates when our partners are in need of loans. Also, AMOREPACIFIC contributed 400 million KRW to the Korea Credit Guarantee Fund to help our partners get support from financial institutions more easily and receive the additional benefit of lower interest rates.

Reinforced Education & Training for Human Resources

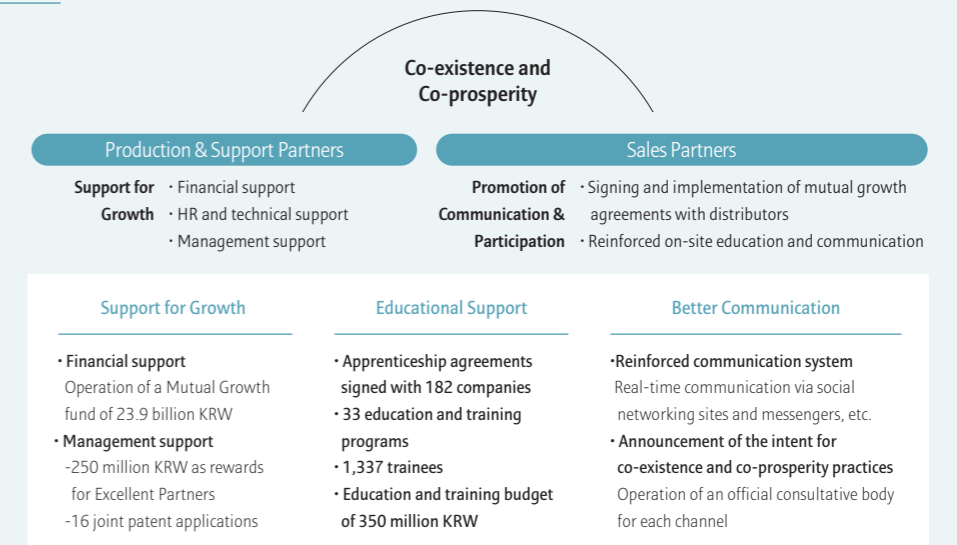
In 2013, AMOREPACIFIC Group was designated as the official institution for the 'National HR Development Consortium Project' organized by the Ministry of Employment and Labor. In 2014, our aim was to upgrade the overall technological level of the Korean cosmetics industry. Upon the apprenticeship agreement, we shared our manufacturing and production-related knowledge and technologies with our partners and soon after, our first and second-tier partners joined the project with

keen interest.

As a result, the number of partners that signed the apprenticeship agreement increased by 46% and the budget for education training also increased by 30% compared to the previous year.

The education and training policy placed emphasis on ensuring that our partners share our knowledge and use it in the field. By doing so, we were able to enhance the quality of the education and the satisfaction rate among the participants also grew.

Main Activities for Mutual Growth



Reinforced Management Support

In order to continue growth in the global market, it is necessary for AMOREPACIFIC Group as well as its partners to implement sustainability management. To this end, we conduct sustainability assessments of our suppliers with the aim to encourage quality improvement, fair trade, ethical management and environmental management practices. We also hold a mutual growth seminar on a yearly basis to award some of the partners with excellent performance. In 2014, we selected 13 awardees and offered them a total of 250 million KRW in prize money and a trip overseas for training. AMOREPACIFIC Group always seeks to

improve the technology level of our partners through joint research, and applies for joint patents for excellent research outcomes. In 2014 year alone, we applied for more than 16 joint patents, adding strength to our efforts in pursuit of mutual growth. Meanwhile, we selected four excellent packaging suppliers and offered them a trip to a cosmetics trade fair called 'CosmoProf' held in Las Vegas in July 2014 as a means to reward their excellent performance and increase their morale. From 2015, we plan to provide expanded opportunities to our raw material suppliers so that we can promote mutual growth with more partners.



Booths of Our Excellent Partners at Cosmoprof

Cooperation for Coexistence with Sales Partners

Reinforced Communication and Cooperation for Mutual Growth

In 2014, we set up a new special team within the Group responsible for promotion of mutual growth and cooperation with our distributors and franchise operators. The team has carried out various activities to improve our business culture, communication and support for each distribution channel. As part of the efforts to establish a companywide business culture and to better hear the voice of our sales partners, we encouraged our employees

to communicate with sales agents in real time through social networking services (SNS) and messengers so that their inquiries and ideas can be discussed and shared as quickly as possible across the entire group. In addition, we operate an official consultative body for each distribution channel to discuss opinions more efficiently with our partners and reaffirm our willingness to enhance mutual trust and to achieve co-prosperity.

Of particular note, ETUDE launched the Pink Hot Line, an exclusive call center for franchises, in order to enhance the bilateral communication between franchises and the headquarters. In October 2014, we launched 'Free Talk', a SNS mobile application for real-time compilation of VOCs and provision of feedback, and this digital communication channel brought more effective communication with our sales partners. In March 2014, innisfree concluded a mutual growth agreement with the innisfree

Reinforced Field and Educational Support

AMOREPACIFIC Group established various support systems for its distribution partners for the purpose of providing practical support in the actual field. In order to boost the ability of those on the frontline responding to customer inquiries, we attempted to improve the on-site response processes for each distribution channel and the functions of the call center. In addition, we expanded our educational support for our distribution partners to enhance their competency. For the door-to-door sales business sector, we provided a successful business owner program consisting of 3 sessions (establishing strategies, understanding marketing, reinforcing counsellor coaching skills, etc.)

Franchise Council (IFC) and vowed to dedicate its efforts to achieving mutual growth in compliance with the agreement. Also, during March and April of 2014, it conducted the Clean Jeju Campaign five times in order to protect the natural environment of the pristine island of Jeju, along with approximately 150 business owners. We also held the Shop Owner Festival with participation of shop owners and innisfree employees in order to strengthen their partnership.

and 4 elective courses (female psychology and functional health food). As for the AR-ITAUM business sector, an incubating program was conducted for new shop owners in order to help them quickly build their management skills and become familiarized with the work. Product and business strategy education programs were provided on a monthly basis on both online and offline platforms to enhance the competency of the field employees. As for the innisfree, we have well-trained internal instructors for the educational programs. They are also trained before they educate our partners. They are taught about shop operation and informed by case-studies to be passed on out in the field.

Clean Jeju Campaign with innisfree Shop Owners



4

Fostering of Experts and Leaders

OUR APPROACH

Our journey towards the uncharted world of innovative beauty cannot go on without our valuable Asian Beauty Creators. We believe that enhancing the capabilities of our employees leads to stronger competitiveness of our company. In this sense, the Group's HR Development Center plays an important role in fostering our next global leaders.

OUR STRATEGY

AMOREPACIFIC Group is endeavoring to nurture Asian Beauty Creators, who are willing to take new challenges and ready to respond nimbly to fast-changing global trends. To this end, we are trying to foster experts in diverse sectors with a global business mindset and good understanding of other cultures. We are also providing leadership programs to employees in managerial positions.

OUR ACHIEVEMENTS

- Reinforced organization for HR development
- Roadmap for nurturing experts
- Makeup Master Certification System recognized as an internal qualification verification system
- Global talent nurturing program (Hyecho Project and Global Internship Program)
- Onboarding program for newly appointed individuals and E-MBA program for executives

OUR PLAN

AMOREPACIFIC Group is endeavoring to nurture various experts in diverse sectors with strong global leadership thereby paving the way towards becoming a Great Global Brand Company.

Reinforced Organization for HR Development

In 2014, AMOREPACIFIC Group reorganized the HR Development Center into 6 teams with the aim to assist domestic and overseas employees develop their competency and attain individual growth. Of particular note, the HRD Planning Team was newly established to bring forth better results of the mid- and long-term educa-

tion plans and contribute to enhancing the competency of our Beauty Partners, who spread the value of beauty out in the field. Through these efforts, AMOREPACIFIC Group plans to nurture the Asian Beauty Creators who, as global leaders, spread Asian beauty throughout the world.

Specialized Education & Training System

Sales, Digital and Marketing Experts

Level 3 (2014~)

- Education on specialized theories
Sales: distribution, data analysis, negotiation, etc.
- Digital: digital marketing, home shopping, etc.
- Marketing: female psychology, CRM, perfumes, etc.



Level 2 (2015~)

- Intensive theoretical education
- Hands-on group assignments and projects



Level 1 (2016~)

- Individual assignments and projects centering on business aspects
- Education provided by external institutions

Nurturing of Specialized Experts

In order to help 'Quality Management' take a firm foothold in our corporate management system, we have devoted all our energy to nurture 'strategy-management experts' and enhance the capabilities of the beauty experts who are working on the frontline of our company. As of late 2014, a total of 152 experts were trained based on the three-stage HR development roadmap consisting of sales, marketing and digital training stages.

AMOREPACIFIC Group is helping beauty partners who are working in the fields of aesthetics, sales and services improve their key competencies through AMOREPACIFIC Beauty University (APBU). APBU runs a qualification system in relation to the key work

duties. In addition to the existing Makeup, Counseling, Nail Care and Inner Beauty POP certification systems, the qualification certification systems that were newly established in 2014 include Service Master Certification for customer service experts, Specialized Instructor Certification for product and service educators, and Hair Care Master Certification for experts in hair and scalp care. Accordingly, there are a total of 8 qualification certification systems in operation at present. Of particular note, the Makeup Master Certification System was recognized as an internal qualification verification system by the Human Resources Development Service of Korea, following the Counseling and Nail Care Master certification systems.



Makeup Master Training

Areas of Dispatch for Hyecho Project Participants



Global Talent Nurturing Program

The Hyecho Project is an HR development program named after Hyecho, a Korean Buddhist monk who was the first global citizen in Korean history. The project is to develop our employees into global leaders. Since its launch in 2011, AMOREPACIFIC Group has been continually upgrading the project. In the beginning, the participants were mostly dispatched to Chinese-speaking regions and Southeast Asia but now, they are stretched out across the world including the Middle East, South America, Europe and the Americas.

With diversification of the dispatch regions, we have recently redesigned the education programs to be more customized to the local characteristics of each country while extending the preliminary education and training period to ensure that the project participants can adapt to the foreign culture and have the basic language proficiency before they are dispatched.

During the dispatch period, the participants engage in diverse activities such as market research, cultural studies and local networking. Upon returning, they are assigned global business tasks to contribute to the strengthening of the overseas operations of AMOREPACIFIC Group.

As part of the effort to reinforce the overseas operations and recruit professionals with global competency, AMOREPACIFIC Group began conducting the Global Internship Program in 2014. It is highly important that we recruit talented individuals from diverse countries in order to ensure customer satisfaction worldwide. For this reason, AMOREPACIFIC Group is operating an internship program for international students studying in Korea, and nurturing them at the headquarters in Korea before dispatching them to the foreign subsidiaries.

Reinforced HR Development in China

For the purpose of enhancing the competency of our global beauty partners, we established the AMOREPACIFIC Beauty University China (APBU China), a front-line beauty partner education system. This project holds strong significance as it is our first step of providing equal educational opportunities to our overseas global beauty partners under universal standards. In China, we have created an organization specifically for HR development, and established related strategies,

based on which education and training programs are being developed. The HRD strategies were established with respect to leadership and job competency improvement, and tailored education is provided for the trainees to enhance their job competency. We plan on disseminating the beauty partner education system in ASEAN countries and Japan, with the ultimate objective of ensuring that our global beauty partners create our estimation of beauty wherever they are.

Establishment of the Leadership Enhancement System

AMOREPACIFIC Group is operating leadership programs at different levels catering to the needs of each promotion stage in a way to encourage our employees to strengthen their leadership step by step as their position moves upward. This year, we added a pre-promotion training program to the existing training for the employees on the promotion list. The Onboarding Program for the newly promoted employees helps them to execute their new work tasks more efficiently and learn the true meaning of cultural leadership based on deep understanding of the company's core values.

In order for us to step closer to our vision of becoming the Great Global Brand Company, management executives need to reinforce their business management competency. To this end, in 2014, the main executives of AMOREPACIFIC Group attended the monthly Executive Forum and Breakfast and completed the E-MBA program at Seoul National University. Through these opportunities, the par-

ticipants were able to gain an entrepreneur-like mindset and strengthen their business management skills. In addition, in order to encourage the executives to make constant efforts to enhance field performance and nurture their junior workers, we provided leadership coaching and leadership solutions that were tailored to each individual needs.

In the latter half of 2014, we assessed the leadership skills of the employees in team-leader positions and above both in domestic and overseas offices, with the aim to help them identify their own strengths and weaknesses. We provided them with feedback and competency development guidelines based on the assessment results so that they could specify their own directions for their leadership development. In particular, the team leaders of AMOREPACIFIC Group were mandated to attend the basic leadership program for team leaders. This program encourages our team leaders to change first and set a positive example for others.

5

Advancement of SHE¹⁾ Management System

OUR APPROACH

As global market growth accelerates, there will be greater emphasis on the importance of promoting the safety and health of our stakeholders and protecting our planet. At this important stage of readying ourselves to leap forward as one of the world's leading companies, we must remember that minimizing environmental impact and reinforcing safety and health are our first step and an important platform for sustainability management.

OUR STRATEGY

AMOREPACIFIC Group is actively seeking ways to cope with environmental change arising from climate change and water shortage, and making persistent efforts to provide a safe and healthy environment for all of our employees and customers, who are important participants in our business management. In order to establish an integrated SHE management, we are conducting diverse activities under four strategic directions—'reinforcement of SHE risk management and performance management', 'systematization of Global SHE Standards', 'establishment of SHE monitoring system, and 'expansion and enhancement of SHE culture'.

OUR ACHIEVEMENTS

- A comprehensive SHE manual for the Group
- Thorough audit by external institutions and improvement of safety while addressing environmental issues
- Activities for expansion of the safety culture
- GHG emission reduction at each production site
- Water consumption reduction at each production site

OUR PLAN

AMOREPACIFIC Group plans to establish the integrated IT-based SHE management system in 2015. While reinforcing SHE management at our overseas production sites, we will also strengthen our supervision of management practices by creating a systematic SHE audit system.

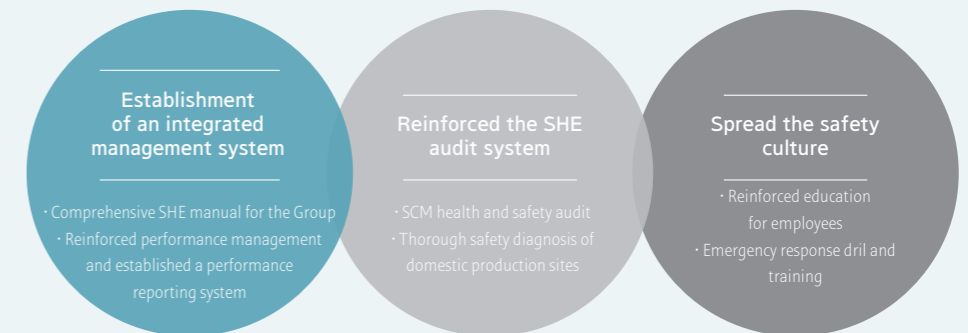
1) SHE : Safety, Health and Environment

Establishment of Global SHE Management System

AMOREPACIFIC Group, which is expanding its global business areas in order to achieve sustainable growth and future competitiveness, plans on strengthening the global SHE management system. In 2014, we created the comprehensive SHE manual to be observed by our domestic and overseas offices thereby enhancing our ability to manage the potential risks that may arise in the process of our global expansion. To ensure safety and health

for employees of our overseas offices and those on business trips, we expanded the scope of application of our International SOS services to include all of our employees for management of safety and health risks overseas. Meanwhile, the SHE operation and reporting systems were upgraded in order to improve the companywide communication of important SHE issues and to ensure swift decisions, so as to reinforce our risk management.

Major SHE Activities in 2014



Thorough Audit by External Experts

The audit of the SHE management system was conducted by external experts twice in 2014 with the aim to gain external confidence regarding our SHE management practices and to strengthen our internal management competency. In cooperation with the Korean Industrial Safety Association, we conducted thorough safety inspections of our 9 business sites with respect to fire prevention, building structures and electrical safety. Based on the 506 risk factors found from the inspection results, we are engaging

in activities to make improvements. In addition, in collaboration with the Korea Environmental Preservation Association, we ensured there were no violations of relevant safety laws and regulations, and conducted an environmental awareness survey targeting our employees. The inspection and survey process took 7 months and we identified a total of 1,108 environmental issues, for which we will develop a tailored checklist and start operating a systematic audit system.

Companywide Safety and Health Culture

AMOREPACIFIC Group is making an effort to improve the awareness of safety and health among all its employees. In 2014, for the purpose of improving awareness among some 3,500 office and sales staff, we developed an online education program. At the Beauty Campus Osan, we initiated the Green Cross Program in order to promote autonomous safety practices and prevent accidents. The Green Cross Program was participated in by the employees of AMOREPACIFIC as well as our production contractors. By rewarding the division with the best presentation, the program encouraged voluntary participation in safety practices among the employees. In addition, in order to provide a safe environment for our staff and customers, we conduct a risk assessment of

our offices and stores regularly. Moreover, we held a companywide idea contest for 'Creating a Safe Workplace' to encourage our employees to identify the risk factors on their own and present improvement measures accordingly. At the production site for AESTURA's health care products, we held a ceremony to declare the 'Golden Rule' for Safe Environment', encouraged the employees to voluntarily participate in improving the work environment and took swift actions to correct a total of 360 non-conformity cases. Meanwhile, PACIFIC PACKAGE initiated the Clean 3D (Danger, Dirtiness and Difficulty) Program in joint cooperation with its 6 partners, as a part of the effort to eliminate any and all hazards at its production sites. It effectively removed a total of 370 hazards.

Response to Climate Change

In recognition of the seriousness of climate change, AMOREPACIFIC Group is carrying out a wide range of programs. In 2014, various energy-saving efforts were made at the Beauty Campus Osan such as optimizing the operation of the air conditioning facilities, adjusting the number of boilers and heat exchangers operating in the regenerative heat system, etc. These efforts brought a reduction of 2,505 tons in GHG (CO₂) emissions and a cost reduction of 780 million KRW.

At the Beauty Campus Shanghai, the optimum intensity of illumination was ensured to save energy by eliminating about 700 unnecessary lightings. This helped save about 120,000kW of electricity on a yearly basis (60.67kW/hour), and reduce GHG

(CO₂) emissions by 92.6 tons at the same time. Also, a compressor with low power consumption was additionally installed in the ion water tank, which resulted in an annual power saving of 320,000kW and GHG (CO₂) emission reduction of 248 tons. PACIFIC PACKAGE used waste heat generated from the production facilities, which helped reduce the GHG (CO₂) emissions by 29 tons, while the production site for AESTURA's health care products established improvement measures based on the energy consumption level, and successfully reduced it by 19.3% compared to the previous year. PACIFICGLASS improved its energy facilities and began actively using the waste heat generated during the furnace processes.

Activities for GHG Emission Reduction and Performance

Beauty Campus Osan

Installation of waste heat recovery device, etc.

CO₂ emission reduction of
2,505 tons

Beauty Campus Shanghai

Installation of additional low-energy compressors

Power saving of
320,000_{kw}

AESTURA

Establishment of measures according to the energy uses

Energy intensity reduced by
19.3%

Activities for Water Resources Conservation and Performance

Beauty Campus Osan

Expansion of the rainwater transport line

Rainwater use increased by
57.5%

Beauty Campus Shanghai

Reduction of cleaning water and increased use of rainwater

Water consumption reduction of
8,500 tons

PACIFICGLASS

Recycling of water

Water consumption reduction of
7,500 tons

Water Resources Conservation

AMOREPACIFIC Group is preparing a response system for water conservation, which is one of today's most important environmental issues.

At the Beauty Campus Osan, the existing transport line of the rainwater facility was expanded to increase the average rainwater consumption by approximately 57.5% from 1,685 tons in 2013 to 2,655 tons in 2014. The coolant used in the freezers and air compressors was substituted with rainwater, which effectively reduced the monthly water consumption by 970 tons on average for an annual reduction of 11,640 tons.

At Beauty Campus Shanghai, a green project was carried out to reduce the use of cleaning water and increase the use of rainwater. This resulted in an annual saving of 8,500 tons of water. Meanwhile,

in order to conserve water in the local communities, the wastewater that does not meet the water quality standards was recovered for a secondary treatment before being discharged into the water system. Moreover, an external institution was commissioned to decrease the COD of wastewater to 34.1ppm, which is about 53% lower compared to the previous year. PACIFICGLASS is operating a wastewater treatment facility with an application of the advanced nitrification treatment technique as a means to minimize the environmental pollution caused by wastewater. Also, it identified the areas of the production process where water is unnecessarily spent, and established a recycling system to reuse water that would otherwise be wasted. Moreover, it saved about 7,500 tons of water in 2014.

Condensate Circulation Waste Heat Recovery Device



6

Social Contribution Activities for Women

OUR APPROACH

Considering that women are the main customers of AMOREPACIFIC Group, we believe it is our most important duty to ensure that women maintain their inner and outer beauty in a healthy way. In order to fulfill this obligation to society, we are actively carrying out our social contribution programs.

OUR STRATEGY

Under our mission to 'help women and their families attain healthy beauty' as a responsible corporate citizen, AMOREPACIFIC Group is implementing social contribution programs in three major areas -women, natural ecology and culture- under the slogan, 'Beautiful Change in Your Life, Makeup Your Life.' In addition, we perform research to develop products customized to the needs of female cancer patients so that they can be assured of the safety of our products.

OUR ACHIEVEMENTS

- Supporting cancer patients to regain confidence through the Makeup Your Life Campaign
- Raising the awareness of breast cancer through the Pink Ribbon Campaign
- Expanding scope of social contribution programs to other AMOREPACIFIC Group affiliates
- Cosmetics research centering on cancer patients

OUR PLAN

AMOREPACIFIC Group will continually fulfill its corporate social responsibility in the areas of women, natural ecology and culture in order to change the world with beauty. As the number of our global customers increases, we plan on expanding the scope of our social contribution programs to include not only Asia, but also the Americas and Europe. Each brand of AMOREPACIFIC Group will proactively undertake social contribution activities that conform to the core values of the brand.

Makeup Your Life Campaign - Awakening the Inner Beauty of Female Cancer Patients

The chances of experiencing changes in one's physical shape for female cancer patients are twice as much as ordinary women. The amount of stress accompanying these changes in appearance is 13 times higher than for ordinary women, and prolonged treatment tends to cause lower self-esteem and deteriorate their mental health¹⁾.

In the 7 years since its launch in 2008, the Makeup Your Life Campaign has been providing skin care and hair styling lessons to female cancer patients, who are suffering emotional distress due to the sudden

changes in their appearance so that they can regain beauty and confidence. This in turn helps them overcome a sense of loss and depression that most female cancer patients experience during their treatment period, and gain a more positive attitude toward life. Since AMOREPACIFIC Group is a cosmetics company with many makeup experts, we encourage them to share their talent for good causes. In addition, the AMORE counselors from the door-to-door sales channel and our educational instructors are also engaging in the campaign as volunteers.

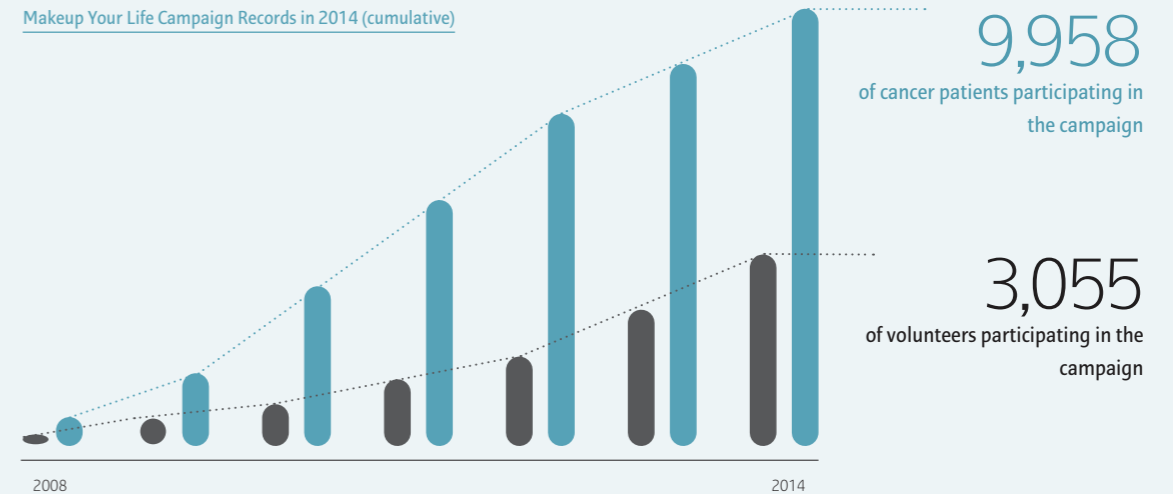
¹⁾This study was sponsored by AMOREPACIFIC and carried out by the Cancer Center of Samsung Medical Center.

Expansion as a Global Campaign

AMOREPACIFIC Group began conducting the Makeup Your Life Campaign in China in 2011 under the title, 'Jangjeonsaeng-myeong,' to spread the value of healthy beauty in China. After initiating the campaign in Shanghai, we have expanded it to cover other regions all the way to Hangzhou so that we can help more female cancer patients regain their self-esteem. In order to facilitate the operation of the

campaign, we are closely cooperating with local institutions and universities in China. Our efforts and contributions were recognized, and we were designated as an excellent social contribution company by a local community in China. We plan on implementing more Social contribution programs in China, and spread our corporate value of changing the world with beauty.

Makeup Your Life Campaign Records in 2014 (cumulative)





Pink Ribbon Love Marathon 2014

Pink Ribbon Campaign - Promoting Healthy Life for Women

Of the female-specific cancers, breast cancer is reported to have the highest incidence. Approximately 1.38 million women are diagnosed with breast cancer worldwide on a yearly basis, which means that breast cancer occurs in one out of every 8 women. While the incidence has been decreasing in the U.S. and Europe, the number of breast cancer patients in Korea has increased 4-fold over the course of 15 years. At present, it has the highest incidence among female-specific cancers, excluding thyroid cancers. It's been said that one-third of breast cancer patients do not notice any symptoms and are only diagnosed during medical examinations. In case of discovering breast cancer in its early stages, however, it is curable in more than 90% of the cases, meaning that early discovery and treatment are essential. In 2000, a non-profit organization called the Korea Breast Cancer Foundation was established, with full funding provided by AMOREPACIFIC Group. Ever since then, we have been proactively conducting the Pink Ribbon Campaign for the purpose of raising awareness of the importance of breast health and breast cancer preven-

tion. As part of our campaign efforts, we have organized the Pink Ribbon Love Marathon, the largest Pink Ribbon Campaign event in the country, for 14 consecutive years since 2001. Under the slogan, 'My Beautiful Breasts 333'¹⁾ the marathon aims to not only raise awareness with respect to breast health and the importance of early discovery, but also provides other useful information. At the same time, it is emerging as a major event that celebrates women together with their families. The participation fees paid by some 13,900 marathon participants in 2014 were entirely donated to the Korea Breast Cancer Foundation to sponsor research on breast cancer and low-income cancer patients. Furthermore, as part of our efforts to inform the public of the importance of self-examination for breast cancer, every year, we hold the Pink Tour, a health lecture conducted by breast cancer patients, and the Pink Generation, where ordinary people participate as the ambassadors of the campaign. These programs also improve public awareness of the importance of maintaining breast health.

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

Pink Ribbon Campaign Records in 2014 (cumulative)

Total Number of Beneficiaries
approx. 460,000

Beneficiaries of Financial Assistance for Breast Cancer Treatment
780

Beneficiaries of Preventive Examination
28,000

Participants in the Health lecture
185,000

Marathon Participants
254,000

Cumulative records from 2001 to 2014

Pink Love Therapy Campaign of AMOS Professional

Our affiliates are also taking part in our social contribution program called the Pink Ribbon Campaign. AMOS Professional, for instance, has been conducting the Pink Love Therapy Campaign for early prevention of breast cancer since 2011. This campaign involves saving 100 KRW from

every unit of the best-selling Repair Force Therapy Oil sold, which is one of their best sellers, and donating the accumulated amount to the Korea Breast Cancer Foundation every year. In 2014, they raised 22 million KRW, which exceeded the 2013 donation of 16 million KRW.

Research on Products Tailored to Female Cancer Patients

After surgery, the majority of breast cancer patients undergo chemotherapy to prevent recurrence, and this has a negative impact on their hair, skin and nails, resulting in hair loss, dryness of the skin and skin discoloration. These changes, especially the changes in the facial skin and dryness, can continue for up to a year after terminating chemotherapy. Accordingly, we have been conducting research to develop products tailored to female cancer patients, using our R&D capacity to develop skin care products. Starting in 2011, we have been tracking and observing the changes in appearance and quality of life of some 400 breast can-

cer patients, who received chemotherapy, in collaboration with Samsung Medical Center in Seoul. Then, in 2014, through patient reports and skin assessments, we gained an understanding of certain skin conditions after anti-cancer treatment. Based on the results, we are developing a product that can effectively improve the skin conditions suffered by female cancer patients. This product, which is set to be released at a later time, will undergo a strict verification process in terms of its efficacy and safety, and it is expected to help female cancer patients gain healthy beauty and experience improved quality of life.

Research on Products Tailored to Female Cancer Patients



04

Sustainability Performance of AMOREPACIFIC



AMOREPACIFIC has been implementing sustainability management to ensure a better future for the natural environment, society and businesses. We are leading the movement in creating a more beautiful world through our innovation activities for consumers, efforts to reduce our environmental impact, win-win cooperation with our business partners and social contribution programs.

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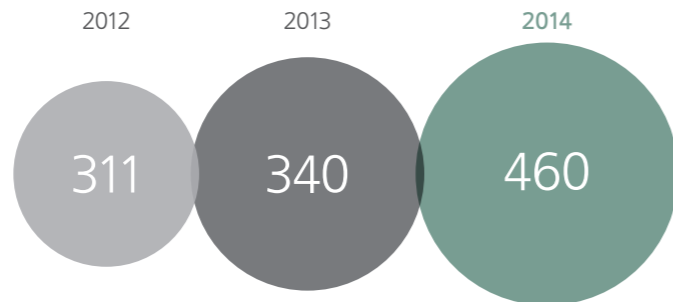
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Innovation for Customers

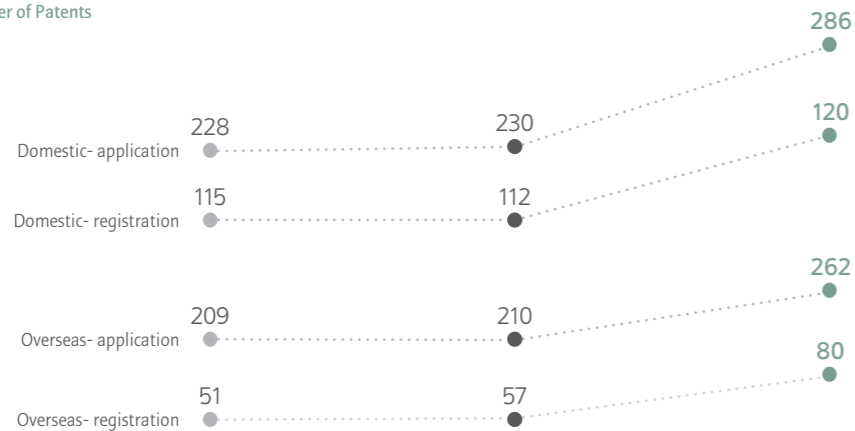
With our top priority being our customers, we are committed to deliver innovative products of the highest quality that can provide customers with pleasant experiences and move their hearts. Also, we take into account the environmental and social impacts of our business processes from procurement of raw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



Number of Sustainable Products



Number of Patents



	2012	2013	2014
Number of published papers (cases)	48	47	64
R&D expenditure (million KRW)	71,483	83,167	97,108
Ratio of R&D expenditure to sales (%)	2.51	2.68	2.51
Resolution of customer complaints resolved (%)	99.2	98.4	98.1
Average consultation satisfaction rate (points)	93.0	92.8	93.6

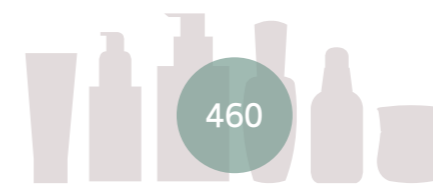
Innovation for Customers

Reinforced Product Sustainability

Development of Sustainable Products (AMOREPACIFIC Promise)

AMOREPACIFIC has been trying to promote sustainable consumption by developing sustainable products (AMOREPACIFIC Promise) since 2011. Sustainable products are divided into 3 categories: customer-friendly products, environmentally-friendly products and socially-friendly products. The Sustainable Product certification is issued by AMOREPACIFIC when a product meets the strict internal guidelines which are equivalent to the external certification standards.

The certification standards for sustainable products are constantly revised based on the amendments to the domestic and overseas regulations and expert opinions. We are endeavoring to expand the development of sustainable products by establishing new product categories.



The Number of AMOREPACIFIC Sustainable Products

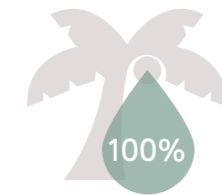
Purchase of Sustainable Palm Oil

Indiscriminate cultivation of palm plantation and deforestation not only cause climate change and damage to ecosystems, but also induce labor exploitation of local people. AMOREPACIFIC uses as much as about 7,000 tons of palm oil and other ingredients derived from palm oil annually. And thus, we are trying our utmost to maintain the sustainability.

In 2012, AMOREPACIFIC joined the Roundtable of Sustainable Palm Oil(RSPO¹), an international consultative group aiming to maintain sustainability of palm oil, in order to reaffirm our commitment to the principles of RSPO

by continuously seeking ways to purchase palm oil in a sustainable manner. Along with these efforts, currently, the entire volume of the ingredients primarily processed from palm oil used by AMOREPACIFIC is supplied from RSPO members.

This way, we are trying to fulfill our social responsibility in a wider scope and implement sustainable procurement of palm oil from our partners.



The Rate of RSPO Certified Palm Oil

1) RSPO : Non-profit organization established to promote sustainable production and use of palm oil

Establishment of a Sustainable Technology Roadmap

AMOREPACIFIC understands that securing source technology is the most important factor to strengthening product sustainability. Accordingly, we set up the Cross-Functional Team (CFT) in the R&D sector in 2014 and came up with the 2020 Sustainable Technology Roadmap.

The Sustainable Technology Roadmap suggests the sustainable technology platforms necessary to us as well as AMOREPACIFIC's future core technology sector based on 5 years of reviewing our past sustainable technology activities and analyzing the trends observed among the global leading companies. Sustainable technologies were categorized based on 3 focuses- customers, environment and society, and they were prioritized by importance to decide on yearly performance tasks.

AMOREPACIFIC is not only planning to strengthen the related technological capacity, but is also trying to confront future issues and promoting the development of its distinguished sustainable products through the implementation of the Sustainable Technology Roadmap.

Development of Natural Polyol

Polyol is one of the most commonly used raw materials to control the level of moisturizing and hydration functions of cosmetic products, but most of the polyol substances used today are synthetic materials derived from petroleum. In order to address this issue, AMOREPACIFIC began research to develop natural polyol as an alternative and in 2014, developed Whitebiol, an upgraded polyol obtained from microbial fermentation of natural tapioca starch. We filed patent applications for Whitebiol after verification of its applicability for cosmetics by carrying out skin safety mechanism tests based on clinical and in vitro experiments. Moreover, AMOREPACIFIC continues research on Whitebiol to understand the differences in the texture of varying formulas.

Development of Water-saving Cleansing Formula

AMOREPACIFIC has been seeking various ways to reduce water consumption of cleansing products that usually require extensive amount of water in the rinsing phase. In 2013, we developed the defoaming system that functions only when it becomes diluted with water during rinsing, without affecting the amount of foam created. In 2014, we developed and released a product that gets washed off more quickly than other existing products, meaning that this product needs less amount of water for use and also generates less amount of wastewater.

As part of our consistent efforts to create eco-friendly products, we are currently working to develop water-free cleansing products. Meanwhile, we are building a database on the quantity of water required for each raw material type so that we can use this data during the product planning process to create more water-saving products.

Development of Sustainable Packaging

Recycle: Development of PCR PETG materials

AMOREPACIFIC is developing sustainable packaging based on four strategies of Reduce, Recycle, Reuse and Renewable, with the goal of 25% reduction of package use per product until 2020. In 2014, AMOREPACIFIC made a

partnership with a firm that can produce the PCR PETG¹⁾ material which is a recycled material and, we jointly developed the PCR PETG material that has the physical properties and post-processability equivalent to the existing PETG materials used in our over-cap products. AMOREPACIFIC is planning to expand the scope of application of the PCR PETG material and verify its quality by producing various samples and conducting packaging material tests with the aim to use the material in our finished products in 2015.

Reduce: Participation in the pilot program to reduce the packaging volume of product containers

Since signing the agreement on the pilot program for reducing the packaging volume of cosmetic product containers initiated by the Ministry of Environment in 2013, AMOREPACIFIC has reduced the packaging volume of three products by the end of 2014. In 2013, the packaging volume of IOPE plant stem cell skin renewal emulsion was reduced. In 2014, about 9% of the volume of HANYUL Cleansing Cream was reduced, and about 28% of volume of LIRIKOS Marine Expert Restoring Eye-Cream was reduced.



1) PCR PETG : Post-Consumer Recycled PETG(Polyethylene terephthalate)

Innovation for Customers

R&D Innovation and Open Innovation

Reinforcing Research for Global Customers

In line with our fast growing business in China, AMOREPACIFIC established the 2020 R&D Roadmap in Shanghai research institute in order to develop products tailored to the local customers' needs. We will continue to carry out phased studies until 2020 in cooperation with the leading universities, hospitals and research institutes in China to launch products specifically targeting female Chinese customers with certified safety and effectiveness.

AMOREPACIFIC Shanghai Research Institute R&D Roadmap

1st research 2015 -2016

Regional study and development of solutions to varying regional and climatic conditions

Development of solutions to the fundamental skin troubles of Chinese customers through studies on regional and climatic characteristics of China



2nd research 2017 -2018

Research on more diverse skin types to attract new customers

Research on more diverse skin types as a measure to analyze potential customer groups and diversify our customer portfolio in order to quickly respond to the changes in the national policies, lifestyles and income levels in China.



3rd research 2019 -2020

Application of AMOREPACIFIC's main ingredients in products sold in China

Provide the best customized solution to Chinese customers through consistent and in-depth comparative studies, focusing on Korea and China, with respect to natural ingredients such as ginseng, green tea and beans in which AMOREPACIFIC possesses the highest know-how.

Technology Development as a Solution to Environmental Pollution

While the environmental pollution has become a serious problem worldwide, concerns of pollution-related skin problems are especially rising among Chinese customers. In response, AMOREPACIFIC Shanghai research institute is analyzing the effect of harmful components in the atmosphere on human skin, and carrying out solution development research. In 2015, we are planning to carry out a research on the skins of the inhabitants of major cities and develop skincare and cleansing products that are effective against environmental pollution.

Development of Appropriate Moisturizing Solution for Extremely Arid Region

We found that the biggest skin concern among our Chinese customers is dryness as our studies show that many customers, especially those who live in major cities such as Beijing, suffer from extreme dryness in winter. Dryness can cause secondary skin issues such as wrinkles, itchiness and erythema. Therefore, AMOREPACIFIC Shanghai research institute initiated studies to analyze how the extremely dry environment affects the skin and continuously tried to seek solutions.

To develop products that are suitable for the regional characteristics of China, we are planning to perform face and body skin research on the inhabitants of Inner Mongolia and Guangzhou jointly with various local hospitals and institutes.

Development of Self-Gel Nail Kit

Since April 2013, AMOREPACIFIC has been carrying out open innovation activities with JCK, a nail care company operating a luxury nail salon chain called Dashing Diva. It developed MODI self-gel nail kit in 2014 by combining the results of its customer survey and product development capacity as well as JCK's nail care product development know-how and color embodiment technology.

MODI self-gel nail kit was launched with various types of accessories such as nail stickers and jewel stones so

that women themselves can have their nails polished as beautifully as those done by the experts. In 2015, we are planning to launch some other gel nail-care products under different brands.

Development of Cosmetic Devices as the Next Growth Engine

Following the development of applicable cosmetics and edible cosmetics, AMOREPACIFIC is now making extensive efforts into developing portable cosmetics which refer to high-tech cosmetic devices as the next growth engine. Such devices can improve skin conditions with the use of physical energy such as light, electricity, heat and vibration after makeup application. We performed various studies on cosmetic devices and conducted open innovation activities for 3 years since 2012. As a result, in August 2014, we launched a special brand for cosmetic devices called MakeON. We released a Cleansing Enhancer that has cleansing and skin improvement effects with micro-motion technology and a Makeup Enhancer that offers customers with brighter and more transparent facial makeup through fitting motion activity.



Cleansing Enhancer by MakeON, the Cosmetology Device Specialized Brand

These products were tested and verified to have improved cleansing ability and makeup coverage power. We have registered 81 domestic patents and applied 74 foreign patents for the devices thus far.

Research on Animal Alternative Testing Methods

AMOREPACIFIC had early started the animal alternative test research with recognition of importance and performed the alternative test research project headed by the Ministry of Health and Welfare from 1997 to 1999. As a result of continuous research, AMOREPACIFIC discontinued animal testing for cosmetic materials and finished products from 2008. Furthermore, AMOREPACIFIC declared the principle of banning any unnecessary animal testing for cosmetics and banning animal testing except in unavoidable situations where animal testing is required by local governments or laws. AMOREPACIFIC operates a pre-verification system to exclude the cosmetic ingredients and cosmetics which have a previous record of animal testing not only in AMOREPACIFIC but also in our partners and also is performing additional post-verification through the 'Animal Experiment Monitoring Committee'.

In 2013~2015, AMOREPACIFIC is performing collaborative research project on skin irritation, ocular irritation, skin sensitization and oral mucosa irritation KoCVAM (Korean Center for the Validation of Alternative Methods), KSAAE (Korea Society for Alternative to Animal Experiments), 13 labs in academic and industry. In particular, AMOREPACIFIC has participated in validation studies for ocular and skin irritation for purpose to submit proposal of OECD guidelines. Furthermore, pre-validation research on skin sensitization was initiated in collaboration with EU and the US research institutes in 2014.



Innovation for customers

Customer Satisfaction Activities

Customer Complaints Management Activity CGAP

Customer Gift for AMOREPACIFIC(CGAP) is AMOREPACIFIC's unique customer complaints management program which collects customer complaints and suggests solutions to improve their inconveniences. AMOREPACIFIC considers the complaints of our customers to be a 'gift' that motivates us to keep improving our products and service. In 2014, a total 53 of CGAP improvement activities were performed.

Solutions to Customer Complaints in 2014

Complaint	Solution
Request for display of the date of manufacture on sample products sold through home shopping channels	Date of manufacture and lot number are displayed on the sample products
	
Before	After

2014 CGAP VOC Exhibition

CGAP VOC Exhibition is an annual in-company exhibition in which the employees discuss about the customers' complaints collected through customer reviews and share their ideas to improve our products and services. In 2014, the 7th CGAP VOC Exhibition was held under the theme of 'à temps-on time,' and we resolved to consistently track the results of the improvement measures taken for 7 major complaints.



2014 CGAP VOC Exhibition

Reinforced Consultation Services

In order to adequately respond to customers' fast-changing needs, AMOREPACIFIC has constantly carried out customer service satisfaction assessments and customer consultation studies for the employees of the customer service center, based the principle of improving customer service through empathetic consultation. This shows our commitment to heightening customer satisfaction through better understanding of our customers' opinions. In order to strengthen the professionalism of the customer service supervisors, we have been holding meetings to study the collected customer complaints on a monthly basis and bimonthly meetings to improve the consultation methods. We developed the empathetic consultation evaluation system jointly with Korea Management Association Consulting and reviewed 3 customer consultation calls based on service type so that improvements can be made for practical consultation.

Voice of Customers (VOC) Management¹⁾(cases)

	Phone	Internet
2012	194,269	24,786
2013	209,681	16,826
2014	186,076	8,557

1)'General customer service' and 'Beauty Point' customer service' departments were integrated in 2014 and therefore, the 2012 and 2013 data were recalculated based on the 2014 standards.

Prosumer Activity

AMOREPACIFIC operates a prosumer community called ‘Suhedang’ consisting of Korean and Chinese customers living in Korea who actively participate in the fields of beauty and health. The feedbacks we collected from the prosumers through the focus group interviews or surveys were often reflected in product development. For example, the development of the Cleansing Enhancer launched by MakeON in 2014 started from the suggestion of the prosumers.

Number of reflected opinions of prosumers in 2014

170 cases

Beauty Point Exchange Campaign

AMOREPACIFIC is putting its best effort in increasing the satisfaction of Beauty Point membership customers by offering customers with special edition items that can be purchased only through Beauty Points. In 2014, we carried out the 3rd Beauty Point Exchange Campaign in collaboration with the artist-and-actor Ha, Jung-woo. About 46,000 umbrellas he designed were exchanged for Beauty Points and we saved 100 KRW per exchange to donate about 4.5 million KRW to the 2014 ‘Hope Ondol, Warm Winter Project’ organized by the Community Chest of Korea.

In December 2014, MODI Nail received a favorable response by releasing the Christmas limited edition MODI Sonny Angel Collection nail products for Beauty Point members through collaboration with Sonny Angel Brand. AMOREPACIFIC will consistently provide diverse Beauty Point benefits by developing Beauty Point products for member customers.



‘Share Your Umbrella’ Campaign where Customers could Exchange Beauty Point for Umbrellas



2014 Nail Products for Beauty Point Membership

Customer Information Protection

Conference on Personal Information Protection with information security agencies

In June 2014, AMOREPACIFIC hosted a conference to raise awareness of the importance of personal information protection. We invited the board members of about 40 personal information security agencies to the conference and, during the conference, provided several seminars on importance of personal information security experts as well as introduced AMOREPACIFIC’s security policy. AMOREPACIFIC would like to participate actively in personal information protection with our partners through yearly conferences and guide issuance.

Change in Registration Method for Beauty Point membership

AMOREPACIFIC simplified membership registration process to require just the cell phone number for authentication, instead of the resident registration number. Customers do not feel uncomfortable when signing up for membership and it also adheres to related regulations. Moreover, we have reduced the chance of personal information leakage by allowing our registering customers to use tablet PCs instead of paper application forms.

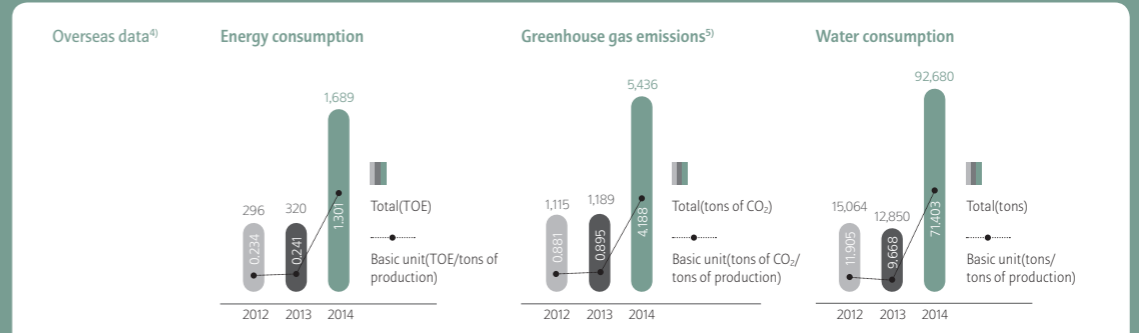
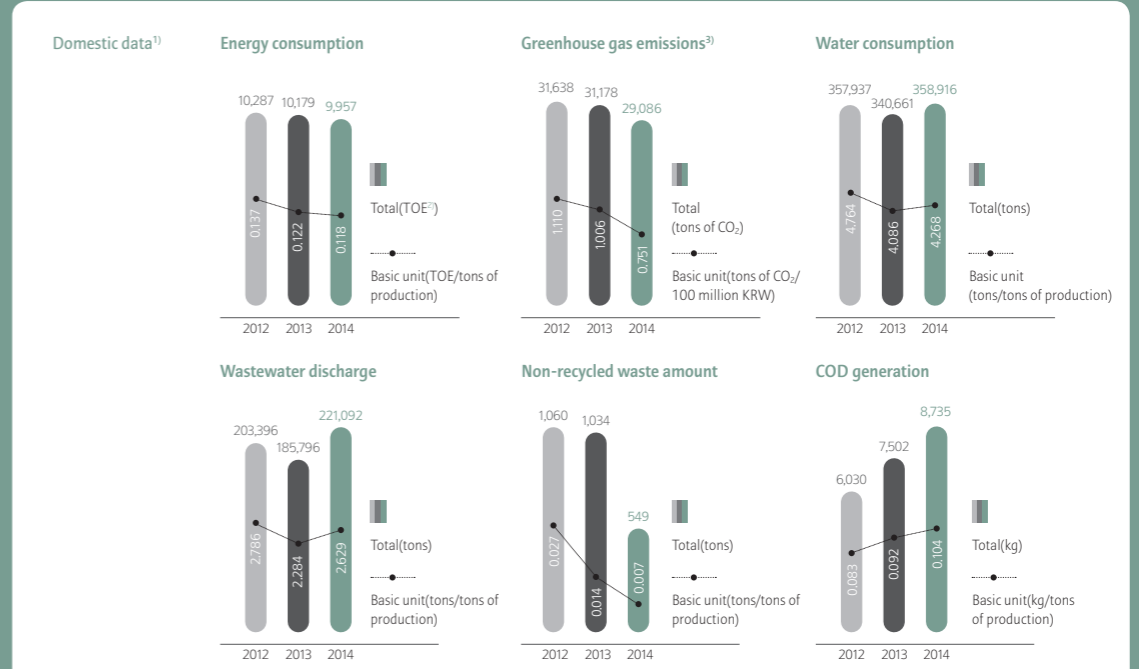
Compartmentalization of the personal information process system network (Internet cutoff)

We have separated employees’ PC that accesses important data process system including personal information from the general internet network. This helps us protect our confidential information and personal information from external internet attacks such as viruses and hacking.

Minimization of Environmental Impact



With keen awareness of the potential environmental consequences of corporate activities, AMOREPACIFIC has established an environmental management system and made continuous efforts to reduce its environmental impact. As part of these efforts, we have been engaging in a wide range of activities, from lowering GHG emissions in the production process to reducing water consumption for sustainable water use, and leading the biodiversity preservation movement.



1) The domestic environmental management performance was assessed based on the 3 domestic production sites: The Beauty, Mass Cosmetic and Sulloc Tea Production Sites.
 2) TOE (Tonne of oil equivalent): amount of energy released by burning one ton of crude oil
 3) Scope of GHG emission assessment: SCM (production & logistics), R&D unit, headquarters and regional offices, and business locations, etc.
 4) The global environmental management performance was assessed solely based on the AMOREPACIFIC China. The increased environmental performance index compared to the previous year resulted from the completion of the Beauty Campus Shanghai and the operation of new facilities in 2014.
 5) The GHG emissions were calculated based on the standards of the pilot emissions trading system implemented in Shanghai by the National Development and Reform Commission of China.

Minimization of Environmental Impact

Response to Climate Change

Reduction of GHG Emissions at Production Sites and Offices

AMOREPACIFIC has strived toward our goal of reducing GHG emissions by 30% per unit of sales by 2020 compared to 2010. In 2014, the outdoor air conditioning system of the cafeteria was changed, which helped reducing power consumption by 37,888kWh and LNG use by 15,751Nm³. Also, an eco-pulley, called the V-BELT, was applied to the air supply and exhaust fans inside the air conditioning unit in order to reduce the power loss caused by the frictional force, thereby decreasing power consumption by 18,201kWh and GHG emissions by 8.5 tons of CO₂. At the Beauty Campus Shanghai, the standardization of the heating and cooling system operation led to 216.6 tons reduction of CO₂ emissions, while 266.3 tons of CO₂ emissions were reduced by enhancing the cooling efficiency of the water heat storage system and the efficiency of the waste treatment center. In addition to the improvement activities at the production sites, AMOREPACIFIC has been attempting to lower the energy consumption and GHG emissions at the general offices. For instance, the Regional Business Unit for Busan is managing the energy consumption records on a monthly basis and conducting energy saving activities according to the performance results. Of particular note, in 2014, all of the halogen lamps were replaced with LED lamps to reduce energy use. There are plans to engage in continuous efforts to reduce energy consumption by raising the efficiency mechanical equipment and facilities in the future.

Reduction of GHG Emissions during Transport

AMOREPACIFIC is continuing its efforts to reinforce its eco-friendly logistics system. Digital tachographs have been installed on a total of 182 transport and delivery vehicles and a control tower was established for monitoring purposes. Using this system, vehicle location and

status can be determined in real time, and the delivery personnel can check their driving records and practice eco-driving. After the introduction of this system, fuel efficiency was improved by 2.3%, while diesel consumption was reduced by 22,581L and GHG emissions by 59 tons compared to the previous year.

Minimization of Environmental Impact

Water Resources and Waste Management

Reduction of Water Consumption with the Use of Rainwater

With the goal to reduce our water use by 30% per unit of output by 2020 compared to 2010, AMOREPACIFIC has put effort into reducing water use consistently. The improvement of the rainwater facilities in 2014 led to the reduced amount of service water consumption. The rainwater stored in the 500 tons capacity water quality management facility was used for landscaping purposes and supplied to the restrooms, wastewater treatment facilities, and dehydrator line, but the capacity of this facility was insufficient to have any significant effect on the amount of service water use. Accordingly, improvements were made to transport the rainwater from the storage facility at the logistics center to the water quality management facility, thereby increasing the rainwater storage capacity to 900 tons. As a result, the monthly average rainwater use by the Beauty Campus Osan of AMOREPACIFIC rose from 1,685



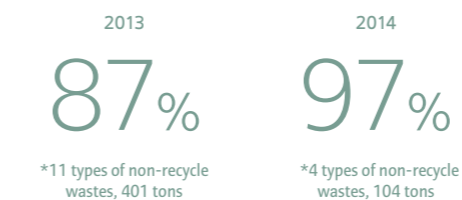
Rainwater Filtering Equipment

tons in 2013 to 2,655 tons in 2014, which was a 57.6% year-over-year increase. In addition, the coolant used in the cooling system and air compressor cooling tower at the Beauty Campus Osan was replaced with rainwater. Instead of using service water from the waterworks as was the case in the past, rainwater began to be filtered to eliminate any foreign matter and used in the cooling tower after a thorough water quality inspection. This contributed to the reduction in annual average service water consumption by 11,730 tons.

Broader Scope of Waste Recycling Activities

AMOREPACIFIC is dedicated to lowering the amount of waste it discharges through the means of recycling. The non-recyclable wastes generated from the Beauty Campus Osan in 2013 consisted of 11 types of wastes including spent organic solvents, process sludge and byproduct wastes, and 401 tons were disposed of as wastes in the same year. In 2014, the number of waste types falling under this category was reduced from 11 to 4 through the countermeasure activities performed with a waste treatment company. The collaborative efforts paid off, and the volume of non-recyclable wastes was reduced by 297 tons compared to the previous year to 104 tons, while the per unit non-recyclable waste was reduced to 0.008, which was a 176% decrease from the previous year. Based on these efforts, the waste recycling rate of the Beauty Campus Osan was improved from 87% in 2013 to 97% in 2014. In addition, at the Beauty Campus in Shanghai, the conventional paper packaging material used by the packaging material supplier was replaced with reusable plastic packaging material to reduce the amount of waste paper, and this switch was made by 54% of the packaging material suppliers in 2014.

Waste recycling rate at the Beauty Campus Osan



Minimization of Environmental Impact

Conservation of Biodiversity

Research on Restoring and Utilizing Rare Indigenous Species

Due to the nature of its business, AMOREPACIFIC uses large amounts of biological resources. For this reason, it has been endeavoring to turn bio-resources into assets and protect biodiversity for better utilization. In addition to protecting and restoring biological diversity including the white mother chrysanthemum, efforts have been made to develop differentiated plant materials using biodiversity.

Since 2011, research has been conducted on indigenous bean species in Manchuria and Korea that have gradually been disappearing due to the increased use of genetically modified (GMO) beans, which can be cultivated easily and produce high yields. Of the indigenous bean species examined, Napjakong (*Glycine gracilis* Skvortsov) was found to contain secondary metabolites, which were confirmed to have an exceptional antioxidant effect and promote the growth and development of skin cells, in 2014. Then, we have succeeded in mass cultivation of this particular bean species in the clean regions of Yeongwol-gun, Gangwon-do Province, together with Grace of Nature.

Sponsoring the Biodiversity Foundation

AMOREPACIFIC sponsors the research and education activities of the Biodiversity Foundation to conserve the natural ecosystems. The Foundation is a non-profit organization, which conducts research and surveys on the wild flora and fauna to contribute to the basic science of biology and the environment and dedicates its efforts to resolve the underlying causes of environmental destruction as a way to respect all forms of life. It is also the Korean partner of Roots and Shoots founded by Jane Goodall, a primate researcher who led a global environmental movement through this program. In 2014, a Roots and

Shoots organization was formed within the company, and they carried out activities under the slogan, 'Love Your Environment, Neighbors and Animals.' primera, a naturalist brand of AMOREPACIFIC, launched the large-volume version of primera Watery Gel Cream in May 2014 and promoted the aquatic habitat conservation project of the Biodiversity Foundation at the same time. In commemoration of the Environmental Day, which is celebrated annually on the 5th of June, it sponsored the Environmental Day: Talk Concert, where participants were encouraged to share their thoughts on the best ways to protect the environment and practice prudent consumption. In addition, there was an exhibition shedding light on the possible eco-friendly practices that can be performed in our daily lives such as the use of empty primera containers as flower pots.



Support provided to the Biodiversity Foundation

Publication of the Second Edition of 'Beautiful Story of Native Plants in Jeju'

In order to facilitate people's understanding of the native plants of Jeju Island and contribute to their preservation, AMOREPACIFIC issued the second edition of 'Beautiful Story of Native Plants in Jeju,' the first edition of which was released in 2012. The latest edition introduced the plant species used as ingredients by AMOREPACIFIC as well as 20 other plant species growing in Gotjawal, referred to as the repository of Jeju's ecosystem. This book holds high artistic value as it presents miniatures of the plant species in addition to their information and efficacy in skin care. It also provides the local names of each of the plant species mentioned and gives insight into the local

traditions, culture and other intangible assets of Jeju as well as plant information provided by the Advisory Group on the Traditions and Plants of Jeju (4 botanists and experts in Jeju's traditions).



Second Edition of 'Beautiful Story of Native Plants in Jeju'

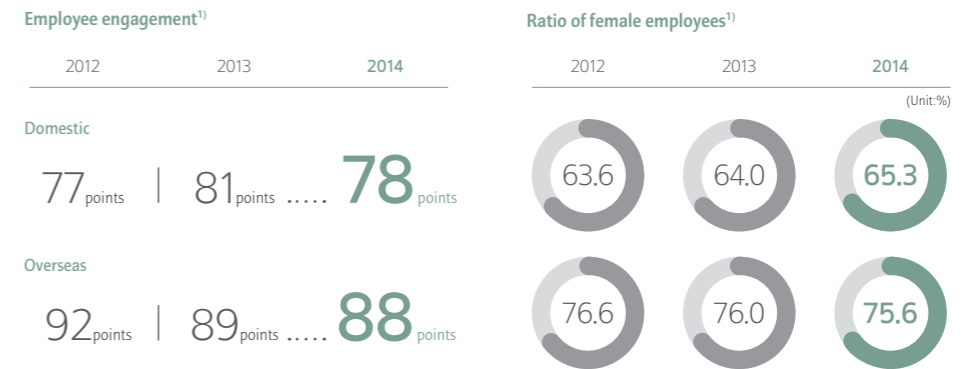
Participation in the 12th Meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 12)

The Convention of Biological Diversity (CBD), adopted for the purpose of maintaining biological diversity, is recognized as one of the three major international environmental conventions along with the UNFCCC¹⁾ and the UNCCD²⁾. In awareness of its position in an industry that is highly reliant on bio-resources, AMOREPACIFIC has been committed to preserving biodiversity and making better uses thereof. A delegation from AMOREPACIFIC attended the senior-level business panel discussion at the Business and Biodiversity Forum of COP12 held in Pyeongchang, Gangwon-do Province in October 2014. There, the delegation presented AMOREPACIFIC's activities on restoring and discovering the efficacy of rare indigenous plant species and discovering the native plant species of Jeju, and shared their opinions on reinforcing the efforts for biodiversity conservation.

1) UNFCCC: United Nations Framework Convention on Climate Change
 2) UNCCD: United Nations Convention to Combat Desertification

Harmonious Growth

AMOREPACIFIC is striving to not only achieve corporate growth, but also fulfill its corporate social responsibility. It is seeking to realize mutual growth together with its companions in the corporate ecosystem through communication and cooperation. It is also providing education and training to employees for personal growth and development and making innovations to improve their quality of life.



	2012	2013	2014
Percentage of women in management ¹⁾²⁾	Domestic 18.0%	18.1%	20.1%
	Overseas 56.2%	51.9%	50.3%
Employment retention rate after maternity leave ³⁾	81.1%	80.8%	61.8%
Education & training hours per person	105.6hours	82.8hours	71.4hours
Education & training costs per person ⁴⁾	830,000KRW	570,000KRW	650,000KRW
Percentage of employees in the labor union	50.6%	50.7%	47.1%
Accident rate (Domestic)	Accident rate ⁵⁾	0.11	0.04
	Frequency rate of injury ⁶⁾	0.52	0.22
Accident rate (Overseas)	Accident rate	0.26	0.11
	Frequency rate of injury	1.34	0.56
Amount of Mutual Growth fund in operation		20.0 bil. KRW	23.9 bil. KRW

1) The overseas performance was assessed solely based on the AMOREPACIFIC China.
 2) 'Management' includes managers and higher positions.
 3) Employment retention rate after maternity leave(calculation method): Number of employees who returned from maternity leaves last year and are still employed this year / Number of employees who returned from maternity leaves last year x 100
 4) Recalculation of the training costs for 2012 and 2013 based on the revised calculation method(excl. cost of overseas events and etc.)
 5) Accident Rate=(number of injuries/number of workers) x 100
 6) Frequency rate of injury=(number of accidents/annual work hours) x 1,000,000

Harmonious growth

HR Management and Development

HR Management Strategies

AMOREPACIFIC is committed to creating a corporate culture where individual potential can be fully realized amid mutual trust and respect for the potential capabilities of every employee as well as diverse backgrounds and cultural differences. By establishing and implementing HR management strategies tailored to the global business environment, AMOREPACIFIC is striving toward its vision of becoming a Great Global Brand Company.

Domestic and Global Employees

The number of employees of AMOREPACIFIC in Korea was 4,881 as of the end of December 2013. The male-female employee ratio was recorded at 34.7: 65.3, with women accounting for a greater percentage of our personnel. The number of female executives and managers has been increasing every year, and they accounted for 20.1% of our management staff as of the end of 2014. Meanwhile, the number of employees of AMOREPACIFIC overseas was 7,594 in total as of December 2014. Majority of our overseas personnel including the management and general employees were natives to ensure a more localized personnel management system.

In the case of AMOREPACIFIC China office, 95% of the employees were Chinese. The scope of recruitment and promotion for the Chinese personnel has been expanded for major positions.

Maintaining Personnel Diversity and Preventing Discrimination

AMOREPACIFIC provides equal opportunities to all of its employees according to their competencies and qualifications in accordance with Chapter 4 of the Code of Ethics. Fair evaluations and rewards are given based on their job

performances, while discrimination in the processes of recruitment, job assignment and promotion, etc. 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 2014, we made the necessary preparations to establish a standardized production site for the employment of people with disabilities. As of the end of 2014, 21 people of disabilities and 82 war veterans were employed by our company.

Invigorated Career Market

Career Market is a job rotation system that promotes the circulation of internal personnel through an autonomous competition system and prevents mannerism, which can occur when employees work in the same department for a prolonged period of time. Through the Career Market, which was introduced in 2014, lateral job rotation was attempted for employees in more than 50 positions. The opening of the positions was announced through job postings, and the internal employees, applying for the positions concerned, and the HR Team engaged in negotiations so that the applicants could be assigned to their desired positions. The Career Market had a successful first run in 2014, with explosive support and response from employees. For the year 2015, there are plans to improve and invigorate this program by introducing a job rotation quota system, securing a broad human resources pool, applying the system to the affiliates of the Group, minimizing the lead time, and reinforcing the security of the personal information of the applicants.

Expanded Operation of the Channel Booster

Channel Booster is a rotational internship program, which was initiated in 2013. The program involves selecting applicants for sales and marketing positions through a preliminary interview and assigning them to multiple jobs in various brand companies and channels for about 2 months. Afterwards, they are recruited following a

consultation with the departments offering job positions that they desire. In 2014, nearly 90% of the interns participating in the Channel Booster program were recruited for regular positions in the first and second half of the year, and high job satisfaction was expressed by the former interns. Channel Booster, matching the interns with suitable jobs based on their individual preferences and skills, has had a positive impact on both the new recruits and the company. In 2014, it was implemented not only for the sales and marketing job positions, but also during the new recruit selection and job assignment at the production sites and R&D unit.

Fair and Consistent Global Performance Management System

Under the performance-based HR system, AMOREPACIFIC is further consolidating its performance management system to motivate the employees to realize their full potential and exert their maximum capabilities by giving fair evaluations and rewards. In order to ensure fairness, a performance management maturity index was introduced for performance monitoring from the aspects of objectivity, fairness, acceptability and transparency, while regular training and communication were ensured at the same time. Moreover, the performance 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, a global performance management system is being established to ensure that all of the employees of AMOREPACIFIC in Korea and abroad are evaluated and rewarded based on their efforts and achievements under the same criteria.

HR Development

AMOREPACIFIC is implementing HR development strategies based on Vision, Innovation, Global and Leadership in order to nurture Asian Beauty Creators who are conscientious and proactive.

Vision: Continuous Internalization of the AP WAY

AMOREPACIFIC re-established the system to disseminate the corporate values for an improved internalization of the AMOREPACIFIC WAY (AP WAY), which is the core value upheld by the company. A systematic value internalization matrix was designed for each organization and job position, and a corporate value education program was included in the job training system. In addition, a workshop called 'Discover Meaning in Your Work' was conducted to establish and uphold a code of conduct for each business unit. Through this workshop, the participating employees had a chance to re-discover meaning in their work and the work of their organizations, and became motivated to be more proactive and autonomous when performing their work.

Innovation: Nurturing Distinguished Experts

AMOREPACIFIC is operating a system to nurture experts in their respective fields and beauty experts working on the frontlines. In 2014, the expert training system of AMOREPACIFIC was further reinforced, and the scope of its application was expanded to include the SCM partners through the National HR Development Consortium.

Global: Practicing Global Strategies

AMOREPACIFIC has built a system to spread its corporate values to the overseas offices and nurtured disseminators of the corporate values at each of the overseas offices with the aim to enhance its companywide management capacity. Starting at AMOREPACIFIC China, a global Smart Campus was opened in collaboration with the officers in charge of education and training in Hong Kong, Taiwan, ASEAN countries, Japan, France and the US.

Leadership: Establishment of a Leadership Program for All

AMOREPACIFIC is providing step-by-step job training programs and endeavoring to nurture leaders, who achieve personal growth based on the core corporate values. For this purpose, the new employee recruitment process was improved, and an educational program to impart the key values of the company was newly added. Moreover, the necessary preparations are being made in order to review and transform the post-promotion leadership training program into a pre-promotion program.

Harmonious growth

Great Work Place

Smart Work

AMOREPACIFIC is implementing the Smart Work system to create an environment that allows the employees to be creative, while engaging in their work.

Big Think Time

Big Think Time was designed to create an environment that allows the management to think about and contemplate on the vision of the company and the essence of business, without any external interruptions. Big Think Time lasts 30 minutes a day and operates on a voluntary basis. In order to boost participation, text notifications were sent 5 minutes before the start, and notebooks and pop-up doorknob notification boards were provided. In 2015, various other assistances and activities will be carried out to firmly establish Big Think Time as part of AMOREPACIFIC's corporate culture.

Essential Field Practices and Work Cleansing

For the early discovery and swift resolution of important issues at customer contact points, AMOREPACIFIC ensures that its sales employees spend 50% of their work hours out in the field. The executive team has re-defined customers, stores, business partners, local communities and stakeholders as the 'field,' and they spend 30% of their time in the field to meet various stakeholders and discover their insight. In 2014, the field work levels of the executives and sales personnel were monitored, and the results were notified to the organizations concerned to ensure that they continue to work at the customer contact points. In addition, 'work cleansing', which involved reducing the unnecessary work load in the office, was performed so that the sales employees could concentrate more on the field work such as sales planning and problem-solving. On the other hand, AMOREPACIFIC provided assistance to the executives so that they could

perform better in the field by researching and presenting the excellent cases reported by the customers, stores and partners.

Work-Life Balance

AMOREPACIFIC wishes to create a pleasant and efficient work environment, where the employees can engage in their work and realize their full potential. For this purpose, various efforts have been put forth including the creation of a positive corporate culture where individuals are mutually respected and a work environment that ensure work-life balance, and the operation of differentiated programs that promote the safety and health of the employees and ensure efficient communication. AMOREPACIFIC was honored with the Presidential Citation for Equal Employment Opportunities for Men and Women from the Ministry of Labor and Employment in 2012. and the Ministerial Award from the Ministry of Trade, Industry and Energy at the Award Ceremony for the Promotion of R&D Women Personnel in September 2014, thereby gaining recognition as an excellent workplace for women.

Appreciation Campaign for Positive Corporate Culture

AMOREPACIFIC is working to instill a positive sentiment throughout the company through the Appreciation Campaign. The major programs including the Excellent Employee Selection, Appreciation and Compliment Relay and Appreciation and Display of Affection Day encourage the members of organization to express their appreciation for others. The Excellent Employees are nominated by the employees, and it is the CEO, who personally expresses his appreciation for the chosen few. In 2014, a total of 19 employees were nominated through 6 selection rounds. In the case of the Appreciation and Compliment Relay, the management directly chooses the organization members to compliment on a monthly basis, and this provides a chance for the selected members to discover and reinforce their own strengths. Moreover, through the Appreciation and Display of Affection Day, it was emphasized that the beauty partners are the members of AMOREPACIFIC who

should equally be appreciated.

Global Happy-Plus

AMOREPACIFIC China is actively participating in the Happy Plus program in order to create a pleasant environment and corporate culture that allows individuals to engage in their work with joy. Happy Plus was first introduced to AMOREPACIFIC China as a program to create a pleasant workplace in 2011, and the scope of its activities has been expanded over the years. For instance, in 2013, office environment improvement and emotional engagement diagnosis were conducted, while in 2014, tailored programs were conducted. Close communication between the headquarters and the office in China as well as inter-position and inter-departmental communication was promoted through the regular assemblies, Family Day (family picnic), external activities with the President of AMOREPACIFIC China, and badminton and soccer clubs.

Harmonious growth

Safety and Health of Employees

Emergency Drills and Exercise for Better Preparedness

AMOREPACIFIC has established scenarios for emergency situations including massive fires and a countermeasure system for regular emergency drills. Emergency evacuation drills are performed by those working at the headquarters on a regular basis, and regular fire drills are carried out at the Beauty Campus Shanghai as well. In order to prevent accidents and disasters like the fire that occurred at the Daejeon Logistics Warehouse in April 2014, preventive measures for similar disasters were established, and emergency drills were performed accordingly. Then, in September 2014, a joint fire drill was conducted, together with the Osan Fire Department and the business partners, based on a hypothetical scenario that a fire broke out in the raw material storage at the Beauty Campus Osan as a result of a short circuit. This drills helped train the employees on fire suppression and emergency evacuation and better prepare them for potential accidents and disasters.

Job-Specific Safety and Health Management

Safety and Health Management at the R&D Unit

The AMOREPACIFIC R&D Unit performs risk assessment on the general processes and chemical handling methods and conducts the improvement measures according to the results. In order to ensure a safe working environment, lab environment and air quality measurements are taken regularly, while special health examinations are provided for the researchers handling hazardous substances. There are plans to develop specialized educational contents for the researchers to further reinforce the safety training for the R&D Unit in the future.

Safety Management for High-Risk Operations

At the Beauty Campus Osan of AMOREPACIFIC, safety management of the highly dangerous operations, which present high risk of disasters, is being reinforced, while a safety work process is in operation for the off days when safety may be relatively low. High-risk operations can only be performed after a work permit is issued and a post-review approval is obtained from the team in charge of safety management on the site. Moreover, such operations can only be carried out in the presence of a manager.

AMOREPACIFIC China's Efforts to Promote Safety

AMOREPACIFIC China assesses the safety management index annually in order to ensure a safe and sound production site. In 2014, improvements were made on the 350 harmful environmental factors at the Beauty Campus Shanghai, and efforts were made to promote safety awareness through the education provided by external safety experts. Based on these efforts, the Beauty Campus Shanghai was certified as Level 2 Standardized Safe Production by the China's State Administration of Work Safety. It is striving to acquire a wide range of international certifications to ensure the safety and health of its employees.

Expansion of the Health Promotion Programs

AMOREPACIFIC is operating a wide variety of health care programs for its employees in order to prevent diseases and promote the general health. At the in-house medical office, blood tests are given to diagnose stress levels and measure cholesterol levels for a simple health check-up. Comprehensive health examinations are provided not only to the employees, but also to their spouses, who are over the age of 35. In 2014, three rounds of examinations were conducted for the diagnosis of metabolic syndromes, and education and consultation were provided on obesity, hypertension and hyperlipidemia.

Low-Sodium Meals and Smoking Cessation Clinic

AMOREPACIFIC is committed to providing safe and

healthful foods to its employees. In order to reduce the incidence of hypertension, obesity and other adult diseases within the organization, low-sodium and low-calorie meals in addition to fresh salads are provided at the cafeteria to promote their health and satisfy various food preferences. In addition, there are plans to reinforce the promotional activities for the Smoking Cessation Clinic and provide more incentives to those who successfully quit smoking.

Harmonious growth

Human Rights

Operation of Labor-Management Council

AMOREPACIFIC takes pride in the fact that there have been no conflicts or disputes between the labor union and management for the past 23 years. As of the end of 2014, the numbers of employees in the labor union was 2,290, with 47% of the employees holding memberships, and employees are free to join or leave the labor union at any time. A collective agreement is concluded once every two years, and it is applicable to all of the employees. There is a labor-management council operating at each production site, and every quarter, they consult on the matters necessary to promote employee health and welfare, resolve their difficulties, and ensure a harmonious balance between career and family life. The management in each business sector and the executives of the labor union meet regularly for bilateral communication. Also, the leaders from the field are invited to the meetings to present their opinions.

Monitoring of Labor Regulations and Human Rights Education

AMOREPACIFIC strictly adheres to the domestic and international laws and regulations on labor practices such as protection of motherhood and senior laborers and prohibition of child labor and forced labor. The compli-

ances to the provisions are monitored by the relevant departments in good faith. Also, on-going education programs are provided to prevent sexual harassment in the workplace. In 2014, the education program for sexual harassment prevention was designated as a required course for every individual, and it was provided on the e-Learning platform. For those who faced difficulties in using the e-Learning program such as employees at department store and production lines, related videos were screened and printed materials were distributed during the monthly sales training and safety training sessions, respectively. Moreover, the members of the supervising department acquired the in-house instructor certification for sexual harassment prevention education from an external institution to enhance the effectiveness of these preventive measures.

Harmonious growth

Mutual Growth with Partners

Win-Win Relationships with Business Partners

Establishment of Fair Trade Culture

In 2014, with the aim to build fair trade relations with its suppliers, AMOREPACIFIC upgraded the standard subcontractor contract of the company based on the standards presented by the Fair Trade Commission. Also, the four major fair trade guidelines with respect to contract conclusion, supplier selection and operation, establishment of an internal review organization, and written issuance and retention were reflected in the ISO regulations. This was part of the effort to internalize the fair trade with its business partners. In addition, the subcontracting payment adjustment standards prescribed in the Fair Transactions in Subcontracting Act ('Subcontracting Act') were reflected in the standard subcontractor contract and the ISO regulations. Moreover, when suppliers requested for adjustments of payment according to the prescribed standards, AMOREPACIFIC engaged in negotiations in good faith and did its utmost to ensure reasonable transactions, reflecting those requests. AMOREPACIFIC plans to comply with these standards in the future in order to create a sound corporate system and solidify the platform for mutual development with its business partners.

Pro-Communication and Pro-Participation Culture

For the purpose of communicating with its partners, AMOREPACIFIC hosts the Win-Win General Assembly at the start of every year and the Win-Win Seminar at the end of every year, and invites the managers of its business partners. At the Win-Win General Assembly held in February 2014, AMOREPACIFIC shared its management strategies and direction of its operation for the year 2014 in addition to presenting the cooperative measures to achieve the 2014 objectives in the five fields of packaging,

raw materials, ODM, production and logistics and discussing the difficulties faced by the suppliers. At the Win-Win Seminar in December 2014, the 2014 performance records were reviewed, and the direction of operation for the year 2015 was discussed. Moreover, AMOREPACIFIC organized departmental consultative groups after dividing its suppliers into major categories, and have been engaging in communication with the departments concerned ever since. Furthermore, mutual trust was further enhanced through the departmental general assemblies, working group talks, and workshops. In order to communicate with not just the primary suppliers but also the secondary suppliers, the CEO of AMOREPACIFIC personally visited the sites of the secondary suppliers to discuss the possible cooperative measures, and provided the established guidelines to help them improve their production capacity.

Invigorated Support for Cooperation

AMOREPACIFIC is continually endeavoring to attain mutual growth with its suppliers by providing assistance in sales increase, financial assistance, technologies and protection, education and support for the secondary suppliers. To support the growth of its partners, the Mutual Growth Partner Loan program was introduced as a means to ensure fair trade and improve the trade relations. This is expected to serve as the impetus for the growth of AMOREPACIFIC’s primary and secondary suppliers.

Mutual Growth with Authorized and Franchise Stores

Mutual Growth Committee for Door-to-Door Sales

After establishing the Mutual Growth Committee for Door-to-Door Sales in September 2013, opinions from the field were collected through 4 meeting sessions and the future vision of the door-to-door sales business was contemplated in 2014. By operating the Agreement Review Board, AMOREPACIFIC is ensuring a fairer and more transparent sales culture. In addition, a resolution was made again to implement 5 practices based on the

core values of sales persons, and the system was reorganized to facilitate such implementation. To this end, the breadth of the support provided to counselors and special agents was expanded further. Moreover, through the operation of the 365 Call Center, suggestions and comments from the field workers and counselors are obtained in real time, and efforts are being made to resolve the issues immediately as they arise.

ARITAUM Coexistence Agreement

Based on the Coexistence Agreement signed in January 2014, ARITAUM created a sales structure centering on improving the profitability for franchise stores and enhancing the retailer power. In order to improve profitability, ARITAUM provided tangible support such as reducing the supply prices and easing the burden of sharing the promotion costs in addition to conducting the Kium Project (Rearing Project), through which tailored growth measures are provided to each store, and providing education to enhance the sales service and job training for sales employees. Furthermore, assistance was provided to enhance the attractiveness of the interior spaces of the franchise stores.

Together with society



AMOREPACIFIC, as a responsible corporate citizen, is strongly committed to fulfill its mission to ‘realize healthy beauty for women and their family’ through social contribution activities. Under the slogan ‘Makeup Your Life’, we are managing social contribution programs in 3 fields: Women, Natural ecology, and Culture in order to realize a beautiful change in the world we live in. Other than these, we are also promoting various campaigns to encourage our employees to take part in sharing activities and managing non-profit foundation to serve the society as a responsible corporate citizen.

GREENCYCLE Campaign Status



Major performance		2012	2013	2014
Social contribution expenses ¹⁾	Amount of expenditures	9,515	10,356	20,921 mil. KRW
	Ratio compared to sales	0.3	0.3	0.5 %
	Ratio compared to pre-tax profits	2.6	2.8	3.9 %
Makeup Your Life Campaign ²⁾	Number of participated patients	1,937	1,380	1,424 persons
	Number of participated volunteers	532	595	575 persons
Pink Ribbon Campaign ³⁾	Number of marathon participants	24,470	23,852	13,900 persons
	Number of health lecture participants	31,150	25,193	21,435 persons
	Financial assistance for surgery and treatment	258	319	284 mil. KRW
Heemang store program	Number of stores (cumulative)	146	202	231 shops
Sharing activities for employees	Number of participants	3,932	3,516	3,060 persons
	Average volunteer hours	6.4	7.0	10.7 hours
Public welfare foundation expenditures	AMOREPACIFIC Foundation	590	526	537 mil. KRW
	AMOREPACIFIC Welfare foundation	420	530	490 mil. KRW
	Korea Breast Cancer Foundation	980	1,110	1,919 mil. KRW

1), 2) Social contribution expenses records and Makeup Your Life Campaign status includes China office performance.
 3) In 2014, event size was reduced to express condolences for Sewolho.

Together with Society

Corporate Social Responsibility Programs

Makeup Your Life Campaign

Makeup Your Life Campaign is AMOREPACIFIC's corporate social responsibility (CSR) program, which aims to increase the quality of life by enhancing women's self-esteem and internal health and beauty. We provide makeup and skin care know-hows to female cancer patients who suffer experience sudden changes in their physical appearance during the cancer treatment and help them regain confidence in their appearance.



Number of patients participated in the campaign (cumulative)
9,958

Check detail information about Makeup Your Life Campaign ⇒ 65page

Pink Ribbon Campaign

Pink Ribbon Campaign is a global campaign aimed to prevent breast cancer which is one of the most common type cancers among women. Pink Ribbon Campaign, with much corporate participation worldwide, is run by various programs accordance to each corporate value. AMOREPACIFIC is putting efforts into raising the public awareness of the importance of self-checkups focusing on holding seminars and lectures(Pink Tour) on breast health as the main program.



Number of patients participated in the campaign (cumulative)
460,000

Check detail information about Pink Ribbon Campaign ⇒ 66page

Heemang Store

Heemang Store which refers to 'Hope' Store in English is a business start-up assistance program, which aims to support the low income single-mother households. We provide the single moms with a microcredit of 40 million KRW without request of any insurance and help them to start their own business. Reimbursements are accumulated as the Heemang Seed Asset to be used for other single moms of low income families to start up a business. This way, the Heemang Store will promote and circulate the value of sharing and goodness in our society.

In June 2003, following the will of former chairman, Sung-whan Suh, his bereaved family created the Beautiful World Fund of JANGWON Sung-whan Suh by donating their inheritance to the Beautiful Foundation, a non-profit public foundation. Funding is provided for business start-ups, employment and living expenses to low-income single-parent households with the aim to help women to escape from poverty and improve their quality of life. In July 2004, the 1st Beautiful World Fund Heemang Store- Mijeyeon was opened and until 2014, total 231 stores were opened.

The repayment rate of Heemang Store loans is 87% and 80% of the stores are still in operation, which is 1.5 time higher than that of general small businesses. In addition, the result of the Heemang Store performance analysis showed that average income of store owners increased about 2.5 times from 980,000 KRW to 2.5 million KRW. Moreover, the rate of general recipients who were assisted with government subsidy before the foundation was decreased by half from 22.6% to 11.8% and even the rate of conditional recipients was decreased from 13.1% to 9.4%. It was also reported that there were improvements not only in economic stability, but also in relationship with their children and individual ability.



희망가게

Number of Heemang Stores (cumulative)
231 Stores

GREENCYCLE (Recycling empty bottles) Campaign

In 2013, AMOREPACIFIC renamed the previous Empty Bottle Recycle Campaign as GREENCYCLE Campaign and carried out various activities to gain more public support and boost more active participation.

Firstly, we sought ways to recycle the collected containers in a creative method. IOPE made new cosmetic containers by using the collected empty containers. Among the containers collected through the GREENCYCLE Campaign, we selected the IOPE bio essence containers and used them as raw materials to make new cosmetic containers after crushing and cleansing processes. Since we began this activity in 2013, a total of about 5 tons of empty containers have been recycled. Moreover, the collected containers were recreated as beautiful sculptures and were displayed during the 'Seoul Light Lantern Festival'. Through these efforts, we have been sharing our corporate value and concerns about environment with Seoul citizens.

Besides the recycling of the empty bottles, other various activities were performed to spread eco-friendly value of GREENCYCLE Campaign. In 2014, about 3000 water bottles used by Pink Ribbon Love Marathon participants were recreated into 300 lap blankets, and during Cheonggyecheon guerilla gardening, we created a beautiful space with empty cosmetic containers and take-out OSULLOC cups. We also held the GREENCYCLE exhibition in the new office building of Seoul City Hall during the 'Seoul, Blooms as a Flower' festival held by Seoul Metropolitan Government.



The Collected Container Is Recreated to Become a New Cosmetic Container

Through the GREENCYCLE campaign, we plan to innovate all of our product development processes from production to collection, and develop the campaign to earn more public recognition and active participation from citizens.

Employees' Sharing Activities

AMOREPACIFIC encourages its employees to engage in various sharing activities and spread the value of sharing to exert positive influences on the entire society. Sharing activities of AMOREPACIFIC include beautiful Sharing activity, beautiful Saturday (donation of goods), small change donation, matching gift, and OSULLOC tea culture protector (cultural asset protection) and so on. These sharing activities are performed based on the principle of voluntary participation of employees. Furthermore, employees perform talent sharing activities in places where their talents are needed besides simple volunteering activities.

The sharing activity management department supports the employees' volunteer participation. We also have the sharing mileage system which rewards the employees' sharing activity performance and the matching gift system in which the equal amount of the money donated by employees is also donated by AMOREPACIFIC. Meanwhile, the sharing activity program is operated based on a different theme every month so that participants do not feel bored with the same activity.

In 2014, 3,060 employees participated and their average volunteer hours were about 10.7 hours. In addition to this, household goods, cosmetics and green tea of AMOREPACIFIC brand were donated to more than 1,300 facilities.

10.7 hours

Average Sharing Activity Participation Hours

Together with Society

Brand Social Contribution Activity

Mise-en-scene's Short Film Festival

Mise-en-scene has been supporting Mise-en-scene's Short Film Festival since 2002. It aims to contribute to the development of Korean film industry by discovering new talented directors through consistent support for short film which is an unpopular art field. In 2014, Mise-en-scene ad-movie titled 'I'm Not a Hairdresser' competed in the 33rd Vancouver Film Festival and received favorable comments. It is unusual that an ad-movie created for brand advertisement was invited for international film festival. Even in the future, Mise-en-scene's Short Film Festival will strengthen the support for vitalization of short films and discovery of new talented movie directors.



Beyond the Barrier of Genres Poster in the 13th Mise-en-scene's Short Film Festival

Sulwha Cultural Exhibition

Sulwhasoo has been hosting Sulwha cultural exhibition, the cultural exhibition that emphasizes on harmony and communication of tradition and modern art, for 8 years in accordance with its brand philosophy to present harmonious beauty along with Asian philosophy and knowledge. In 2014, Sulwha cultural exhibition was designed under the theme of 'SKIN=NIKS'. The combination of SKIN and the reversed 'SKIN', 'SKIN=NIKS'

signifies harmony, balance and delightful reversal that we seek by instinct in complex daily life. The exhibited art works showed that the tradition was reinterpreted in modern way by artists in various fields including architect, ceramic artist and SNS artist, and the artworks drew favorable responses from young people as well. The most significant part of Sulwha cultural exhibition is that the exhibition is a program to support traditional master artisans. The program sponsors the artists designated as intangible cultural properties, in cooperation with Cultural Heritage Administration, and the entire sales amount of art products and work books displayed in the exhibition was donated to support traditional master artisans. We plan to continue sponsoring the master artisans and perform activities to discover young talented artists through Sulwha cultural exhibition.



2014 Sulwha Cultural Exhibition 'SKIN=NIKS'

OSULLOC Tea Culture Protector

It is one of representative social contribution activities of OSULLOC to preserve our traditional green tea culture-our precious cultural heritage. Since the conclusion of OSULLOC tea cultural preservation agreement with Cultural Heritage Administration in 2006, various activities to preserve our tea culture-related historic sites have been carried out such as preservation of House of Dasan (the 107th historic site), place of exile (the 487th historic site) and Iljiam. We are supporting not only environment cleaning activities, restoration and protection of old architecture but also supporting the development of direction sign boards, training and cultural events. In 2014, our employees and the public participated in the event to broaden the understanding of tea culture.

Together with Society

Public Foundation Activity

AMOREPACIFIC established and performs various activities in 3 public foundations (AMOREPACIFIC Foundation, AMOREPACIFIC Welfare Foundation and Korea Breast Cancer Foundation) other than social contribution activities directly performed by the corporation. Each foundation supports in-depth social contribution activities in fields of academic culture research, women's health and welfare.

AMOREPACIFIC Foundation

Established in 1973, AMOREPACIFIC Foundation's main goal is to foster talents and support academic research, following the sharing spirit of former chairman Sung-whan Suh, the founder of the corporation. We are supporting various domestic and overseas research activities about Asian beauty, women and culture as our core business. In addition to this, the foundation supports researches about Gaesung merchants to globally spread their excellent business skills across the world. Meanwhile, we support researches about primates for the first time in the industry as well as researches about Korean tea culture. In 2014, the foundation was able to draw the first outcome of the 'Discovery of Asian Beauty' project which can also be called as the most representative business project of AMOREPACIFIC foundation. The foundation published series of books for <Discovery of Asia Beauty> (India, Beauty is like God/ Lee Ok-sun, Interior Decoration and Beauty in East Asia/ Park Sun-hee) to communicate with public. Also, we made efforts to communicate with public about the relatively abstract value of Asian Beauty through 'Beauty' program, the liberal art education. Moreover, projects like general public column contest <Beauty of Asia I Discovered> and College student beauty editor program were newly attempted as a result of seeking various methods of public participation. <Women and Culture>, the academic research that

has been performed since 2008 is still actively ongoing and a total of 12 subjects were selected. The accumulated amount of research support costs about 175 million KRW. In addition, this year is the 9th year of sponsoring the ecosystem research institute in Ehwa Women's University to support the researches on primates.

AMOREPACIFIC Welfare Foundation

AMOREPACIFIC Welfare Foundation focuses on supporting the self-reliance of women who needs social care. In 2014, the foundation began to support the improvement of the female facilities through projects such as 'Happy Bath Happy Smile' and 'ARITAUM in you'. The foundation made contributions in promoting women's convenience and improving the quality of their life by renovating a total of 9 poor-conditioned female facilities of non-profit women's organization. In addition, the foundation carried out Hope Wing project to support cultural contents creation activities for immigrated women. In 2014, the foundation provided the support to a total of 18 communities to vitalize communication between immigrated women and local community and also expanded cultural diversity respect message to public.

Korea Breast Cancer Foundation

Korea Breast Cancer Foundation is carrying out various social projects related to breast health including the Pink Ribbon Campaign, breast health education, medical support for breast cancer patients from low-income households, and financial support for academic research. In 2014, 95 Pink Tours for Breast health education were carried out across the country, and the Pink Academy with the topic of breast cancer was performed in collaboration the Seoul and Daegu department store cultural center. In addition, the foundation provided funding to 80 breast cancer patients from low-income families and a total of 1.9 billion KRW of business expenses was executed every year by carrying out activities like Pink Ribbon chorus competition, the chorus competition performed by patients, to improve breast cancer patients' self-esteem.

05

Sustainability Performance of Subsidiary Companies



The sustainability management system of AMOREPACIFIC Group is carried out by all of its affiliates under the same direction and objectives. AMOREPACIFIC Group is ceaselessly making big strides on all fronts to change the world with beauty and health.

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innisfree

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ETUDE

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PROFESSIONAL

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ΔESTURA

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JANGWON

innisfree

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CEO Message

innisfree is a brand of naturalism that embodies the clean and pristine environment of Jeju Island.

At innisfree, we are committed to keep five promises to our customers: use of natural ingredients, promoting healthy consumption, eco-friendly campaigns, offering green designs and experiencing a clean natural environment. We continuously seek the best ways to deliver our promises and carry out our business activities based on strong integrity. Moreover, we are continuously exploring and developing measures to communicate with our customers, and these efforts will serve as the key to ensuring our growth as a sustainable brand.



Sae-hong Ahn, CEO of innisfree



Key Performance Records in 2014

Ratio of female employees (%)	Percentage of women in management (%)	Employee engagement (points)
58.6	25.0	83
Social contribution expenses (million KRW)	Volunteer hours per employee (hours)	Number of accidents (cases)
1,668	7.6	0

About the Company

innisfree, founded as the first naturalistic brand in Korea, is dedicated to spreading healthy beauty with the natural energy from the pristine island of Jeju. Since its launch in 2000, it has been offering products made with quality ingredients as well as operating stores with green contents and pursuing eco-friendly campaigns with the participation of its customers.

HQ address: 100, Cheonggyecheon-ro, Jung-gu, Seoul
Main business: Cosmetics sales

Green Promise, innisfree's Promise to Its Customers

Every year, innisfree announces the Green Promise performance records as a way to communicate with its customers. For instance, innisfree reveals the CO₂ emission reduction effects of the recycling campaign as the 'Share Green' performance, the percentage of natural ingredient content as the 'Honest Green' performance, and the CSR budget executed as the 'Experience Green' performance. innisfree will continually make efforts to keep its promises to deliver energy from nature to customers and grow together with the environment and society.

CO ₂ emission reduction effect of the empty container collection campaign represented in the number of trees ¹⁾	Percentage of natural ingredient content ²⁾	Social contribution expenses ³⁾
Equivalent to the planting of 5,639 trees	80.2%	1.67 billion KRW

1) Cumulative records from Aug. 2009 to Dec. 2014

2) Excl. makeup products, based on the 2014 Q4 records³⁾

3) Expenses executed in 2014

Healthy Consumption through the Eco-friendly Green Life Eco-Handkerchief Campaign

The Eco-Handkerchief Campaign is a major environmental campaign that has been conducted by innisfree since 2010 with the aim to inform people that the use of handkerchiefs, which may seem trivial, can actually help protect the green forests and lower the temperature of Earth. The campaign, celebrating its 5th anniversary in 2014, was carried out under the slogan, 'Use a Hankie, Save the Earth!' In 2014, a nationwide design contest titled the National Eco-Handkerchief Contest was held and, out of some 20,000 entries, three designs were chosen based on a poll. Eco-handkerchiefs were offered to custom-

ers with usage guides, to be used in a fun way during their daily lives.

Play Green Campaign

The three-phase Play Green Campaign promotes a more fun and exciting way to practice a green lifestyle so as to make it less daunting for the general public. In the first phase, customers use the Play Green platform on the innisfree app to upload photos of themselves practicing the green lifestyle, and inspiring others to follow. When they post pictures or receive 'likes' from other users, they gain green points, which they can use to participate in the Play Green Class or the innisfree Play Green Festival. The second phase is the Play Green Class, with small-scale eco classes held at the Jeju House store in Samcheong-dong monthly. The third phase is the innisfree Play Green Festival, where the Play Green members can have a great time and receive further inspiration to engage in green practices. The festival, held in September 2014, provided a chance for the members to appreciate nature and enjoy fun activities at the same time.



innisfree's Play Green Campaign Poster

innisfree, Protecting the Natural Environment Eco Green Flower Pot Project

innisfree developed flower pots using the empty containers collected through the 2014 Eco Green Flower Pot Project. The recycled flower pots were developed using 100% recycled containers of innisfree. The pots were first applied in the cafe and indoor garden of innisfree headquarters and Myeongdong 2nd store, then expanded to all of the local innisfree stores. Through the Eco Green Flower Pot Project, innisfree could show intuitively the intent of the empty container collection campaign to the customers as well as the unique story as a naturalistic brand.



Eco Green Flower Pots of innisfree

Tree Plantation in Inner Mongolia for Desertification Prevention

Roots and Shoots, a non-governmental organization, is conducting the Million Tree Project, for the purpose of preventing desertification in China's Inner Mongolia. Since the launch of this project in 2012, a total of 30,000 trees have been planted in the innisfree forest thus far with a donation of 10,000 trees in 2014 alone.

innisfree, Promoting Sharing for Nature and Neighbors

Sponsorship for the Gotjawal Trust of Jeju

For the purpose of protecting Gotjawal in Jeju, where the natural ecosystem has slowly been de-

stroyed, innisfree signed an agreement with the Gotjawal Trust of Jeju in May 2012, and has been donating a part of the proceeds from the sales of Forest for Men every year. The donation is used to purchase the privatized lands in Gotjawal to be turned into public properties as a means to prevent indiscriminate development by individual owners.

Green Christmas Campaign

innisfree's Green Christmas Campaign, which kicked off in 2010, celebrated its 5th year in 2014. This campaign is aimed to establish 'sharing' Christmas culture rather than just enjoying extravagant festive moods. Not only can people enjoy themselves by participating in the campaign, but also their participating makes the world warmer for those who are in need. Of particular note, this campaign was carried out in Korea, China, Taiwan, Hong Kong and Singapore simultaneously. Under the slogan, 'Make, Enjoy and Share,' innisfree presented a DIY ornament kit for the first time in 2014. The ornament kit provided a chance for the customers to experience the joy of making Christmas ornaments, and part of the proceeds were donated to Save the Children and other charity organizations.



innisfree's DIY Ornament Kit

Mutual Green Growth

Dream Store, a dream come true

The Dream Store Program provides a chance for the sales associates at innisfree stores, who are members of 'Green-earths' to own and operate their own innisfree stores. This is an employee welfare program that not only provides store

innisfree

innisfree

ownership opportunities, but also creates a platform to realize the dream of Green-earth. In addition, the Dream Store Program allows innisfree to seek measures to achieve mutual growth with the Green-earth. The first Dream Store was opened in 2014, and three stores in total have been opened to date. The goal is to operate 21 stores by 2020.



Third Dream Store of innisfree in Angang, Gyeongju

Green Earth Well-being Kit

innisfree believes that the satisfaction of the Green-earths will lead to customer satisfaction. Accordingly, in order to ensure the health of the Green-earths, who must work on their feet all day on the frontlines, innisfree has been providing the Green-earths Well-being Kit to the members since 2013. The kit comprises diverse products according to the season such as a cooling leg massage gel and foot and leg relaxing patches, which help ease physical and mental fatigue.

Creating a Pleasant Workplace through the Hope Day

In an effort to promote exchanges and cooperation among the different teams, innisfree designates a Hope Day for the teams to engage in chosen activities. Solidarity and amicable relations among the teams are strengthened through various indoor and outdoor activities such as bowling, camping and badminton competitions. The employees can build stronger personal and work relationships through these events. rela-

tionships through these events.



innisfree's Hope Day

innisfree, Expanding into Various Parts of the World

innisfree expanded into Taiwan in April 2014. The first innisfree store was opened in front of the Taipei Main Station, where there is an immense flow of traffic, particularly of people in their 20s and 30s. In May 2014, the second store was opened on Zhongxiao East Rd in Taipei, which is comparable to the Gangnam District of Seoul. A façade was installed on the exterior of the three-story building, and appealing contents related to Jeju Island and green practices, which are the core values of the brand, were on display inside the 165m² store. In December 2014, a 132.2m² store was opened on the first floor of the Sunway Pyramid Mall in Kuala Lumpur, Malaysia, and this was the second innisfree store to be opened in Southeast Asia following the launch in Singapore. It garnered much attention from Malaysian consumers even before its opening via social media sites, and it recorded a high sales volume after its opening.



Second innisfree Store in Taiwan

ETUDE

CEO Message

ETUDE aims to become a brand that helps women turn their sweet dreams into reality. By communicating with our customers through diverse platforms, we are striving to develop the kinds of products that our customers want and dream of. Also, we have been carrying out our globalization activities in full swing as a brand that spreads K-beauty throughout the Asian continent and promotes a fun makeup culture. To this end, we are committed to enhancing the global competency of our employees, and we will fulfill our corporate social responsibility by helping young women realize their dreams and have a brighter future.

Guem-joo Kwon, CEO of ETUDE




Key Performance Records in 2014

Ratio of female employees (%)	Percentage of women in management (%)	Employee engagement (points)
59.0	31.0	67
Social contribution expenses (million KRW)	Volunteer hours per employee (hours)	Number of accidents (cases)
107	10.3	0

About the Company

ETUDE is a young makeup brand that helps women realize their dream of becoming more beautiful. ETUDE, the first makeup brand of Korea, makes makeup fun and easy for young women, and delivers trendy products to its customers. It is enjoying tremendous popularity as the top K-Beauty makeup brand not just in Korea, but all over Asia including China, Japan and Singapore.

HQ address: 100, Cheonggyecheon-ro, Jung-gu, Seoul
Main business: Cosmetics sales

ETUDE

ETUDE, Spreading the Princess Fantasy

In 2014, ETUDE delivered the Princess Fantasy, unique to the brand to customers at home and abroad. In order to provide magical shopping experiences, it re-established its core brand values and was committed to diverse brand images. Starting with the opening of a flagship store on Dongseong-ro in Daegu in July 2014, it successfully opened the first global flagship store on East Nanjing Road, the busiest street in Shanghai, in August, followed by the opening of flagship stores inside the EC Mall in Beijing in September and Wisma in Singapore in October. In addition, its website, which is frequently visited by its domestic customers, was renewed to communicate the unique brand value of ETUDE at all customer contact points. As a result, ETUDE achieved 233.8 billion KRW in domestic sales and 75.8 billion KRW in global sales, and it is expected to attain further growth.



ETUDE's Flagship Store on East Nanjing Road in Shanghai, China

Diverse Customer Satisfaction Activities and Open Innovation

Beautizen

Since 2008, ETUDE has been running a semi-annual Beautizen Program, fostering marketers among university students and identifying the latest trends and customer needs at the same time. Some 40 participants are chosen among Korean and foreign university students living in

Korea and assigned to the Beauty Trend Leader, Design, Video and Global teams. During the 6-month program period, they get to participate in the brand promotion planning and execution processes by trying out the newly developed products and creating beauty contents.

Sweet Idea

Sweet Idea is an open innovation program conducted by ETUDE to receive diverse ideas from customers and turn the dreams and imaginations of customers into reality. Customers can post their ideas of new cosmetics and matters for improvement in the existing products on the Sweet Idea website, and the Idea of the Month is chosen based on the members' response and scores given by the judges of ETUDE. Some of the ideas are actually developed into products.

Pink Wish Tree Campaign for Young Girls in Africa

ETUDE is conducting social contribution programs in order to fulfill its brand value of supporting the dreams of young girls throughout the world. In 2014, it participated in the School Me Campaign¹⁾ initiated by 'Save the Children', and conducted the Pink Wish Tree Campaign. For the campaign, a limited edition of the Pink Wish Tree Collection was launched, and 100 KRW from each product sold was donated. In addition, it facilitated the donation activities of customers playing games on the ETUDE website. Furthermore, gigantic pink wish trees were set up at the N Seoul Tower in Namsan Mountain and Gangnam Station to inform Korean citizens

¹⁾ School Me Campaign : Save the Children's campaign to send young girls in Africa to schools. Young girls, who are deprived of opportunities for education due to poverty, social customs and prejudice, are given the support they need to go to schools, and educational facilities as well as teacher training and educational programs are established to help more girls.

and tourists of this social contribution program of ETUDE. This campaign was also conducted overseas at the same time to allow overseas customers make donations as well. The money raised through these activities was donated to 'Save the Children' for the School Me Campaign. Using the donation, school kits comprised of backpacks, notebooks and pencils were given to 3,633 students in Ivory Coast, and school uniforms and gym clothes were given to 1,798 female students. ETUDE plans on continuing its social contribution activities as a way to root for every young girl in the world to realize her dreams.



School Kits Given to Students in Ivory Coast

Reinforced HR Development and Employee Welfare Programs

Strengthening the Global Competencies of Employees

Since its expansion into Thailand in 2007, ETUDE has been operating stores in 12 Asian countries such as Japan, China (incl. Hong Kong) and Southeast Asian countries. In order to attract talented individuals with global competency from diverse backgrounds, foreigners living in Korea have been given internship opportunities since 2013. In addition, the in-house educational program has been reinforced in 2014. For instance, a systematic course was made available

for employees wishing to learn Chinese as a way to help them achieve personal growth and development and to foster talented professionals who can contribute to ETUDE's expansion in the Chinese market.

A Pleasant Working Environment

ETUDE ensures a pleasant working environment for its employees, and helps them maintain a good balance between their careers and personal lives.

Happy Clean Day

Wednesdays in the second and third weeks of every month are designated as the Happy Clean Day when employees can spend time with their family without any overtime work or team dinners.

One Day Pink Comma Day Event

A vacation photo contest is held, and the prize winners are given One Day Pink Comma Day (1-day paid leave) and vacation allowances.

ETUDE's cafeteria: Pink Café

The Pink Café at ETUDE's HQ office offers a diverse breakfast menu for employees who come to work without eating breakfast.

Reinforced Communication with and Support for Franchise Owners

ETUDE conducts a wide range of win-win relationship management activities in order to promote communication with and provide reinforced support for the franchise owners. In 2014, an exclusive call center for the franchise stores called the Pink Hotline was established in order to answer inquiries regarding products and claims as soon as they were received from the franchise stores.

ETUDE



CEO Message

AMOS Professional is the one and only hair salon brand in Korea that specializes in manufacturing hairstyling products mainly for professional hair salons. We prioritize product quality improvement and development of innovative and trendy products in order to compete against the global hair care brands. For this purpose, we develop our products together with a number of hair designers, and established an education center specifically for the purpose of training professional hair designers. We will continue to dedicate our efforts to supporting hair salons and fostering talented hair designers in order to fulfill our social responsibility as a leading hair cosmetics brand.

Dong-hee Hwang, CEO of AMOS Professional

Hwang, D. H.

About the Company

AMOS Professional is a specialized hairstyling product manufacturer that supplies goods and services to hair salons. At present, it is in charge of operating two brands: AMOS Professional and the premium brand, AYUNCHE. As a leading company in the beauty market, it maintained its No. 1 status in sales among the domestic brands supplying to hair salons in 2014.

HQ address: 100, Cheonggyecheon-ro, Jung-gu, Seoul
Main business: Distribution of hairstyling products and hair designer training services

Key Performance Records in 2014

Ratio of female employees (%)	Percentage of women in management (%)	Employee engagement (points)
60.0	40.9	81
Social contribution expenses (million KRW)	Volunteer hours per employee (hours)	Number of accidents (cases)
92	7.2	0

Product Development with Hair Designers

AMOS Professional implements the AMOS Collaborating Expert (ACE) Project, collaborating with hair designer in product development. The ACE Project is AMOS' product development system through which its research institute and Marketing BU collaborate with competent hair designers to swiftly reflect customer needs in the products with the hair designers' insight. The participating hair designers do not simply provide ideas, but rather, take part in every step of the product development process. In 2014, through the ACE Project, 48 types of hair dye products were developed.

Hosting of Hair in Trend

AMOS Professional holds Hair in Trend, the largest hair show in Korea, every November. The hair salon brand invites its customers such as hair salon owners, hair designers and professionals in the beauty industry to provide hairstyling solutions derived from analyzing the mega trends and fashion information. In 2014, Hair in Trend was held in the presence of some 3,000 people under the theme of Evolution.



2014 AMOS Professional Hair in Trend

Mutual Cooperation with Partners

Education Center for Hair Designer Training

In Korea, there are about 88,000 hair salons, of which more than 95% are privately owned shops when famous hair salon franchise chains

are excluded. While the major hair salon chains have in-house training institutions of their own, there are few places that offer training for hair designers working at the smaller hair salons. AMOS Professional has established an education center in Nonhyeon-dong, Seoul, to provide specialized training for hair designers. In 2014, it doubled the number of its training programs compared to the previous year, with the addition of a regular course on men's haircut and scalp care. The educational facilities were extended to ensure that the best training can be provided. The instructors at the education center are hair designers who have completed the Team AMOS program, and they pass on the expertise and know-how they gained out in the field.

Team AMOS Program for Hair Designer Training

Team AMOS is a program conducted under the supervision of AMOS Professional with the aim to train and enhance the competency of hair designers, and its operation was in its 10th year in 2014. Hair designers, selected as program participants, work on trend proposals for the Hair in Trend, the largest hair show in Korea, and are given an opportunity to present their ideas and work. After completing the 1-year training program, participants chosen as 'active participants' can either take part in product development or opt to work as professional instructors at AMOS Professional's education center.

MBA Program for Shop Owners

In 2014, AMOS Professional began offering an MBA program for authorized dealers. The MBA program is divided into an intermediate course, helping participants gain the skills they need to solve problems in the field, and the advanced course, which teaches the values of AMOREPACIFIC Group and management methodology to help the AMOS salon branches

to be operated as a company. Efforts are being made to develop the educational programs and the contents to become more systematic as well as to enhance bilateral communication and achieve sustainable win-win relationships. In the first MBA program, 16 participants completed the intermediate course, and there are plans to ensure that all 85 owners of the branches can complete the two-phase MBA program.

Beauty Master Curriculum

Since 2010, AMOS Professional has been operating the Beauty Master Curriculum, which is a specialized education program for Beauty Masters who are on the frontlines of sales and marketing. The curriculum consists of 6 programs from the ABC 1 program, which must be completed by all of the new Beauty Masters, and the Master Coaching Program, which is the final part of the curriculum. Beauty Masters can gain sales know-how and strengthen their individual competencies through the curriculum.

Social Contribution Programs

Support for Partner Hair Salons

AMOS Professional designates the hair salons using its products as Salon A and provides the support necessary for the salon operation. As a supervisor, it provides comprehensive and long-term assistance, distributing salon interior and service manuals and business management consulting services. There are 15 Salon A locations operating nationwide, and there are plans to increase this number to 30 by 2015.

Fostering Star Hair Designers of the Future

As a leading company in the beauty market, AMOS Professional is implementing social contribution programs for aspiring hair designers. Since 2013, supplies necessary for

education and training have been provided twice a year to the Department of Beauty Care at Osan University. Also, the Beautiful Expedition, providing hairstyling training to high school students specializing in beauty care, has been operated since 2014.

Donation to The Beautiful Foundation

Since 2010, AMOS Professional has been donating products and providing educational programs to a non-profit organization called The Beautiful Foundation on a yearly basis. In 2014, an MOU was signed with the foundation in regard to the provision of hairstyling training programs and goods donations. Through this, AMOS Professional plans to donate hairstyling products, worth about 22 million KRW, and provide training to the beauty care shop owners who are single mothers running Heemang stores with support from The Beautiful Foundation. In 2014, a total of 5 shop owners were provided with such support.



Signing of MOU with the Beautiful Foundation

Expansion into the Global Market

AMOS Professional created a strong platform for global expansion by debuting in the Chinese market in 2012 and branching out into Taiwan and Australia in 2013. In 2014, it held a Technical Seminar for hair designers in China, and received an explosive response from the participating designers.

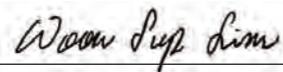
AESTURA

AESTURA

CEO Message

AESTURA is a medical beauty-specific company, where the employees bring forth new changes based on passion, customer trust and engage in thinking and action from a customers' perspective. We declared our ethical management and business principles to customers through the Corporate Ethical Pledge Ceremony in March 2013 and the Fair Trading Voluntary Compliance Program Ceremony in 2014. In 2015, we changed our company name from PACIFIC PHARMA to AESTURA and declared our new vision as the Medical Beauty Asia Champion. Based on management philosophies such as 'serving mankind', 'respect for persons' and 'future creation', we will devote our efforts to becoming a world-class medical beauty specific company that contributes to the creation of healthy beauty and a sound corporate ecosystem.

Woon-sup Lim, CEO of AESTURA




Key Performance Records in 2014

Ratio of female employees (%)	Percentage of women in management (%)	Energy intensity (TOE/tons of product)
34.6	5.9	1.489 year-over-year growth ▼19.3%
Employee engagement (points)	Number of accidents (cases)	Water intensity (tons/tons of product)
75	0	22.343 year-over-year growth ▼20.9%

About the Company

AESTURA is spurring efforts to attain its vision of becoming a Medical Beauty Asia Champion. It is seeing the growth of the clinical cosmetics business centering on the derma care brand, AESTURA, and the aesthetics business centering on CLEVIEL. Also, it has been pioneering new fields in beauty care by developing innovative new products and entering into new markets in Asia.

HQ address: 100, Cheonggyecheon-ro, Jung-gu, Seoul
Main business: Manufacturing and sales of medical products and provision of professional consulting managers

Expansion in the Global Market

AESTURA is expanding to the Asian market to allow people around the world to gain healthy beauty. CLEVIEL, a high concentration hyaluronic acid filler brand, received NET¹⁾ in December 2013 in recognition of its excellent products, and launched its products for the first time overseas in Hong Kong in November 2014. In addition, AESTURA, exclusively offering its products to clinics and hospitals, made a pilot launch in China to prepare for expansion into other countries in Asia.



CLEVIEL's Hong Kong Launch Event

Reinforced Ethical Management

For the purpose of gaining trust and support from all stakeholders, AESTURA has been upgrading its quality and ethical management systems. In 2014, it introduced the Compliance Program (CP), and established an operation organization and related regulations. To ensure an efficient operation of the CP, the CEO was designated as the CP Manager in order to ensure companywide compliance with fair trade practices, and the results of regular monitoring and non-conformity cases are shared at the monthly sales team manager meetings, along with the provision of countermeasures. The educational program for ethical awareness and the monitoring system will be further reinforced in the future as part of the effort to firmly establish the ethical management and legal compliance systems.

Activities to Enhance Customer Satisfaction

AESTURA Research and advisory seminar

AESTURA has organized a research and advisory seminar through a collaboration with the dermatologists at major university hospitals throughout the country. The research and advisory seminar has been working together for more than 3 years to conduct studies on diverse skin diseases for the development of products that satisfy customer needs in addition to its advisory activities. Moreover, it is identifying matters for improvement in existing products and developing new solutions in order to enhance customer satisfaction.

Consulting Services

Considering that AESTURA supplies medical products and devices, which have important impacts, customer inquiries are answered on the day that they are received, in principle. Simple primary inquiries are answered immediately, while the secondary inquiries regarding the products are forwarded to the marketers concerned and answered on the same day. Claims filed by customers are compiled based on their levels of significance and are reported to the Ministry of Food and Drug Safety.



2014 the 2nd 'Pro Consultant Manager Program'

Pro Consultant Manager Program

AESTURA, derma care brand supplying to dermatologists and plastic surgeons, operates the Pro Consultant manager program for the consulting managers working at its client hospitals and

1) NET: New Excellent Technology (a new technology certification system supervised by the Ministry of Health and Welfare)

clinics. The program consists of a curriculum that promotes consulting competency and provides first-hand experiences of AESTURA's products. The program kicked off in September 2013 and it was conducted for the second time in 2014. It will be offered nationwide starting in 2015.

Environmental Management Activities

AESTURA, which received the Environmental Management System (ISO 14001) certification in December 2005, has been inspecting its environmental management system through annual internal and external assessments, and incorporating issues for improvement in its environmental management strategies.

At the Anseong production site manufacturing, efforts were made to identify the energy consumption levels and establish an improvement activity plan. Also, the facility and cooling system operation hours were analyzed and optimized, thereby successfully reducing power and LNG consumption.

In order to conserve water, the volumes of water consumption and wastewater production in the manufacturing process were assessed, and the results showed that water consumption was the highest during the food container washing process and the purified water production process. Accordingly, a system was introduced to reuse water in the primary container washing process, and the wastewater generated in the purified water production process was reused as service water for the freezer and boiler. These efforts resulted in conservation of service water on the site.

Safety and Health Management

Declaration of the Gold Rules for Safety

In December 2014, a safety and health pledge was prepared, with consent from the employees, in order to raise safety awareness at the Anseong

production site. Then, a person-in-charge was appointed in each unit to perform monthly safety inspections and improvement activities.

Based on the Industrial Safety Act, railing was installed on scaffolds that are over 1m tall, and containers for chemical substances were labeled with their respective risk levels. As such, improvement measures for about 360 safety cases were derived and implemented.

Civic-Government-Military Fire Drill

Fires can cause environmental damages and lead to injuries and loss of human lives. Post-fire restoration efforts also take a considerable amount of time and effort to complete. For this reason, prompt and swift countermeasures need to be in place to prevent and response to fires. In September 2014, AESTURA set forth the in-house firefighting procedure and responsibilities, and created a hypothetical fire scenario, based on which a fire drill was performed in the presence of volunteer firefighters, the Fire Department and military officers.

Employees Participating in social contribution Programs

With the aim to fulfill one of its management philosophies to serve mankind, AESTURA has been planning and implementing social contribution programs, where its employees can participate. From 2003 to 2013, it conducted volunteer activities to help seniors living alone through an agreement signed with The Beautiful Foundation.



CEO Message

JANGWON has been making ceaseless efforts to protect the environment and grow together with the local communities. Armed with a competitive agricultural food business management system, we provide job opportunities to local people and build organic cooperative relationships with our small- and medium-size business partners. In order to deliver the best value to our customers, we have acquired eco-friendly certification and organic processed food certification in addition to international organic certifications such as Organic-EU and USDA-NOPA. We will continue to promote the excellent tea culture of Korea worldwide, and stay committed to realizing the vision of becoming a Global Top Organic Tea Company based on our systematic sanitation management and quality improvement efforts.

Jin-ho Lee, CEO of JANGWON

About the Company

JANGWON is a green tea cultivation, processing and sales company, founded in 1974 with a mission to succeed the traditional tea culture and create beauty with plants grown in healthy soil. It is operating organic green tea plantations in three locations on Jeju Island, and in Wolchulsan Mountain of Gangjin-gun. JANGWON is endeavoring to popularize the tea culture as a leading tea company in Korea.

HQ address: 36. Sinhwayeoksa-ro, Andeok-myeon, Seogwipo-si, Jeju-do

Main business: Tea cultivation and sales

Key Performance Records in 2014

Employee engagement (points)

93

Number of accidents (cases)/
Accident rate

1/2.30

GHG Emission Reduction Activities

JANGWON aims to minimize the environmental impact of its production activities and to respond to climate change. In 2014, it identified its energy consumption levels and prepared the foundation necessary to conduct improvement activities in relation to energy use. It also dispatched representatives to seminars and exhibitions held by external organizations to research alternative energy sources that could be applied by the company. In 2015, JANGWON plans to inspect the old tea processing facilities using thermal imaging cameras and noise measuring instruments, etc., to reduce its energy use.

Sustainable Water Management

JANGWON is engaging in water conservation activities to reduce the consumption of groundwater by 2% by 2015. The groundwater consumption level is assessed on a monthly basis to determine the months when there is high consumption of water resources and to conserve water in those time periods. In addition, in order to prevent the loss of water resources resulting from groundwater leaks, JANGWON performs quarterly groundwater facility inspections and maintenance in collaboration with a specialized management service firm.

Reinforced Safety and Health Management

JANGWON has continually been upgrading its safety and health management systems as part of its effort to improve the health and quality

of life of all employees. For this purpose, JANGWON regularly performs risk assessments, which involve identifying the hazards and risk factors found in the production site in advance. Then, the hazards and risk factors are eliminated in order based on the level of priority.

Developing Together with the Local Communities

JANGWON builds win-win relationships with green tea farms across the nation through various activities. JANGWON visits the green tea farms 3 to 4 times a year to provide green tea cultivation technologies and information on the tea market to build win-win relationships. JANGWON was chosen as the representative cultivation site and processing facility of Korea in the organic certification equivalence agreement of the National Agricultural Products Quality Management Service to facilitate the export of organic processed foods from Korea to the U.S. and Europe. This served as the impetus for the company to promote the excellence of organic green tea produced in Korea. In addition, JANGWON is contributing to the stimulation of the local business sector by purchasing from the local companies of Jeju Island the organic fertilizers and eco-friendly farming materials necessary for organic cultivation. Furthermore, in order to ease the sales difficulties faced by green tea farms, it has been providing guides on quality management of teas together with the Korean Tea Producer Association, and introduced Korean teas to overseas buyers.



06 Appendix

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Independent Assurance Report



To the management of AMOREPACIFIC Group

We have been engaged by AMOREPACIFIC Group (the 'Company') to perform an independent assurance engagement in regard to the following aspects of 2014 AMOREPACIFIC Group Sustainability Report (the 'Report').

Scope and subject matter

The information for the year ended December 31, 2014 (hereinafter, collectively referred to as the 'Sustainability information') on which we provide limited assurance consists of:

- The Company's conclusion on meeting the principles of Inclusivity, Materiality and Responsiveness in the AA1000 AccountAbility Principles Standard 2008 ('AA1000APS');
- Non-financial information (the 'Sustainability Data') which is presented in the following table in the GRI G4(Core) Index which is based on the Company's internal reporting principles set out on GRI G4 guideline with core option and main agenda of ISO 26000.

GRI	Category	Non-financial information for assurance
General Standard Disclosure	G4	6, 7, 8, 9, 10, 18, 19, 20, 21, 25, 26, 27, 28, 29, 30, 31, 32, 33
Specific Standard Disclosure	Economic (EC)	1, 6, 7, 8
	Environmental (EN)	1, 2, 3, 5, 6, 8, 10, 15, 16, 18, 19, 22, 23, 27, 28, 30, 31, 33
	Labor practices and Decent work (LA)	3, 6, 9, 12, 16
	Society (SO)	1, 11
	Product Responsibility (PR)	1, 3, 5

We read the other information included in the Report and consider whether it is consistent with the Sustainability Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Sustainability Information. Our responsibilities do not extend to any other information.

Assurance work performed

We conducted our engagement in accordance with ISAE 3000¹⁾ and AA1000AS²⁾. The term 'moderate assurance' used in AA1000AS(2008) is designed to be consistent with 'limited assurance' as articulated in ISAE 3000. Our assurance is a Type II assurance engagement as defined in the Guidance for AA1000AS(2008).

Our work involved the following activities:

1. Interviews with the personnel responsible for internal reporting and data collection to discuss their approach to stakeholder inclusivity, materiality and responsiveness
2. Visits to the Company's headquarter in Seoul, Beauty Campus Osan, Beauty Campus Shanghai and Shanghai Research Institute in China to understand the systems and processes in place for managing and reporting the Sustainability Data
3. Review of a sample of internal documents relevant to output from the risk assessment process, sustainability-related policies and standards, the sustainability materiality assessment matrix and other documents from stakeholder engagement activities
4. Evaluating the design and implementation of the key processes and controls for managing and reporting the Sustainability Data
5. Limited testing, through inquiry and analytical review procedures, of the preparation and collation of the Sustainability Data
6. Interviews with the management of the Company and subsidiaries - innisfree, ETUDE, AMOS Professional, and AESTURA in Seoul

1) International Standard on Assurance Engagement 3000 – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by International Auditing and Assurance Standards Board
 2) AA1000 Assurance Standard(2008), issued by AccountAbility

Respective responsibilities of the management of the Company and Samil PricewaterhouseCoopers

The management of the Company is responsible for establishing reporting principles that meets the principles of Inclusivity, Materiality and Responsiveness in the AA1000APS, measuring performance based on the reporting principles, and reporting this performance in the Report. Our responsibility is to provide a conclusion based on our assurance procedures in accordance with ISAE 3000 and AA1000AS. This report, including the conclusion, has been prepared for the management of the Company as a body, to assist the management in reporting on the Company's sustainability performance and activities. We do not accept or assume responsibility to anyone other than the management of the Company as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments. A limited assurance engagement is less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement. In particular:

- We did not attend any stakeholder engagement activities. Therefore our conclusions are based on our discussions with management and staff of the Company and our review of selected documents provided to us by the Company.
- The scope of our work was restricted to 2014 performance only, as set out in the scope and subject matter section above. Information relating to the year ended December 31, 2013 and earlier periods have not been subject to assurance by us.

Conclusion

Based on the results of the assurance work performed, our conclusion is as follows:

- On the AA1000APS principles;
 - Inclusivity
 - The Company has collected concerns and opinion through stakeholder communication channels that include those of Customers, Partners, Investors, Communities and Employees.
 - Nothing has come to our attention to suggest that material stakeholder groups were excluded in these channels.
 - Materiality
 - The Company has identified most relevant and significant sustainability issues through process for identifying material issues.
 - Nothing has come to our attention to suggest that material issues were omitted in this process.
 - Responsiveness
 - The Company has included in the Report its response to the material sustainability issues which are defined through process for identifying material issues.
 - Nothing has come to our attention to suggest that there were material deficiencies in the issue management system.
- Nothing has come to our attention that causes us to believe that Sustainability Data for the year ended December 31, 2014 is not fairly stated, in all material respects, in accordance with the Company's internal reporting principles set out on GRI G4 guideline with core option and main agenda of ISO 26000.

Recommendations

- It is recommended to manage key performance indicators with wider scope which are aligned with performance evaluation of each part of the Company in order to effectively implement sustainability strategy and address sustainability issues corporate-wide.
- To gain credibility of the Company's systematic sustainability management from external stakeholders, it is recommended to actively disclose the Company goals and objectives, level of achievement, and the future plans of key performance indicators by each sustainability sector.
- The Company has broadened the scope of the Sustainability Data. In order to ensure the consistency of disclosed data, it is necessary to improve the data collection and management process of sustainability reporting.

April, 2015
 Samil PricewaterhouseCoopers
 Seoul, Korea

GRI G4 Core Index

GRI G4 Core	No.	Indicators	ISO 26000	Page	
1. General Standard Disclosure					
Strategy and analysis	G4-1	Statement from the most senior decisionmaker of the organization (incl. strategy relates to sustainability, impacts of the activities in relation to the stakeholders)	4.7, 6.2, 7.4.2	6-7	
Organizational profile	G4-3	Name of the organization	6.3.10,	11	
	G4-4	Primary brands, products, and/or services	6.4.1-6.4.5,	15-25	
	G4-5	Location of organization's headquarters	6.8.5,	10-11	
	G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	7.8	10-11	
	G4-7	Nature of ownership and legal form		12-13	
	G4-8	Markets served (including geographic breakdown, sectors served and types of customers beneficiaries)		10-11, 27-30	
	G4-9	Scale of the reporting organization		10-11	
	G4-10	The total workforce by employment type, gender, employment contract and region		10-11	
	G4-11	The percentage of total employees covered by collective bargaining agreements.		86	
	G4-12	Describe the organization's supply chain		52-55, 87	
	G4-13	Significant changes during the reporting period relating to size, structure, or ownership or its supply chain		10-13	
	G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization		37	
	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		35, 71	
	G4-16	List memberships of associations (such as industry associations)		UNGC, KBCSD	
	Identified material aspects and boundaries	G4-17	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures (List all entities in the consolidated financial statements)	5.2, 7.3.2-7.3.4	119
		G4-18	Process for defining report content and the Aspect Boundaries and explain how the Reporting Principles has been implemented		42-43, 119
G4-19		List all the material Aspects identified in the process for defining report content		43	
G4-20		The Aspect Boundary within the organization: Whether the Aspect is material within the organization; The list of entities included in G4-17 for which the Aspect is or is not material; Specific limitation regarding the Aspect Boundary within the organization		42-43, 119	
G4-21		The Aspect Boundary outside the organization: Whether the Aspect is material outside the organization; The list of entities for which the Aspect is material, relate to geographical location; Specific limitation regarding the Aspect Boundary outside the organization		42-43, 119	
G4-22		Explanation the effect of any restatements of information provided in previous reports, and the reasons for such restatements.		10, 77, 81, 89	
G4-23		Report significant changes from previous reporting periods in the Scope and Aspect Boundaries		75, 81, 89	
Stakeholder engagement		G4-24	The list of stakeholder groups engaged by the organization.	5.3	38-39
	G4-25	The basis for identification and selection of stakeholders with whom to engage		38-39	
	G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		38-39	
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting; Report the stakeholder groups that raised each of the key topics and concerns		38-39	
Report profile	G4-28	Reporting period (such as fiscal or calendar year) for information provided	7.5.3, 7.6.2	119	
	G4-29	Date of most recent previous report		119	
	G4-30	Reporting cycle		119	
	G4-31	Provide the contact point for questions regarding the report or its contents		118	
	G4-32	Table identifying the location of the Standard Disclosures in the report		112-117, 119	
	G4-33	Policy and current practice with regard to seeking external assurance for the report		112-113, 119	

GRI G4 Core	No.	Indicators	ISO 26000	Page
Governance	G4-34	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	6.2, 7.4.3	12-13, 35
Ethics and integrity	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	7.7.5, 4.4, 6.6.3	36
2. Specific Standard Disclosure				
Economic				
Economic Performance	DMA	Disclosure on management approach		44
	G4-EC1	Direct economic value generated and distributed	5.3	27-31, 45-47
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		60-63, 77-80, 107-108, 110
Market Presence	DMA	Disclosure on management approach		82
	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	6.3.7.6.3.10, 6.4.3-6.4.4, 6.8.1-6.8.2	1)
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	6.4.3, 6.8.1-6.8.2, 6.8.5, 6.8.7	82
Indirect Economic Impacts	DMA	Disclosure on management approach		64
	G4-EC7	Development and impact of infrastructure investments and services supported	6.3.9, 6.8.1-6.8.2, 6.8.7, 6.8.9	64-67, 89-93, 98, 101-102, 105, 108, 110
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	6.3.9, 6.6.6-6.6.7, 6.7.8, 6.8.1-6.8.2, 6.8.5, 6.8.7, 6.8.9	45-47, 64-67, 89-93, 98, 101-102, 105, 108, 110
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	6.4.3, 6.6.6, 6.8.1-6.8.2, 6.8.7	51, 110
Environmental				
Materials	DMA	Disclosure on management approach		48
	G4-EN1	Materials used by weight or volume	6.5.4	72
	G4-EN2	Percentage of materials used that are recycled input materials	6.5.4	49, 51, 91
Energy	G4-EN3	Energy consumption within the organization	6.5.4	34, 62, 77, 78, 107, 110
	G4-EN5	Energy intensity	6.5.4	34, 62, 77, 106
	G4-EN6	Reduction of energy consumption	6.5.4-5	34, 62, 77, 78, 107, 110
Water	DMA	Disclosure on management approach		60
	G4-EN8	Total water withdrawal by source	6.5.4	34, 77, 110
	G4-EN10	Percentage and total volume of water recycled and reused	6.5.4	63, 78, 108
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.6	79
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6.5.6	79, 80, 98
	G4-EN13	Habitats protected or restored	6.5.6	79, 80, 98
Emissions	DMA	Disclosure on management approach		60
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	6.5.5	34, 77
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	6.5.5	34, 77
	G4-EN18	Greenhouse gas (GHG) emissions intensity	6.5.5	34, 77
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	6.5.5	62, 77, 78, 110
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	6.5.3-4	63, 77
	G4-EN23	Total weight of waste by type and disposal method	6.5.3	77, 79

1) AMOREPACIFIC Group's entry-level wages are higher than the local minimum wage in every location according to the internal policies; however, the exact wages cannot be disclosed.

GRI G4 Core	No.	Indicators	ISO 26000	Page
Products and Services	DMA	Disclosure on management approach		44
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	6.5.3, 6.5.4, 6.5.5, 6.7.5	34, 49, 50, 71, 72, 73, 91, 97, 98
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	6.5.3, 6.5.4, 6.7.5	34, 49, 91, 98
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	6.5.4, 6.6.6	78
Overall	G4-EN31	Total environmental protection expenditures and investments by type	6.5.1-6.5.2	97,98
Supplier environmental assessment	DMA	Disclosure on management approach		60
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	6.3.5, 6.6.6, 7.3.1	2)
Social				
Labor practices and decent work				
Employment	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.4.4,6.8.7	84-86, 99, 102
	G4-LA3	Return to work and retention rates after parental leave, by gender	6.4.4	81
Occupational Health and Safety	DMA	Disclosure on management approach		60
	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	6.4.6	85-86
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	6.4.6, 6.8.8	34, 81
Training and Education	DMA	Disclosure on management approach		56
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.4.7	81
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4.7, 6.8.5	57-59, 83
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.4.7	83
Diversity and Equal Opportunity	DMA	Disclosure on management approach		56
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	6.2.3, 6.3.7, 6.3.10, 6.4.3	58-59, 81, 82
Labor Practices Grievance	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	6.3.6	36
Human Rights				
Investment	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	6.3.5	86-87
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	6.3.6, 6.3.7, 6.3.10, 6.4.3	82
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.5, 6.6.6	86
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6, 6.8.4	82
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	6.3.3, 6.3.4, 6.3.5, 6.3.10, 6.6.6	82

GRI G4 Core	No.	Indicators	ISO 26000	Page
Security Practices Assessment	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	6.3.4, 6.3.5, 6.6.6	86-87
	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	6.3.3, 6.3.4, 6.3.5	86-87
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria	6.3.3-6.3.6	2)
Society				
Local Communities	DMA	Disclosure on management approach		64
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	6.3.9, 6.5.1-6.5.3, 6.8	64-67, 90, 91, 92, 98, 101, 105, 108
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	6.6.1-6.6.3	36
	G4-SO4	Communication and training on anti-corruption policies and procedures	6.6.1-6.6.3, 6.6.6	36
	G4-SO5	Confirmed incidents of corruption and actions taken	6.6.1-6.6.3	36
Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	6.3.5, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	2)
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	6.3.5, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	6.3.6, 6.6.1-6.6.2, 6.8.1-6.8.2	36
Product Responsibility				
Customer Health and Safety	DMA	Disclosure on management approach		48
	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	6.7.1-6.7.2, 6.7.4-6.7.5, 6.8.8	34, 49, 67, 70, 71
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	6.7.1-6.7.5, 6.7.9	34, 49, 71
	G4-PR5	Results of surveys measuring customer satisfaction	3.7.1-6.7.2, 6.7.6	70

2) Regular evaluations are performed on the suppliers, and those who fail to meet the criteria are requested to implement improvement measures. Those disregarding this request are excluded from the list of suppliers.

List of Participants

(in alphabetical order)

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2014

AMOREPACIFIC Group Sustainability Report

Purpose This report was created to disclose AMOREPACIFIC Group's sustainability management activities to stakeholders and to collect various opinions to reflect them in management. The scope of the AMOREPACIFIC Sustainability Report, which has been issued annually since 2009, was expanded in 2015 to be issued as AMOREPACIFIC Group Sustainability Report with the aim to communicate with a broader audience.

Scope This report provides information on the sustainability management activities and performances of AMOREPACIFIC Group's affiliates, which include AMOREPACIFIC, innisfree, ETUDE, AMOS Professional, AESTURA and JANGWON. In the case of AMOREPACIFIC, the domestic production sites and offices (headquarters in Seoul, R&D Center, HR Development Center, Regional BU, and production sites for beauty care, mass cosmetics and steamed green tea products) were mainly under review, while the performances of the overseas subsidiaries were included in only some of the cases.

Period Covered This report covers AMOREPACIFIC Group's activities from January 1, 2014 to December 31, 2014. Data from 2012 and 2013 were included for comparative purposes. Information obtained until March 2015 was reflected in some of the data.

Report Verification In order to enhance the accuracy and reliability of the report, the content was verified by an independent verification institution, Samil PricewaterhouseCoopers.

Standards Followed The 2014 AMOREPACIFIC Group Sustainability Report has been prepared in accordance with the G4 Core Guidelines of the Global Reporting Initiative (GRI), the main agenda of ISO 26000 and the internal report preparation standards.

AMORE PACIFIC GROUP

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