

AMORE PACIFIC  
세계상업  
의무  
책임

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# Exciting Changes

## CEO Message

Dear valued stakeholders,

For the past seven decades, Amorepacific Group has dedicated itself to communicating with the world through the value of “Asian Beauty” with the founder’s philosophy of contributing to the humanity with beauty and health. Despite the fierce competition and uncertain changes in the business environment, we have been focusing on our customers and continuing our challenges to become ‘the first’ and ‘the best.’

Amorepacific Group is striving to create ‘A MORE Beautiful World’ as a responsible global corporate citizen. We are in full support of the ten principles of the UN Global Compact<sup>UNGC</sup> on human rights, labor, environment, and anti-corruption. We also take part in the realization of the Sustainable Development Goals and apply the goals in our corporate operation. In particular, as a company that has grown with its women employees and customers, Amorepacific Group strives to facilitate gender equality<sup>SDG 5</sup> and realize responsible consumption and production<sup>SDG 12</sup>.

Amorepacific Group’s firm will to make the world more beautiful is present in its ‘2020 Sustainability Commitments,’ which is composed of three focus areas and eight commitments. Through the ‘2020 Sustainability Commitments,’ we will help all stakeholders in our corporate ecosystem move on to the sustainable lifestyle, support the inclusive growth with economic and social communities, and contribute to the realization of a circular economy for future generations.

Amorepacific Group is ready to meet the challenges accompanying these ‘exciting changes’ in all circumstances. We will ceaselessly explore and innovate ways to grow in harmony with our customers, the environment, and society. We cordially welcome your warm support and interest in Amorepacific Group’s journey to create a more beautiful future for humanity.

May 2019  
Suh Kyung-bae, Chairman & CEO of Amorepacific Group



Exciting Changes

Amorepacific Group continues to endeavor to build A MORE Beautiful World according to its three initiatives of helping customers practice sustainability in everyday life, growing with social and economic communities and contributing to the realization of a circular economy. Even though we are facing grave environmental and social issues, we can overcome them if we find pleasure in everyday challenges and work to change ourselves. Amorepacific Group will continue to lead the way toward a better future and A MORE Beautiful World, pioneering Exciting Changes.

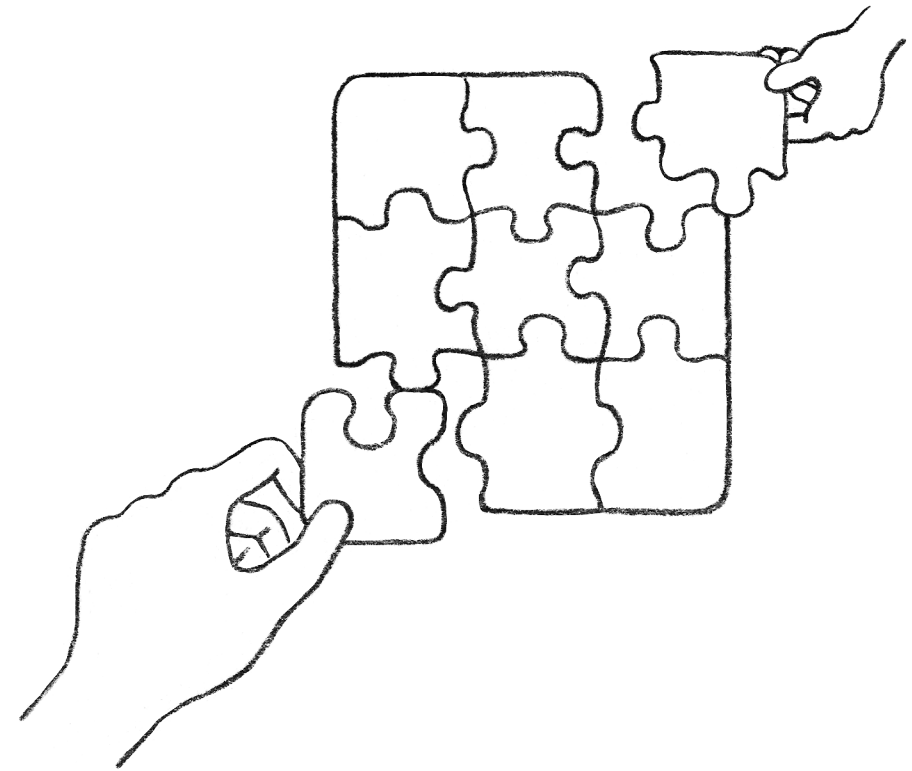


Sustainable Lifestyle

## Good Habits for Earth in Everyday Life

While plastic makes our life more convenient, its increasing use is becoming a burden to the environment. To take responsibility for the environmental impact of plastic, Amorepacific Group is joining the global movement to reduce the consumption of plastic. With its investment in A MORE Beautiful World, Amorepacific Group strives to transform the whole process of production and distribution by operating in more eco-friendly ways and proposing sustainable means of living through diverse brand campaigns.

By spreading good habits to practice in everyday life for our planet, Amorepacific Group realizes **'Responsible Consumption and Production,'** the 12th agenda of SDGs(Sustainable Development Goals) adopted by United Nations member nations around the world.



GOAL 12  
RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION

## Plastics—Can We Use Them Less?

The easiest and most obvious way to reduce the environmental impact of plastic is to use less plastic in everyday life. Throughout the entire process of production, distribution and disposal, Amorepacific Group proposes ‘Less Plastic’ to customers.

### Less Waste, More Convenience

Bubble wrap is usually used to protect packaged products from transit. Made from plastic and vinyl, bubble wraps are mostly discarded after a single use and they are difficult to recycle once it is contaminated with other substances. As a result, they produce a significant environmental burden. In 2018, Amorepacific Group suspended the use of bubble wrap in its domestic distribution centers and introduced a new paper filling made of FSC-certified paper. Color-coated boxes which previously used colors to represent each brand have been replaced with kraft paper boxes. Vinyl tape has been replaced with paper tape, making it more convenient for customers to recycle paper by eliminating the process of separating vinyl tape from color-coated boxes. In total, more than 70 percent of plastic materials are expected to be saved during the transportation process.

As a result of our continued effort, the use of disposable plastic items was also greatly reduced. Osulloc Tea House and innisfree Green Cafe stopped using disposable plastic straws and instead introduced paper straws and bio-degradable straws, respectively. They also introduced a new cup lid that can be used without a straw, greatly reducing the disposal rate corresponding to the use of plastic straws.

### Producing More Beautiful Products Using Less Plastic

Amorepacific Group is also continuing its efforts to minimize unnecessary uses of plastic by changing the design of product containers. For example, IOPE’s Super Vital Cream reduced the use of plastic over 20% as a result of changing the structural design of the container. The convex bottom that had previously been filled with plastic has been eliminated, while actually protecting the product more effectively than before. Hanyul also reduced the weight of its product packaging by more than 5% through changing the lids and construction of containers.



Paper cushion replacing plastic air cap



IOPE Super Vital Cream  
Reduction of plastic usage on the package

### More Effective With No Microbeads

Microbeads, which are produced invisibly small from the beginning, are very small particles and easier to flow into the sea after being used. Once absorbed by marine organisms, they can eventually impact humans. To tackle this serious issue, Amorepacific Group has prohibited the use of microbeads in wash-off products since 2014. In 2018, the group developed a new material as a replacement for microbeads, developed using bio-degradable polymers from sugar cane and creating composite powders from volcanic ash. The material was successfully applied in innisfree’s Super Volcanic Pore Clay Mask 2X. The product enhanced the absorption rate of sebum by more than double than products using microbeads while also reducing environmental impact.

### Fixture made out of paper

Many customers have concerns about additional plastic packaging for bundled products. Although it is necessary to safely deliver products to customers, Amorepacific Group shares the concerns regarding the environmental impact of plastic packaging. To help solve this problem primera applied a new packaging design that uses degradable and recyclable paper, while still offering the same degree of protection and stability as plastic packaging. As a result, the new packaging design reduced the environmental impact of primera’s products.



innisfree Super Volcanic Pore Clay Mask 2X  
Applied biodegradable polymer in the contents



primera Mango Butter Hand Cream(3Types)  
Applied fixture made out of paper

## Imagination for Better Use of Plastic

Amorepacific Group strives to use plastic in better ways. We realize the full capabilities of plastic materials and continue our effort to solve issues such as the low recycle rate.

### Recycled Plastic: Giving Plastic a New Life

When plastics are recycled and reused as raw material for producing new plastics, it is possible to reduce the use of petroleum and plastic waste. However, it is difficult to produce consistent colors and solid properties with recycled plastics, which are sorted by color and texture before being melted into new plastics. ETUDE House has incorporated new additives into recycled plastic materials to ensure high quality and applied them to dark colored parts of product containers. This kind of recycled plastic offers products to customers with reduced environmental impact that are nonetheless beautiful.



ETUDE House Double-lasting Cushion  
Applied recycled plastic to the outer packaging

### Transparent Package for Better Recycling

Transparent plastic containers can be recycled more easily since there is no need to sort them by color in the recycling process. Happy Bath's product, Creamy Milk Body Wash, uses transparent PET and attached a shrink label which contains only the necessary information about the product. The label does not use any adhesive and is marked with a perforated line for an easy removal. Thanks to such efforts to enhance recyclability and convenience, customers can help protect the environment with more fun and a sense of pride.



Happy Bath Creamy Milk Body Wash  
Applied transparent PET and a shrink label

“ We worked hard to find ways to retain the benefits of plastics while reducing their environmental impact.

### A Better Way to Make Plastic: Sugar Cane Replaces Oil

“Plastic has excellent material qualities, since it is lightweight and flexible enough to be made into any shape. However, it is made out of oil, a non-renewable natural resource contributing to environmental burden. Fortunately, plastic can also be produced using sugar cane, a plant conventionally used to add sweetness to food. Since plants can be regrown after they are harvested, plant resources are renewable.

To create better plastic material, we researched ways to apply ‘plant-based plastic.’ As a result, a number of Amorepacific brands including mise-en-scène and innisfree began using plant-based plastic in new products in 2018.”

Park Sung-ha, Amorepacific Packaging Research Team



## Less Plastic Campaign with More Fun

Amorepacific Group's effort to reduce the use of plastic will ultimately be completed by the customers. Amorepacific Group is developing diverse campaigns for customers to practice a range of eco-friendly behaviors in their everyday lives beyond the group's products and stores.

### GREENCYCLE, Completing the Circulation Loop

GREENCYCLE campaign promotes recycling and upcycling by collecting used cosmetic bottles from customers and finding new uses for them, such as creating artworks. This campaign facilitates coexistence with nature.

In 2017, innisfree opened 'Gong Byeong Gong Gan' in Samcheong-dong, Jongno-gu, Seoul, upcycling 230,000 used bottles that had been collected through the GREENCYCLE program. Artworks were also created using the bottles and exhibited at Cheonggyecheon Plaza. In 2018, Amorepacific Group collaborated with a social enterprise to develop a new technology for reusing used bottles as raw material for products, realizing the true meaning of circulation. The upcycled packaging will be applied to innisfree's new products in 2019. We are also working to achieve higher efficiency of resource use through continued research on recycling and upcycling methods.



GREENCYCLE Campaign

### innisfree PLAYGREEN Festival, Green Life with Enjoyment

'PLAYGREEN Festival' is part of PLAYGREEN, innisfree's eco-friendly campaign launched in 2014. The festival is a special event for those who live a green life. In 2018, PLAYGREEN Festival presented 'Less Plastic, It's Fantastic' as a slogan and introduced playful activities geared toward reducing plastic in everyday life.

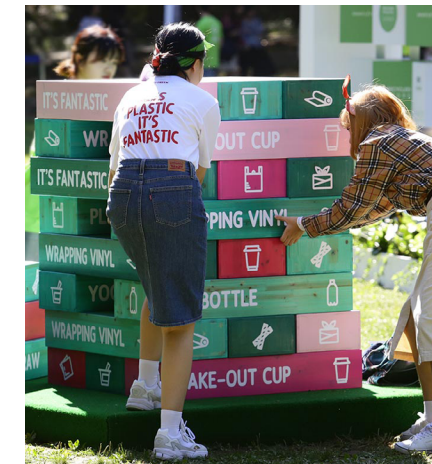


PLAYGREEN Festival

['Play Ground' offers a natural experience of diverse alternatives to plastic](#)

['Upcycling Class' provides opportunities to create fashion items with disposed plastic materials](#)

['Green Beauty Class' educates participants on how to upcycle cosmetics with famous YouTube beauty influencers](#)



Play Ground



Upcycling Class



Green Beauty Class



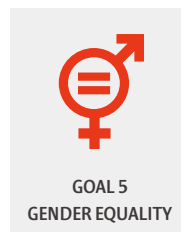
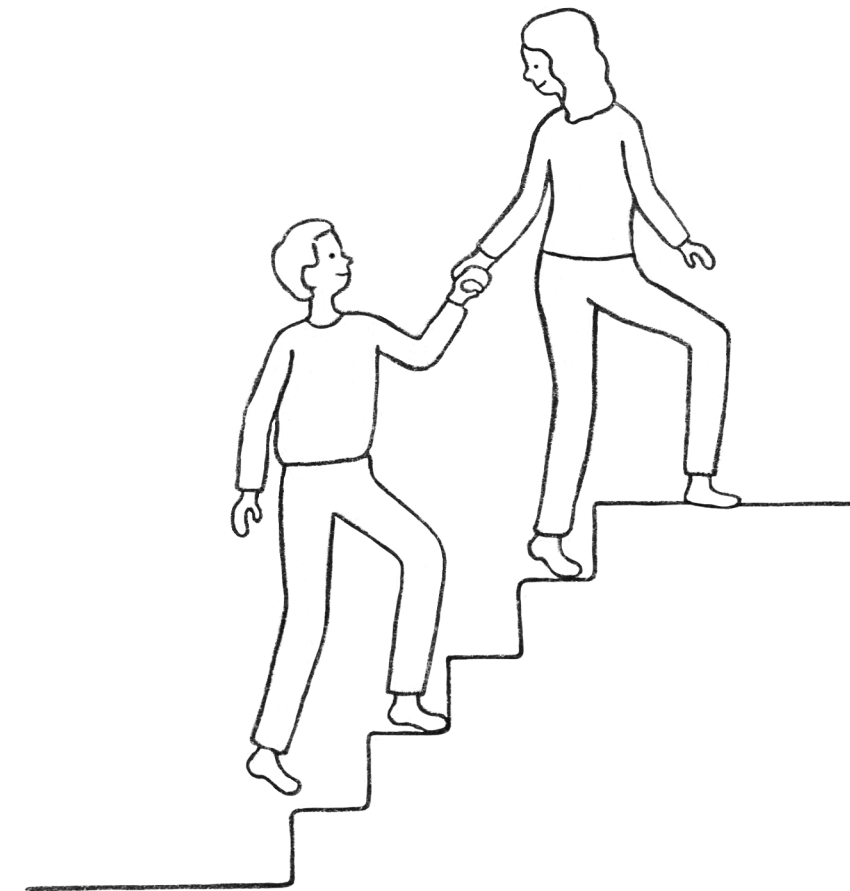
Protecting our products with paper cushion with less environmental burden, instead of bubble wrap.

Inclusive Growth

## A MORE Beautiful Way for Inclusive Growth

Today, inequality is worsening and the quality of life is diminishing. What steps can be taken to provide equal opportunities to social minorities and the underprivileged while helping all members of society work in happiness? Amorepacific Group strives to achieve 'Inclusive Growth,' ensuring the health and well being of employees and business partners as well as the underprivileged in local society.

Amorepacific Group contributes to the enhancement of [Gender EqualitySDG5](#), which is the fifth of UN's Sustainable Development Goals. In doing so, we facilitate a culture that appreciates more diversity and provide opportunities of growth for all.



## What Makes a ‘Good Workplace’?

At a time when economic growth is slowing down, quality jobs are in decline and small enterprises find it difficult to hire new employees, the job market reflects this polarization. Amorepacific Group is creating quality jobs and injecting vitality into the Korean economy and society at large.

### A Good Company with Relaxation and Wellness

The workplace is where we spend the majority of our time. If we can enjoy more pleasant and beneficial experiences at our workplace, our quality of life will be enhanced. Providing opportunities for employees to demonstrate their abilities and developing a healthy and safe workplace have been the driving forces behind Amorepacific Group’s continued growth.

#### Healthier Employees

Amorepacific Group considers employee’s health to be the primary condition for a good workplace. AP-Severance Clinic is complete with leading medical facilities and medical services, providing diverse outpatient services including general treatment, vaccination, dietary consultation, medical exams and consultations. In addition, AP-Severance Clinic operates a body remodeling center to help employees manage musculoskeletal disorders, the most common health problems for office workers.

#### Healthier Mind

Emotional labor of workers who interact with customers can lead to health issues. To prevent and resolve any potential stress for them, Amorepacific Group published and distributed <Self Protection Manual for a Happier Workplace>, a guide which offers responses to potential issues associated with difficult customers. Happy Life Consulting is a consultation service for employee happiness and psychological stability, helping them resolve stress and psychological anxiety.

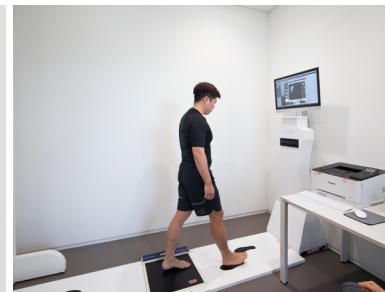
#### Employee Health Promotion Programs

Number of Health and Anti-smoking Fund Participants

**483**



Self Protection Manual for a Happier Workplace



AP-Severance Clinic

### A Virtuous Circle of Growth with Small Enterprises through Quality Jobs

The unemployment rate experienced by younger generation is getting higher lately. Amorepacific Group is sharing the concern of the imbalance between the low employment rate of young job seekers and high outflow of employees experienced by small and medium enterprises. Amorepacific Group participates in the Korea Small and Medium Business Corporation’s Win-Win Employment Program. Through the program, the group is educating competent young job seekers with professional knowledge for the cosmetics industry and connecting them with medium and small partner companies, helping these companies hire new employees.

Many small enterprises lack safety, work environment and welfare benefits. As a result, young job seekers that look for quality jobs tend to avoid small enterprises. To enhance the competitiveness of partner companies that operate as small enterprises, Amorepacific Group has implemented a support program which assesses competency of labor, human rights, safety, sanitation and the environment of partner companies and suggests improvements. Based on these assessments, the program provides intensive consulting sessions to improve the safety and environmental conditions which affect the health and working environments of employees at partner companies.

Through its support program, Amorepacific Group is committed to attracting talents to partner companies by establishing healthy and safe working environments, which enhances competitiveness of partner companies in return.

Number of Partner Companies Assessed for Labor, Safety and Environment in 2018:

**77**



Safety and Health Improvement Program for Suppliers

### Fostering New Ideas with Beauty Startups

Startups invigorates the society with new energy and provides job opportunities for the young generation thanks to their new ideas and daring efforts. To secure growth engines for the future and provide quality jobs and opportunities for economic activities to innovative new entrepreneurs, Amorepacific Group operates AP TechUP+, a startup support program for beauty technology, and the Lean Startup Program, an incubator for corporate venture companies.

In 2017 and 2018, a total of 10 startups received support from AP TechUP+ (five startups in each year). Two to three corporate venture companies are also supported by Lean Startup Program every year. By facilitating beauty startups, Amorepacific Group activates the ecology of the beauty industry and shares new ideas, opening possibilities for strategic collaborations.



TechUP+ Demo Day

“ We create a safer, healthier workplace.”

### Against the Prejudice of Poor Working Conditions at Small Enterprises

“Young people recently have endured suffering due to the job market, but it is a different story for small enterprises. We are still short of employees. There may be a variety of reasons for this, but one of them is the misconception that small enterprises tend to offer dangerous jobs in poor working conditions. Although companies at every scale must observe basic legal regulations and assure the safety of their employees, there are limitations for small enterprises which lack professional staff and corporate investment.”

### Becoming a Better Workplace with Safety·Environment Improvement Consulting

For three months between June and September 2018, Amorepacific Group offered its Amorepacific Partner Company Sustainability Improvement Program. Through this win-win program, professional safety and environment consultants and responsible officers from Amorepacific companies assessed legal violation risks for the safety and environments of partner companies. After the assessment, a few critical risks were diagnosed, which were subsequently improved through coaching sessions with professional consultants.

As a result, in 2018, Jang Up System was awarded the highest level in Amorepacific Group’s supplier sustainability assessment of labor, safety, environment and corporate ethics. Based on such efforts, Jang Up System strives to provide aspiring young people in the beauty industry safe and healthy jobs and contribute to the development of the domestic beauty industry.

Kwak Soo-choon of Jang Up System, a partner company specializing in packaging materials

## More Diversity, Further Growth

Many people in our society are constrained in their social and economic activities because of gender and physical disadvantages. , Amorepacific Group is reducing the atmosphere of inequality and facilitating diversity through empowering women's potential and encouraging social participation for people with disabilities.

### 20 by 20 Commitment: Healthier and More Confident Women

Amorepacific Group aims to enhance health, well-being and economic capability for 200,000 women by 2020 under '20 by 20 Commitment.'

Hope Store Project is a microcredit project that provides start-up loans to ensure the self-reliance of single mothers and bring positive changes to the lives of their families. Beautiful Life is a support program for low-income women from diverse backgrounds, including multi-cultural families, defectors from North Korea, single mothers, and youth released from correctional facilities. The program provides technical education and mentoring sessions to bolster the competitiveness of its participants in the job market. Makeup Artist on the Go is a mentorship program to train young students with professional knowledge for makeup and hair, providing scholarships to support students becoming professionals in the field.

Amorepacific Group's efforts to beautify women's lives are not only limited to Korea, but also reaching out to other countries like China, Singapore, Hong Kong, Taiwan and Vietnam where its regional headquarters are located. We are strongly committed to supporting the UN-led 'Every Woman Every Child<sup>1)</sup>' movement, in order to share our vision with more people and carry out our responsibility to the fullest as a global corporate citizen.

1) A global movement launched by the UN secretary general in 2010 which aims to improve the health and well-being of women, children and adolescents.



20 by 20 Commitment

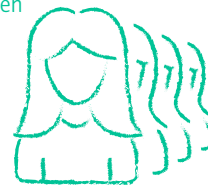
#### 20 by 20 Commitment Performance(2018)

Health and well-being of women  
Number of beneficiaries

**284,084** persons

Economic empowerment of women  
Number of beneficiaries

**3,133** persons



#### 20 by 20 Commitment Performance(accumulate)

**287,217** persons



Achieved **144%** of goal  
\*by supporting 200,000 women by December 2018

### WeDream: Disabilities Are Not Disadvantages

Amorepacific Group established an affiliated company WeDream which serves as a standard workplace for the disabled. The company provides quality jobs for individuals with disabilities who tend to be alienated from the job market.

WeDream employees with disabilities work at Beauty Campus Osan's Distribution Support Unit. At LAON, a massage treatment for Amorepacific employees, sixteen visually impaired employees and two physically disabled employees are working as health providers. Amorepacific Group generated a matching fund to the service fees paid at LAON, donating the fund to three organizations including the Korea Blind Union. For those with disabilities, WeDream provides a wide range of welfare programs for better communication and pleasant working environments. This helps them break free from being considered social minorities and take pride in their work as members of the society.

Donation through Laon in 2018

**53,580,000** KRW



WeDream is selected as an  
Outstanding Disabled Employer of 2018



'WeDream', Standard Workplaces for the Disabled

Creating a safer,  
healthier workplace



Circular Economy

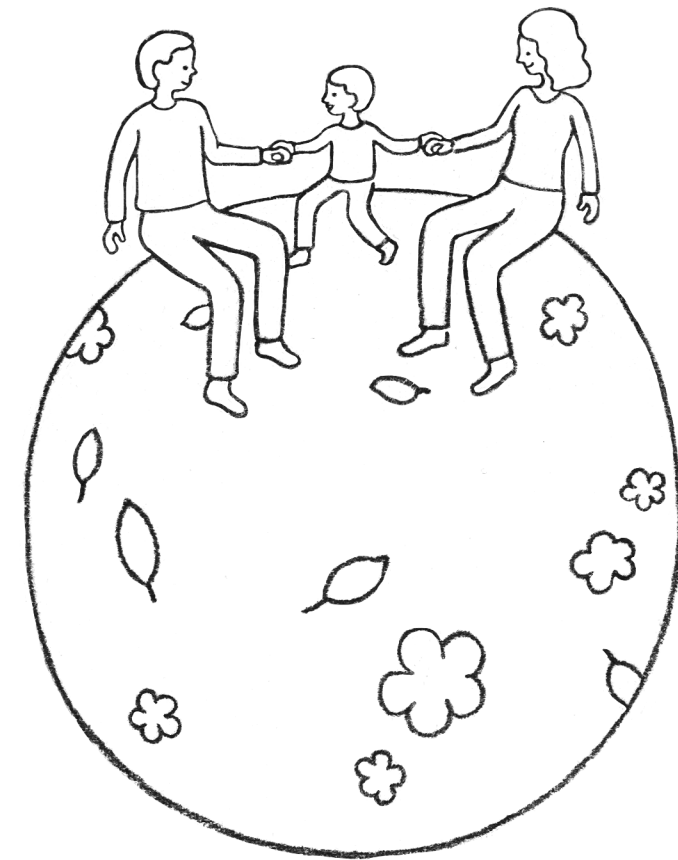
## Our Path to Tackle the Climate Change Issue

In October 2018, the Intergovernmental Panel on Climate Change (IPCC) unanimously approved the Special Report on Global Warming of 1.5°C.

According to the report, global temperatures should not rise more than 1.5°C in order to prevent countless environmental and social problems caused by climate change.

To meet this goal, emissions of CO<sub>2</sub> would need to fall by 45% from 2010 levels by 2030.

Amorepacific Group aims to contribute to a circular economy through effective use of resources and reduction of greenhouse gas emissions. We are joining in the global movement toward the resolution of climate change through conserving energy, and aims to adapt to climate change through resource efficiency enhancement and biodiversity conservation.





## Efforts to Reduce Energy Consumption

Amorepacific Group's Greenhouse gas emissions increased in 2018 compared to the previous year due to the expansion of the facilities for Daejeon Daily Beauty production site and the Shanghai Beauty Campus in China. We will endeavor to reduce the energy consumption and resulting greenhouse gas emissions by continuing the various challenges of expanding the use of renewable energy and energy-saving technologies in the production process.

### Solar Panels for Unused Spaces

Solar energy is a more eco-friendly energy source which does not produce greenhouse gas. Amorepacific Group is actively using unused spaces in its buildings to generate electricity through solar panels.

In particular, the Osan Beauty Campus, a production facility where many of Amorepacific Group's products are created uses solar energy for operating its production facilities. Through this process products are embedded with eco-friendly solar energy. Moreover, solar energy is used for other diverse purposes at production facilities, including temperature and humidity control. More than 6% of the energy consumed at production facilities comes from renewable energy sources. Amorepacific Group will continue to increase the use of solar energy in its various facilities and buildings in both Korea and abroad.

#### Renewable Energy Capacity <sup>1)</sup>

**Global Headquarters 3,668kW**  
**Beauty Campus Osan 1,161kW**  
**Daily Beauty Production Site (Daejeon) 151kW**  
**Beauty Campus Shanghai 50kW**



<sup>1)</sup> The value of Global Headquarters is the sum of solar power, geothermal heat, solar heat generation, and the values of other business sites only include solar power generation.

### Small Changes, Big Results

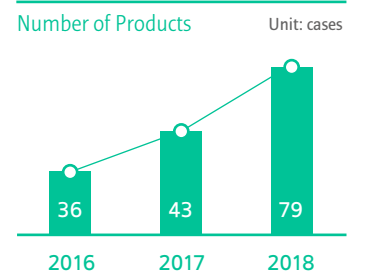
We use cosmetics everyday. But how are they produced? Different ingredients are mixed according to formulas and put into a kiln. In the kiln, the ingredients are melted and blended before they are cooled to a temperature of 4°C. The results of the process are the cosmetics as we know them today.

As such, would it be possible to use the cold outside air when cooling down such heated substances? Beauty Campus Osan realized the idea of using cold outside air for that purpose during a three-month period in winter, instead of operating rapid cooling machines for eleven and half hours every day.

As of 2019, an Energy Innovation Task Force is being installed to reduce the consumption of energy and greenhouse gas emissions throughout the group's headquarters, R&D center, distribution center and production facilities. The task force examines the energy usage at each business site, discovers innovative ways to improve the situation and offers practical suggestions. Amorepacific Group plans to run a group-wide campaign to reduce the use of with all employees as well.

### A Further Step in Making Changes: An Energy-saving Emulsion Process

Once various materials are melted at high temperature, a cooling process is necessary since certain materials are soluble in water or oil only at low temperatures. However, generating high temperatures and regulating the cooling process requires a lot of energy. Since 2014, Amorepacific Group has continued to investigate an energy-saving process technology through which different materials are melted and mixed at low temperatures. Each year, the number of facilities using this new process is growing, and more products are increasingly produced with the new process.



## Wise Ideas to Adapt to Climate Change

Climate change is not just something that will happen in the future. It is the reality that we are facing today. Amorepacific Group is finding ways to wisely adapt to the worsening problems attributed to climate change. A more efficient use of water resources and preservation of biodiversity are some of the ways through which Amorepacific Group strives to adapt to the changing climate.

### Reusing Water Resources

How much water is used when we eat, drink and clean every day? According to a United Nations report by futurologists, by 2025 half of the global population will suffer from a lack of water resources. Amorepacific Group is adapting to climate change by reducing and reusing precious water resources, which once lost cannot be recovered.

In particular, Amorepacific Group strives to use water resources with maximum efficiency at production facilities that require significant amounts of water. In 2017, Beauty Campus Osan tripled its rainwater storage facilities to increase rainwater use, adapting to changing rain patterns during the summer season. In 2018, thanks to the expansion of the rainwater storage facilities in the previous year, the collected water was used for the primary stage of cleaning laundry items such as work uniforms after being purified. As a result, Beauty Campus Osan reduced its water usage by 75%, decreasing from 400 tons to 100 tons.



Expansion of the rainwater storage facilities



Usage of collected rainwater for the primary stage of cleaning laundry items

Reduction of Surface Water Usage  
at Beauty Campus Osan

**300** tons/month

Reuse of Concentrated Water  
at Daily Beauty Site in Daejeon

**31,302** tons/year



### Research to Prevent Extinction and Sustain Diversity

#### More Sustainable Palm Oil

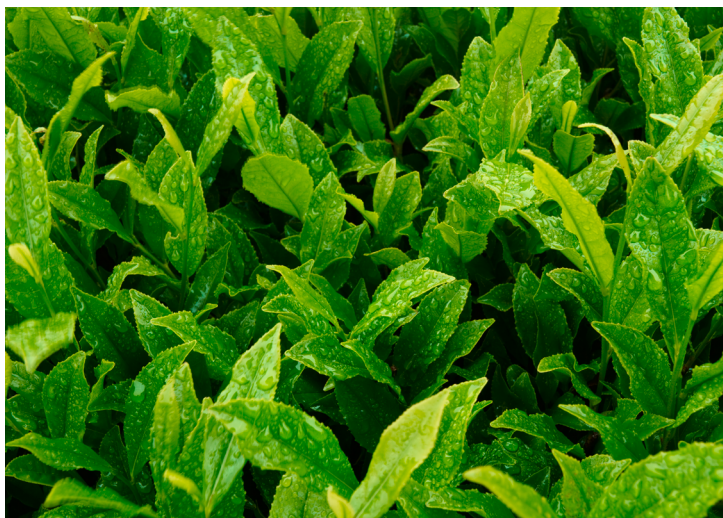
One of the many problems caused by climate change is the extinction of different species. Many species which have failed to adapt to changes in climate within their habitats have become in danger of extinction. The entire ecosystem can be imperiled when a species becomes extinct, leaving a ruinous effect on the food chain. Thus the preservation of biodiversity is an urgent task for all of us. Since cosmetic products and household items produced by Amorepacific Group are also created from raw materials from nature, Amorepacific Group strives to preserve biodiversity and discover its new values and uses in order to respond to the climate change.

Palm oil is easy to produce at a large scale and remains viable for distribution over a long period, making it a popular product throughout the world. One result of its popularity is the practice of burning rainforests in different regions for the sake of creating palm tree plantations. The destruction of these rainforests leads to the loss of habitat for various plants and animals, and reduces the amount of greenhouse gas emissions that can be absorbed by forests. In 2018, Amorepacific Group started 'RSPO Non-certified Palm Oil FREE' policy to prevent the loss of rainforests. RSPO certification is an international certification for sustainable palm oil produced without destroying rainforests. Amorepacific Group has prioritized purchasing RSPO-certified palm oil. In instances of purchasing palm oil lacking RSPO certification, the group exercised a Book & Claim supply option, counteracting the negative effect of using non-RSPO certified resource. As a result, Amorepacific Group acquired a 100% RSPO certification in 2018.

### The Fruition of 15-year Research: Jangwon No. 2 & No. 3

The word ‘green tea’ usually reminds us of a warm cup of fine tea. In fact, in the history of about 5,000 years since the beginning of B.C.2,700 when humankind first started drinking green tea, Green tea has been improved, cultivated, processed and cultivated centering on uniformity of flavor, aroma and color. Various green tea varieties with enhanced functionality of green tea have been naturally culled because of their poor competitiveness and diversity of green tea varieties is also being destroyed.

Amorepacific Group is the only global beauty company with ownership of tea farms. The group has been working hard to develop new varieties of green tea that are not only excellent for brewing tea but also great as ingredients for cosmetic products. While it is said that developing a new plant species generally takes more than 20 years, AMOREPACIFIC Group has spent a lot of time experimenting and researching. As a result, new green tea varieties Jangwon No. 2 and Jangwon No. 3 were created, containing 1.5 to 2 times more amino acids<sup>with moisturizing effect</sup> and Catechin<sup>with anti-aging function</sup>. In 2018, these two green tea varieties were used in innisfree Green Tea line products and AMOREPACIFIC Time Response Line products, proving the new value of green tea species and contributing to biodiversity.



“ We develop new green tea varieties to protect biodiversity.”

### Where Is Jangwon No. 1?

“One might wonder the whereabouts of Jangwon No. 1, since Jangwon No. 2 and No. 3 were successfully applied to cosmetic products in 2018. Developing a new green tea variety takes a long period of research and experimentation, Jangwon No. 1 was created in 2015 after a decade of research and experiments. However, it manifested inferior characteristics over generations. Researchers tried different cultivation methods, but they failed to prevent the manifestation of these inferior characteristics. In short, Jangwon No. 1 was a failure. Thus, Jangwon No. 2 and No. 3 represent more valuable outcomes which overcame the painful hardships of Jangwon No. 1.”

### Always with Green Tea

“With biodiversity threatened due to climate change, preserving the biodiversity of green tea is very important, especially since green tea is one of the heritage ingredients of Amorepacific Group. After setting the goal of finding originality by preserving the biodiversity of green tea species, we went to look for places where green tea varieties with excellent genes were already growing. We visited Boseong, a county in South Korea that is well known for green tea farms. We acquired excellent genetic resources of green tea from Gimhae, Sacheon, Namhae, Hadong and different places around Korea. The list of places we have visited also includes countries outside Korea, including China, Japan and Sri Lanka. As a result, Osulloc Farm is now preserving the genetic resources of 20,000 green tea varieties from around the world. In other words, it is a treasure trove of the biodiversity of green tea. Jangwon No. 2 and No. 3 were borne of this effort.”

Lee Min-Seok, OSULLOC Farm OSULLOC Research Team

Actively utilizing unused spaces in buildings to generate electricity through solar panels.




## 2020 Sustainability Commitments

Through the 2020 Sustainability Commitments, Amorepacific Group seeks to help its stakeholders realize “sustainable lifestyle” in their everyday lives, achieve “inclusive growth” with economic and social communities, and contribute to the “circular economy” for future generations.


The 2020 Sustainability Commitments are closely linked to 2030 Sustainable Development Goals (SDGs), adopted by the United Nations General Assembly in 2015. Through the efforts to execute its 2020 Sustainability Commitments, Amorepacific Group seeks to help in the rising global issues and endeavor to create a more beautiful world.

### SDGs 5 Gender Equality



5.5 Women’s Health and Well-being  
5.6 Women’s Economic Empowerment

### SDGs 12 Responsible Consumption and Production



12.2 More Sustainable Products  
12.5 GREENCYCLE Campaign  
12.8 Promoting Sustainable Lifestyle through the magazine <Beauty Inside>

## Sustainable Lifestyle

All stakeholders involved in Amorepacific Group’s corporate activities are invited to understand environmental and social values better and make a transition to “sustainable lifestyle.” Products and stores will incorporate environmental and social considerations. Various brand campaigns will propose a sustainable everyday life.






1		Incorporate at least one benefit for the environment or society into more than 40 percent of new products.
2		Integrate environmental and social considerations into the design and operation of stores and disclose improvements.
3		Provide customers opportunities to participate in value consumption and enhance awareness of environmentally and socially sustainable lifestyles.

## Inclusive Growth

Amorepacific Group realizes inclusive growth by creating a great working environment for employees, supporting business partners, and enhancing women’s health, well-being, and economic capabilities.





4		Create a great place to work by improving employees’ health and welfare.
5		Contribute to inclusive growth by supporting the growth and development of business partners.
6		‘20 by 20’ commitment support the health, well-being, and economic capabilities of 200,000 women.

## Circular Economy

To preserve the nature and ecosystem for the future generations, Amorepacific Group seeks to reduce the greenhouse gas emission and become carbon-free by 2030. Resources will be used more efficiently in the process of production, consumption, and recirculation.



7		Reduce the CO <sub>2</sub> emissions by 30 percent per tonne of production from a 2015 baseline.
8		Improve the efficiency of the water resource and packaging materials by promoting reuse and recycle.

## Sustainable Lifestyle

2020 Targets	2018 Targets	2018 Performances	2019 Targets
1 Incorporate environmentally or socially friendly elements into new products	36.5%	38.1%	39.5%
2 Applying sustainable packaging materials	ARITAUM uses sustainable materials for its store packages -Usage rate 26%  innisfree uses sustainable materials for its store promotion materials	ARITAUM applied 3 types of FSC-certified shopping bags  -Usage rate of sustainable materials for store packaging 45%  innisfree applied sustainable materials for store promotion materials  -Sustainable print papers: citrus paper, recycled paper -Sustainable materials for store VMDs	Develop plastic bags with sustainable materials  Promote customer awareness of FSC-certified paper
Use LED lighting in all new and renovated stores in Korea (ARITAUM, ETUDE House, innisfree)	100%	100%	100%
3 Providing opportunities for value consumption	<b>Sulwhasoo</b> Beauty from Your Culture Hold campaign in 5 countries  <b>LANEIGE</b> Hold Refill Me Campaign in 9 countries and donate sales proceeds  <b>innisfree</b> Hold Play Green Campaign	<b>Sulwhasoo</b> Beauty from Your Culture Held campaign in 5 countries  -Thailand -Indonesia -Singapore -Malaysia -China  <b>LANEIGE</b> Held Refill Me Campaign in 9 countries and donated KRW 66 million of sales proceeds  <b>innisfree</b> Held Play Green Campaign 8 times in 3 countries  -Korea x 1 time -China x 5 times -Malaysia x 2 times	<b>Sulwhasoo</b> Beauty from Your Culture Expand participating countries  <b>LANEIGE</b> Hold Refill Me Campaign and donate sales proceeds  <b>innisfree</b> Hold Play Green Campaign
	<b>primera</b> Attract 45,000 participants to Love the earth online campaign	77,000 customers participated in Love the earth online campaign	Attract 80,000 participants to Love the earth online campaign
	<b>Mamonde</b> Install the third <sup>1)</sup> Honeybee Garden	Installed the third Honeybee Garden at Seoul Museum of Art	Install the fourth <sup>1)</sup> Honeybee Garden

1) accumulate

## Inclusive Growth

2020 Targets	2018 Targets	2018 Performances	2019 Targets
4 Create a great place to work	Enhance leadership capabilities of women leaders	Women leadership development mentoring -4 executive mentors & 8 mentees  Women in managing positions 29%	Operate 'Women Council' – a human resource network for women  Enhance gender equality and network among women
	Promote diversity of employees	Local employees in overseas branches 96.3%	Promote diversity of employees
	Enhance employee's job satisfaction	Employee engagement 48.21%	Enhance employee's job satisfaction
5 Increase the percentage of suppliers that meet the 'good performance' sustainability target	70%	70%	75%
Implement the Good Jobs Strategy for beauty partners	Provide career development opportunities  Enhance job satisfaction of beauty partners	Mini sessions for stress relief during regular education programs	Enhance job satisfaction of beauty partners
6 Number of beneficiaries of women's health and well-being programs	89,250	140,387	103,020
Number of beneficiaries of women's economic empowerment programs	1,280	1,450	1,348

## Circular Economy

2020 Targets	2018 Targets	2018 Performances	2019 Targets
7 Reduce CO2 emissions per tonne of production <sup>1)</sup>	1% reduction	10.6% increase  -45.0% reduction in overseas branches <sup>2)</sup>	1.4% reduction
Apply renewable energy	Beauty Campus Osan, Beauty Campus Shanghai	1,161kW at Beauty Campus Osan, 151kW at Daily Beauty Production Site in Daejeon, 50kW at Beauty Campus Shanghai	Expand investment in renewable energy at Beauty Campus Osan and Daily Beauty Production Site in Daejeon
8 Reduce water use per tonne of production <sup>1)</sup>	15% reduction in Korea and 36% in Mainland China	3.1% reduction in Korea and 40.1% reduction in Mainland China	8% reduction in Korea and 40% reduction in Mainland China
Develop Sustainable Packaging	Development & application of sustainable plastic materials	Developed 26 product packages using sustainable plastic materials and 67 packages using bio-based plastics	Develop 100 product packages using sustainable plastic materials

1) Compared to 2015

2) Greenhouse gas emissions increased due to the expansion of the Daejeon Daily Beauty and the Shanghai Beauty campus in China.

## Company Overview

# Brand Portfolio

Sulwhasoo

LANEIGE

Mamonde

innisfree



HERA

IOPE



primera

AMOREPACIFIC

VITALBEAUTIE

GOUTAL  
PARIS

HANYUL

espoir

ARITAUM

LIRIKOS



MEDIAN



makeON

AESTURA

Relentlessly pioneering the world of beauty to respond to customer expectations and needs, our brands are quickly expanding their global presence and becoming symbols of Asian beauty across the globe.

## Sulwhasoo

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

### Wisdom of Ages

With deep understanding of the wisdom on women's life cycle passed down through thousands of years, Sulwhasoo grafted modern skin science onto traditional and legendary herbal ingredients such as Korean ginseng to provide skin solutions that bring youthful beauty that radiates timelessly.



## LANEIGE

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

### Luminous Beauty: A healthy, moisture-filled radiance with New beauty for a life full of luminous moments

Hydration is the fundamental key to luminous skin for beauty that radiates within. LANEIGE specializes on skin's moisturizing mechanism based on the idea that a well-hydrated skin is the solution for many skin problems. The mechanism involves the skin to create moisture, strengthen its barrier, and purify on itself to become more than a temporary shine. Rather, the mechanism brings Luminous Skin that is translucent and vibrant throughout time. This is 'Luminous Beauty,' a new perspective of skin hydration created by LANEIGE





# Mamonde

www.mamonde.com

## Inspired by Flowers

Mamonde studies nature's wisdom within a single flower, and re-invents the beauty of women. After the first global launch in China in 2005, Mamonde is expanding business in ASEAN countries and the US as a Global Leading Masstige Brand.



# innisfree

www.innisfree.com

## Natural Benefits from JEJU

We offer innovative beauty solutions powered by the finest natural ingredients found on Korea's pristine Jeju Island. Thanks to its volcanic origins, this fertile oasis has a unique ecosystem with abundant resources to nurture beautiful skin. With the wonders of nature at the heart of innisfree, we take great care to preserve and protect the environment in all that we do.



www.etudehouse.com

## Life is sweet, Make today even sweeter!

As the first-ever domestic makeup brand, Etude House provides every woman with an experience to discover and develop their own beauty. With extensive color palettes, quality you can trust, trendy design and affordable prices, we are being loved as a K-beauty makeup brand, leading the trend.



# HERA

Exceptional Beauty from SEOUL

www.hera.com



Global Premium Hair care brand made of Asian Wisdom and Beauty of Korea

www.ryo.com



# AMOREPACIFIC

The Artisanship of Beauty

www.amorepacific.com



# IOPE

IOPE is a lab-based functional skin care brand

www.iope.com



# primera

Sprout energy for the prime moments of skin vitality

www.primera.co.kr



# VITALBEAUTIE

The beginning of healthy beauty, VITALBEAUTIE

www.vitalbeautie.com



GOUTAL  
PARIS

GOUTAL PARIS. A Traditional French  
Perfume House since 1981

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



HANYUL 韓律

HANYUL delivers benefits to your skin  
inspired by the nature of Korea

[www.hanyul.co.kr](http://www.hanyul.co.kr)



Happy Bath,  
a body care brand  
committed to  
delivering happiness

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



Treat your whole body  
head to toe, healing  
moisture infused with  
indigenous Korean  
herbal ingredients



FRESH  
POP

Containing natural  
bubbles, micellar  
cleansing,  
fine dust POP!



espoir

Espoir, a brand to express yourself with  
beauty crews – full of vibe.

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



ARITAUM

Reasonable and sensuous  
street trend beauty brand

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



MEDIAN

Customized  
prescription  
for my teeth

[www.median433.co.kr](http://www.median433.co.kr)



Pleasia  
Natural Smiles

NATURAL  
DENTAL  
CARE PLEASIA



Valuable relaxation  
provided by tea  
from Jeju

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



LIRIKOS

Marine cosmetics deliver  
beauty based on  
marine energy

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



mise  
scène  
미장센

CHANGE YOUR HAIR,  
CHANGE YOUR LIFE

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



amos  
PROFESSIONAL

Fashion Inspired,  
Professional Touched

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



makeON

Life beauty device,  
makeon

[www.makeonbeauty.co.kr](http://www.makeonbeauty.co.kr)



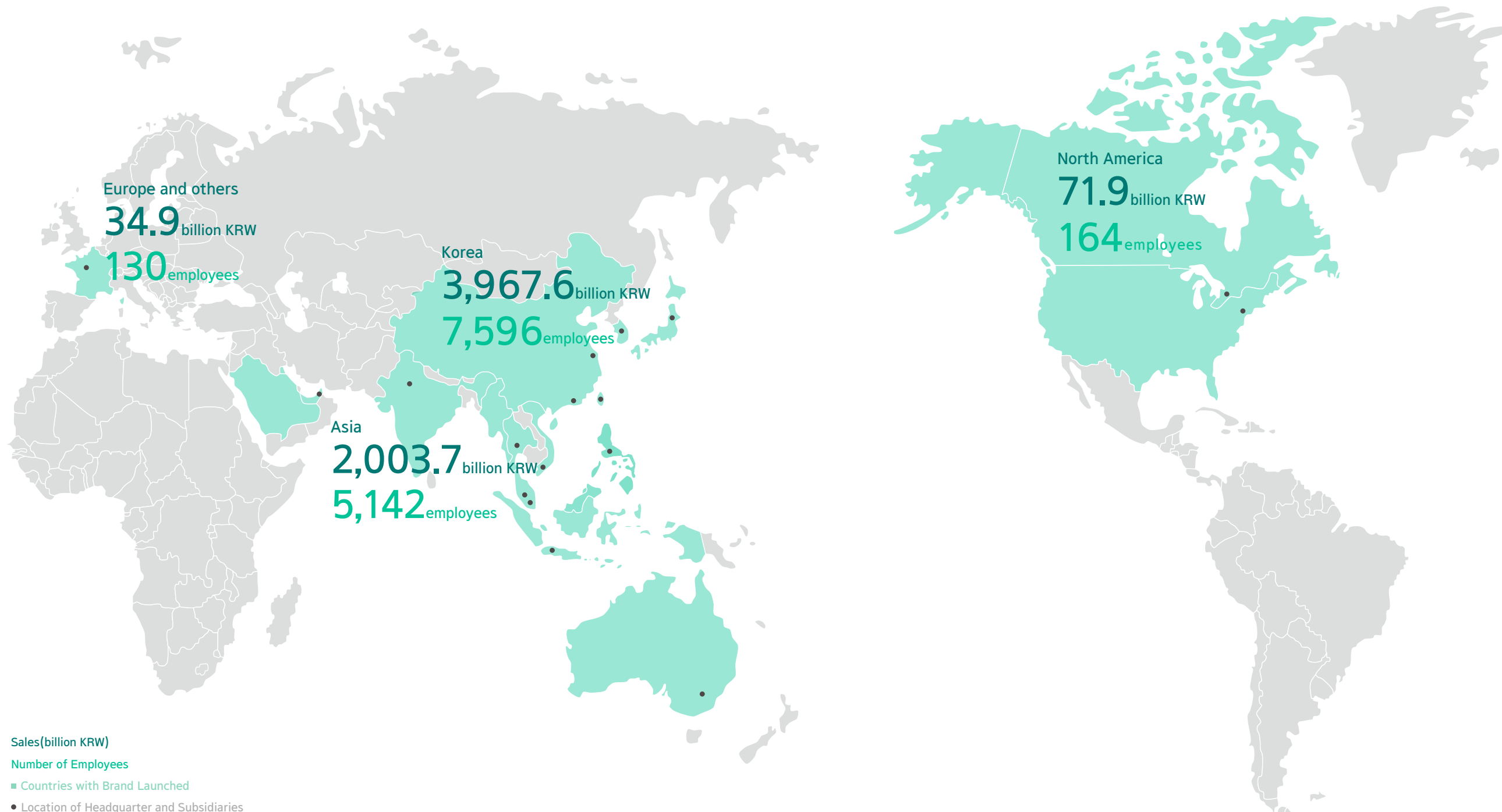
AESTURA

Medi  
Becomes Beauty

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



# Global Network



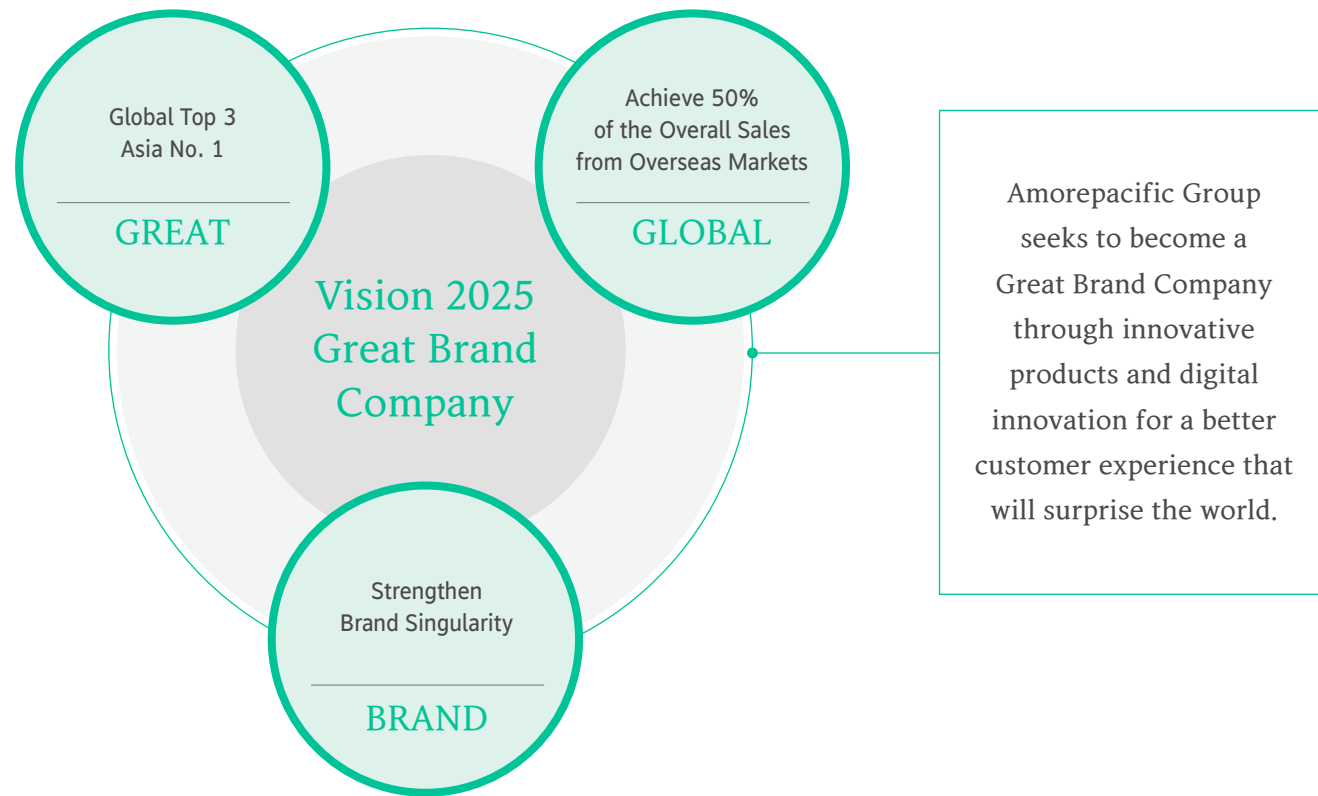
\*Sales figures are based on the 2018 consolidated financial statement of Amorepacific Group

## Amorepacific Group's Global Brands

- Sulwhasoo
- LANEIGE
- Mamonde
- innisfree
- ETUDE HOUSE
- HERA
- IOPE
- 呂
- AMOREPACIFIC
- GOUTAL PARIS
- mise en scène 미장센
- amos PROFESSIONAL
- espoir
- LIRIKOS

# Corporate Vision

Amorepacific Group undertakes various innovative activities to achieve its "Vision 2025" of becoming a Great Brand Company. In pursuing this vision we focus on expanding global market, developing innovative products and implementing digital innovation in order to make the world a better and healthier place through Asian Beauty. Furthermore, we continue to accelerate our efforts in attaining sustainability by minimizing our environmental footprint as well as maintaining mutually beneficial partnerships.



## GREAT

- Attain Qualitative Growth
- Innovate Production and Work Process
- Strengthen Harmonious Relationships with Stakeholders

## GLOBAL

- Accelerate Global Growth Based on a Four-pillar Strategy (Korea, China, ASEAN and North America)
- Explore New Global Markets (Middle East, Europe and Australia)

## BRAND

- Strengthen Brand Identities and Values, and Developing Engine Products for Each Brand
- Enhance the Capacity of Our Retail and Digital Sales
- Strengthen Our Global Brand Portfolio

# AP WAY

Amorepacific Group has been following its path with the dream of changing the world through beauty. AP WAY is the very path that Amorepacific Group has chosen. It is a way forward that we would like to pursue together. AP WAY is Amorepacific Group's unique system of values: 'Our Vocation,' which explains the reason we exist; 'Our Values,' the standards by which we differentiate right and wrong; and 'AP Minds,' a code of conduct to fulfill our vocation and realize our values. All members of Amorepacific Group will pursue the AP WAY together, realizing our grand dream of changing the world through beauty.

## Our Vocation

The reason we exist

"We change the world through beauty."



## Our Values

The standard of our action

Openness, Integrity, Innovation, Proximity, Challenge



"We widely open our hearts and minds to the world."

Openness



"We always look for new and better ways."

Innovation



"We constantly push ourselves beyond our limits."

Challenge



"We make an earnest effort with all our work."

Integrity



"We understand our customers and stand by them."

Proximity

## AP Minds

The guidelines for vocation and value implementation

Ourselves

- I am the pride of Amorepacific
- Who am I growing to be
- I am the best of tomorrow
- I work and I am happy

People around us

- Give first, always
- Build trust, be responsible

Our work

- The customer decides
- Think more, question more
- Do it now, do it right
- Strive to discover the new

AP WAY Activities

AP Pride	AP Minds Communication	AP Minds Awards
Companywide AP Minds program to compliment employees	Develop management program focusing on sharing contents about employees practicing AP Minds	Companywide voting to recognize and award the most exemplary cases of AP Minds

# Financial Performance

Amid uncertain macroeconomic conditions and rapidly changing business environment in 2018, Amorepacific Group enhanced its efforts to improve business structure and strengthen competitiveness by exploiting changes as a chance. Amorepacific Group has established the following major strategies to achieve its management objectives and visions: Development of innovative products based on 'Brand Singularity', Improvement of customer experiences to attract 'Millennials' and 'Omni customers', Digital innovation through data analysis and application, Expansion of global coverage through entering new markets and developing strategic hub countries, Preparation of future management in response to changing distribution paradigms, Development of Sustainable Management and human resources as responsible global corporate citizens.

In 2018, Amorepacific Group's revenue increased by 0.8% YoY to KRW 6,078.2 billion and operating profit decreased by 24.9% YoY to KRW 549.5 billion.

Amorepacific Group Financial Performance Unit: KRW billion

Category	2016	2017	2018
Revenue	6,697.6	6,029.1	6,078.2
Operating Profit	1,082.8	731.5	549.5
Net Profit	811.5	489.5	376.3

Amorepacific Financial Performance Unit: KRW billion

Category	2016	2017	2018
Revenue	5,645.4	5,123.8	5,277.8
Operating Profit	848.1	596.4	482
Net Profit	645.7	398	334.8

## Domestic Business Activities

The Korean domestic market is rapidly diversifying due to demographic changes, shifts in consumer value led by Millennials and Generation Z, and innovation in the distribution channels. Amorepacific Group's major beauty subsidiaries undertook efforts to respond to the changes through internal and external reforms and leveraged the changes as an opportunity for growth.

### Amorepacific

Amorepacific, the major subsidiary of Amorepacific Group, enhanced its brand appeal and expanded its customer base by launching innovative new products. Amorepacific also improved customer experiences by enriching experiential contents at online and offline stores as well as implementing marketing campaigns which integrated every brand and distribution channel of Amorepacific Group. In addition, Amorepacific continued to secure its digital competitiveness by expanding investment in online platforms and diversifying digital marketing. As a result, domestic revenue of major brands such as Sulwhasoo, Vitalbeautie and Ryo increased.

Cosmetics division continued its efforts to find new demands through continuously launching new innovative products, expanding its distinguished brand experience spaces, and entering new distribution channels. Sulwhasoo hired its representative model for the first time, solidifying its status as a leading luxury beauty brand in Korea. HERA opened a flagship store to provide unique brand experiences and professional beauty services. Vitalbeautie focused on expanding health supplement product categories for senior citizens. LANEIGE developed innovative categories and attractive makeup products to attract young customers. IOPE reinvented its brand image as a 'highly functional skincare brand developed at the specialized skincare laboratory'. Mamonde made efforts to enhance its brand appeal by launching new products and organizing brand experiential events.

In addition, Amorepacific newly released the inner beauty brand 'Cube Me' and the fragrance brand "Fradore" through internal corporate venture program in order to respond to more detailed and diversified customer needs and changing trends.

Daily Beauty and Osulloc divisions focused on strengthening their premium product categories while increasing investment in digital channels in response to changes in the distribution channel environment. Ryo achieved solid revenue growth with its representative premium products. Other brands including Mise-en-scène, Illiyoon and Happy Bath reinforced competitiveness by concentrating on key products and categories. Osulloc's overall revenue increased thanks to steady sales of blended tea as well as growing online sales by increasing digital marketing.

### innisfree

innisfree declined in revenue and operating profit due to weak sales in roadshops while the revenue generated through online channels increased. The brand strengthened its product competitiveness by launching new products such as 'My Foundation', 'Bija Cica Balm', and promoting its main skin care lines such as 'Green Tea Seed Serum' and 'Orchid Enriched Cream'. In addition, innisfree focused on enhancing brand appeal by launching distinctive brand campaigns such as 'Eco Handkerchief Campaign' and '#SkinFactCheck', as well as introducing a new membership system geared toward customers of the Millennial generation.

## Domestic Business Activities

### ETUDE

ETUDE declined in revenue and operating profit due to decreased sales at roadshops, followed by the reduced number of the stores. Nevertheless, ETUDE diversified its product categories by launching new products including 'Mini Two Match', 'Shine Chic Lip Lacquer' and 'Double Lasting Serum Foundation'. At the same time, the brand focused on expanding customer experiences by renovating store spaces and launching 'Color Factory', a space that provides a personal color consulting service to customers.

### eSpor

eSpor saw a slight decline in revenue as a result of reducing the number of roadshops. However, the brand enhanced its brand accessibility by entering multi-brand shops and operating pop-up stores in major commercial districts. eSpor also focused on strengthening its digital marketing and expanding SNS communication in order to closely interact with millennial customers.

### AESTURA

AESTURA declined in revenue and operating profit due to sale of its filler brand 'Cleviel' and decrease in the production of pharmaceuticals, while its revenue of inner beauty products increased. AESTURA launched a new product line 'AESTURA 365' and diversified its points of sales for customers by entering multi-brand shops. In addition, AESTURA has expanded its communications with customers through social media channels and YouTube.

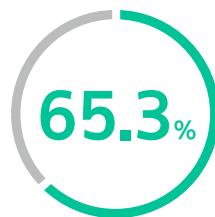
### AMOS professional

AMOS professional launched a variety of products including Color Genic It's Glow, Perfect Renew Green Tea Active and Satin Pleasure Oil, boosting its product competitiveness and responsiveness to premium trends. This led to the brand's strong foothold as a professional hair brand. In addition, AMOS professional also strengthened its digital competitiveness by expanding AMOS Academy App, a mobile hair salon platform, and investing in social media marketing.

Amorepacific Group Domestic Revenue

**3,967.6** billion KRW

Proportion of Domestic Revenue



## International Business Activities

Amorepacific Group's overseas business continued sustainable growth with its five global champion brands (Sulwhasoo, LANEIGE, Mamonde, innisfree, and ETUDE House). Due to the expansion of brands and distribution channels as well as increased sales of key products, it maintained solid growth in the existing markets. Revenue in the Asian market increased through promoting diverse brand marketing, launching new offline and online stores and expanding investment in digital contents. In North America, solid revenue growth was maintained through strengthening its skin care brand portfolio and capacity with LANEIGE and innisfree. In Europe, the company re-established its competitiveness by renewing fragrance brand Goutal Paris. The company also accelerated to enter new markets such as Australia, UAE, Kuwait, Saudi Arabia, and the Philippines, seeking to share the core value of Asian Beauty with the customers in the world.

### Sulwhasoo

Sulwhasoo maintained solid revenue growth through its steady sales of major products such as 'First Care Activating Serum (Yoonjo Essence)' and the launch of new products such as 'Concentrated Ginseng Renewing Water', 'Concentrated Ginseng Renewing Emulsion' and 'Concentrated Ginseng Essence.' In addition, Sulwhasoo strengthened its brand competitiveness as Asia's leading luxury beauty brand by consistently launching online and offline stores in China and ASEAN countries and successfully implementing the global brand campaigns.

### LANEIGE

LANEIGE made an effort to enhance its brand appeal by expanding its product portfolio with an innovative new product 'Layering Cover Cushion' and launching the global brand campaign 'Water Bar' to strengthen communication with the global consumers. Along with expanding points of sales in the North American market, the brand also entered new markets including Australia, India, and the Philippines, seeking to expand its global business.

### Mamonde

Mamonde focused on the growth at multi-brand shops and digital channels in China and ASEAN countries and reorganized its distribution channel portfolio, paving a road toward qualitative growth within the Asian region. At the same time, Mamonde entered the American market, diversifying its path for growth and strengthening brand competitiveness.

### innisfree

innisfree focused on strengthening its brand appeal by renewal launching the major Jeju heritage product line ('Green Tea', 'Volcanic Pore') and expanding new innovative products including 'My Foundation'. In addition, the brand strengthened its image as a natural beauty brand through the launch of diverse localized products and global brand marketing campaigns. innisfree continued its expansion of online and offline stores in the existing markets such as China, ASEAN, and the United States. The brand also accelerated its entry to the new markets (Japan, Australia, and the Philippines), focusing on global business expansion.

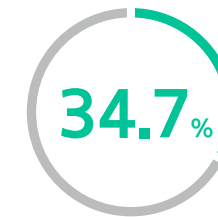
### ETUDE House

ETUDE House strengthened customized consumer communication in different countries by increasing country-specific products, marketing, and personal color consulting services. In addition, the brand was well received in the new markets (UAE, Kuwait, and Saudi Arabia) and maintained solid revenue growth in the existing markets (Japan, Thailand, and Malaysia). Through such efforts, ETUDE House is strengthening its position as a global young makeup brand.

Amorepacific Group Overseas Revenue

**2,110.5** billion KRW

Proportion of Overseas Business



Overseas Revenue by Region

Unit: billion KRW

Category	2016	2017	2018
Asia	1,636.2	1,832.7	2,003.7
North America	53.8	57.1	71.9
Europe and Others	110	34.5	34.9

## R&D Innovation

### Cream and Toner Formulation Fusion Technology

Amorepacific Group has developed a technology to combine cream and toner, resulting a light water-type product. The technology is successfully applied in Laneige's 'Cream Skin'. High-pressure Cream blending technology has made it possible to stabilize the cream-water-soluble product. Through this technology, Amorepacific Group have developed a water-type product that retains the nutritional and moisturizing properties of cream products while preserving the fresh feel of skin toner products.

### Biodiversity Conservation and Application

Amorepacific Group is continuing its efforts to innovate new varieties of green tea and research cultivation methods. In doing so, we conserve the diversity of green tea species and enhance their value. In 2018, Amorepacific Group developed two green tea varieties: Jangwon No. 2, rich in Theanine and amino acids, and Jangwon No. 3, high in EGCG and Catechin levels. Both varieties are used in Amorepacific products, conserving the diversity of green tea varieties. In addition, Amorepacific Group has developed the Ultimate shading cultivation, which increases the quantity of amino acids in green tea by 300% by controlling the amount of photosynthesis during the cultivation process. With Ultimate shading cultivation, the value of green tea as an ingredient for cosmetic products is maximized.

### Development of Eco-friendly Substance Extraction Technology

Amorepacific Group developed 'Plant Water Mimetics,' an eco-friendly technique that does not rely on an organic solvent. Instead, the technique extracts substances using a fluid that mimics the water found in plants. By extracting substances using an eco-friendly method, we are able to continue providing a sense of assurance to the customers. Moreover, we reduced CO<sub>2</sub> emissions by omitting a concentration process that required artificially generated heat.

#### Amorepacific's R&D Performance

Category	2016	2017	2018
Number of Published Academic Papers(case)	51	54	66
Ratio of R&D Expenditure to Sales(%)	2.12	2.31	2.30

### Protecting Intellectual Property Rights

Amorepacific Group is developing innovative technologies through continuous research and development.

#### Amorepacific Group's Patent Application and Registration

Unit: cases

Category	2016	2017	2018
Number of Patent Applications and Registrations	1,099	1,368	1,245

#### Amorepacific's Patent Application and Registration

Unit: cases

Category		2016	2017	2018
Korea	Applications	360	357	279
	Registrations	148	285	281
Overseas	Applications	466	495	467
	Registrations	118	183	172

## Strengthening Digital Capabilities

Amorepacific Group aims to become a 'Digital Beauty Company' in the face of the on-life<sup>1)</sup> era. In 2018, we created a new Digital Strategy Unit to secure organizational capacity for 'Digital Transformation'.

### Establishing Digital Business Basis

Amorepacific Group have focused on building big data to strengthen a digital business basis and provide differentiated customer experiences. By utilizing the various customer contact points of Amorepacific Group, we are securing differentiated customer data such as skin data of each customer and explore business opportunities such as custom cosmetics and optimal product recommendations based on these data. The collected data is integrated on a platform basis, and we want to provide big data for each customer from off-line contacts such as visiting sales, department store, and road shop, and to enhance personalized target marketing.

### Enhancing Digital Customer Experience

In February 2019, innisfree launched a 'self-store' in accordance with the latest trend to shop alone without the help of store staff. In the self-store, customers can enjoy self-shopping through advanced smart devices guiding the product information and location, recommending customized products for each customer, and helping with self-payment. In addition, we introduced smart devices such as 'seat pack bending machine' and 'beauty stick mirror' to more easily communicate product information to customers and provide various digital interactive experiences and new purchasing experience.

Roadshop brands innisfree, Aritaum and ETUDE House implemented an omnichannel synergy program that links online sales from headquarter and offline store sales. Through such an effort, Amorepacific Group will respond to the rapidly changing retail environment and cooperate with our franchisees.

Sulwhasoo's Sulin digital pop-up store 'BLOOMSTAY' has been designed to be implemented a digital platform, allowing many customers to meet 'Sulin Cream' products without any limitations in time and space. Not only in Korea, but also in China, Hong Kong, Malaysia. Our customers have been able to experience five different floors in the digital space as if they were actually visiting the offline pop-up store, experience skin fatigue tips, skin fatigue checks, and more.

<sup>1)</sup> The distinction between online and real life becomes increasingly fuzzy, making the distinction between the two areas disappear.

# Major Management Activities of Subsidiaries

## AMOREPACIFIC

Since its founding in 1945, Amorepacific has devoted itself to becoming the “Asian Beauty Creator” with the mission of spreading the essence of Asian beauty to the rest of the world. Determined to win customer trust through technology and quality, it established Korea’s first cosmetics research institute and has created new beauty which embraces Asian wisdom with passion and unsparing investment in heritage ingredients and dermatological research. Based on the extensive research and technology accumulated during its seven decades of company history, Amorepacific has created global brands including Sulwhasoo, HERA, LANEIGE and Mamonde, quickly becoming one of the most loved and trusted companies not only in Asia but worldwide.

### Developing Innovative Products through Open Innovation

In 2018, Amorepacific accelerated the pace of innovation through ‘AP Innovation Day,’ which engaged customers, partner companies and influencers. Ideas generated through the event will be put to use in 18 products in 2019.

### Accelerating Global Expansion

Amorepacific is accelerating its global growth through overseas expansion and increasing its number of stores as well as launching new brands to global markets.



AP Innovation Day



LANEIGE Flagship Store in the Philippines

## innisfree

innisfree is a natural brand dedicated to conveying the purity and cleanliness of nature through its products as well as advocating a green lifestyle to its customers. Since its official launch in 2000, innisfree has grown into a sustainable brand that operates in 13 region outside Korea, enhancing its global competitiveness and developing inclusive, eco-friendly campaigns globally.

### Accelerating Global Expansion

innisfree opened new stores in different regions around the world including North America, Australia and Japan.

### Developing Unique Customer Experiences

innisfree created a unique global customer experience by offering experiential occasions such as the pop-up event to experience its major product, ‘Green Tea Seed Serum.’



Innisfree flagship store, Lexington, New York



GTSS New Hydration Station Pop-up Event in Singapore

## ETUDE

ETUDE is a global makeup brand that promotes a fun, playful makeup culture, offering diverse products and customer experiences so that every woman can discover her own beauty and become more beautiful. With a rich spectrum of colors, credible quality, adorable design and reasonable pricing, ETUDE is a leader in makeup trends and enjoys tremendous popularity as the top K-beauty makeup brand in Korea and throughout Asia.

### Innovating Offline Customer Experiences

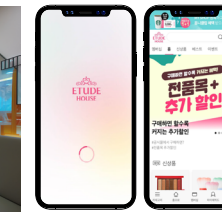
A new shop identity emphasizing colors and experiences was introduced in both domestic and international stores to facilitate unique customer experiences.

### Digitalization of Customer Service

ETUDE created a unique omni-channel experience by launching a shopping application which adapts to each customer’s evolving purchasing journey.



ETUDE House Store in Chungjang-ro



ETUDE House Shopping Application

## eSpor

eSpor is a leading Asian high-quality professional makeup brand. eSpor suggests makeup looks that will emphasize ‘me as myself’ through its foundation shades and textures, deep color spectrums and know-how of professional makeup artists, based on research in Asian skin tones. eSpor’s beauty crews find and provide makeup looks that will give customers the ability to express their authentic charm while avoiding stereotypical makeup formulas.

### Distinguished Brand Service through Omni-experience

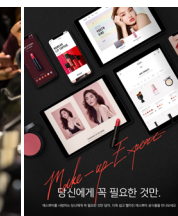
‘eSpor Weekly Lipstick’ is a live performance where professional makeup artists present the process of mixing trendy colors. In 2018, the performance was aired live on SNS and customers could purchase related products on eSpor’s official shopping mall, augmenting the omni-experience of customers.

### Digitalizing Customer Experience

eSpor’s official online shopping mall was renewed with private makeup lesson preservation, online report, 1:1 consulting with makeup artists, and product recommendation.



Weekly Lipstick Performance



eSpor Official Online Shopping Mall



## AMOS professional

AMOS professional is a specialist hairstyling product manufacturer for hair salons offering its signature brand AMOS professional and premium brand AYUNCHE. AMOS professional has provided optimized professional beauty solutions and leading trends in the hairstyling market. Through various partnership and training programs, it supports the competitiveness and sustainability of Korean hair designers.

### Launching of AMOS Academy

AMOS Academy is an education space for cultivating professional hair designers. The academy trains professionals through its courses on hair design techniques, trends and customer service.

### Digitalization of Offline Sales Support

AYUNCHE-ON has been developed as a digital platform to support professional customers of AYUNCHE. With AYUNCHE-ON, customer contact is innovatively increased via diverse O2O services including a location-based store finder.



AMOS Academy



AYUNCHE-ON

## AESTURA

AESTURA is a democosmetic brand offering derma care solutions for hospitals and clinics. In pursuit of healthful beauty and innovative products informed by pharmaceutical experience, AESTURA continues its research efforts and expansion of its brand influence. In 2018, AESTURA broadened its distribution channels from hospitals to include general customers, striving to deliver its brand value to a wider range of customers.

### Launching of AESTURA 365 Line

In addition to the professional recognition as a democosmetic brand for hospitals, AESTURA launched AESTURA 365. The 365 line was established as a separate brand for general customers incorporating AESTURA's distinguished professionalism.



AESTURA 365

## Osulloc Farm

Established in 1974, Osulloc Farm is a premium tea company specializing in tea cultivation, processing and sales, and which is committed to preserving traditional Korean tea culture and harvesting the best tea leaves grown in our soil. Osulloc Farm is both a leader in popularizing tea culture and a pioneer of the luxury green tea market with Osulloc tea grown on organic plantations in Jeju Island and Gangjin.

“Each country has a unique tea, except Korea. No matter how big the sacrifice may be, I want to establish Korea’s traditional tea culture” Suh Sungwhan, the founder and former CEO of Amorepacific

## Major Awards and Recognitions

Amorepacific Group discloses information on environmental, social and governance<sup>ESG</sup> in a transparent and reliable manner based on its 2020 Sustainability Commitments. By participating in a variety of global sustainability initiatives, Amorepacific Group has been recognized for its sustainability performance through domestic and global evaluations including socially responsible investments<sup>SRI</sup>.



Included in the DJSI Korea Index  
for 9 Consecutive Years

The Dow Jones Sustainability Index<sup>DJSI</sup> is an SRI standards system evaluating the sustainability performance of companies by comprehensively assessing their economic, environmental and social aspects, jointly developed by the world's largest provider of financial market indices, S&P Dow Jones Indices and RobecoSam, an investment specialist focused exclusively on Sustainability Investing. Amorepacific was included in the DJSI for eight consecutive years.



FTSE4Good

Included in the FTSE4Good Index for  
8 Consecutive Years

An important standard in sustainability investments, FTSE4Good Index companies have been jointly selected by the Financial Times and London Stock Exchange since 2001. To be included in the FTSE4Good Index, companies must satisfy ethical, social and environmental standards. Amorepacific has been included in the Index for eight consecutive years.



Most Admired Companies in Korea 2018  
All Star Company and 1st Place  
in Cosmetics Industry

“KOREA’s Most Respected Companies” selects 30 All Star companies and the top company in each industry, in consideration of their innovation efforts, shareholders, employees, customer and social values.

Amorepacific was selected as an All Star Company as well as the top company in the cosmetics industry, proving its outstanding social value.

## Sustainability Management System

# Materiality Analysis

Amorepacific Group carried out a materiality analysis in order to gain an accurate understanding of stakeholder interests and business impact and use it to better achieve our sustainability goals. In compliance with the Global Reporting Initiative<sup>GRI</sup> Standards on reporting topics, the analysis included topics including perspectives of internal and external stakeholders including media, domestic and global economy, social changes and key issues in the cosmetics industry.

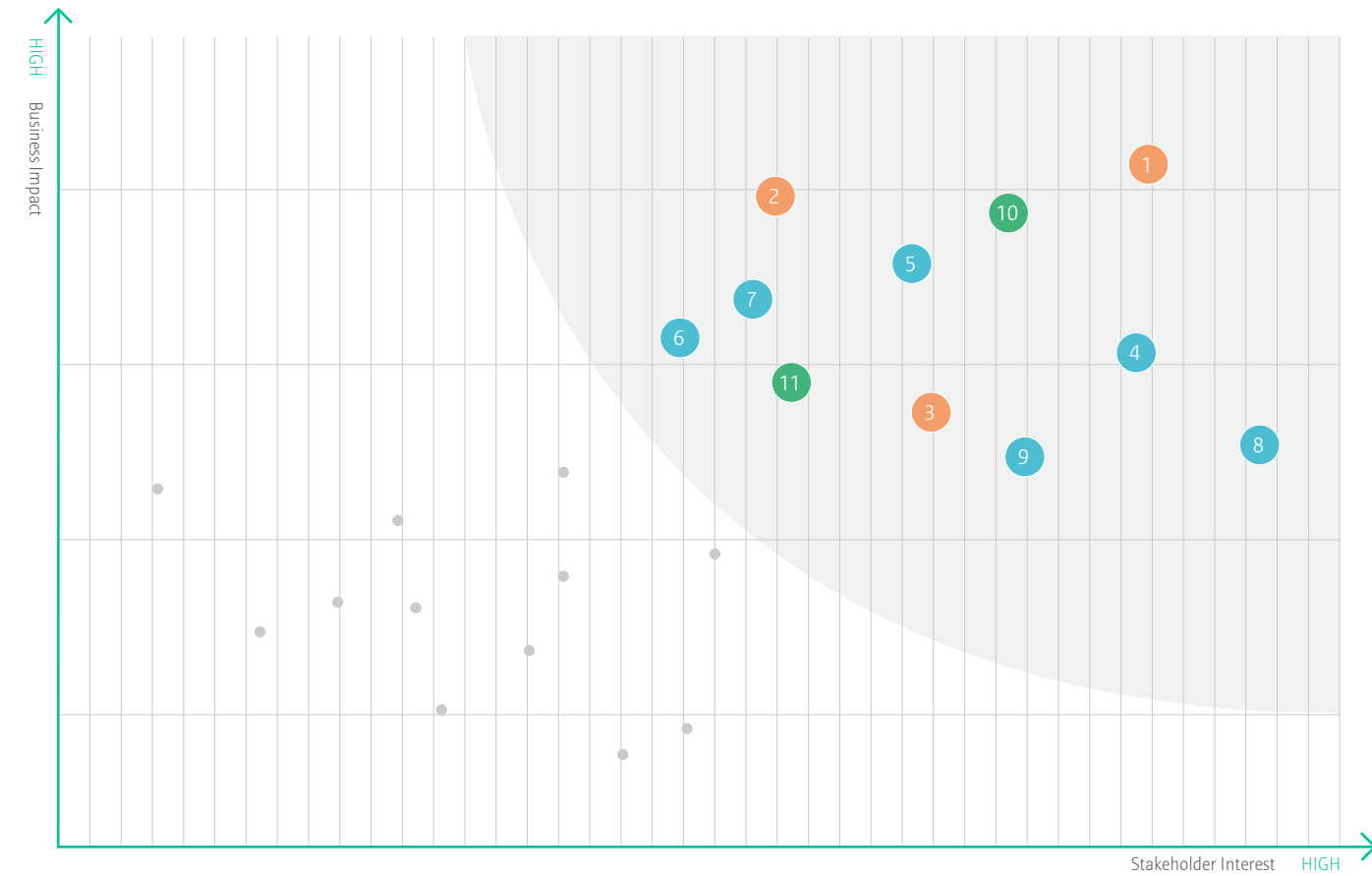
Identification of Sustainability Issues	Materiality Analysis					Prioritization of Material Issues
	Business Impact		Stakeholder Interest			
Configuring recently sustainability issues (Stakeholder-proposed issues, political issues and regulations, industry characteristics, etc.)	Researching ESG issues in the cosmetics industry	Analysis of international standard requirements	Analysis of internal strategies and risks	Media research	Reviewing opinions of external experts and government policies	Determined a total of 11 material issues
International standards and SR (Social Responsible Investing) assessment criteria analysis	3 companies chosen by DJSI World and 6 advanced companies in the same industry	GRI Standards DJSI ISO 26000 UNGC SASB	Business risks and issues related to 2020 Sustainability Commitments	Analysis of economic, social and environmental issues from approximately 3,785 articles	Experts' opinions about the sustainability activities of Amorepacific Group and policy trends	
Media research (Issues with regard to Amorepacific Group and the cosmetics industry)						

## Business Impact

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

## Stakeholder Interest

To understand the stakeholder interest, we analyzed media coverage, government policy trends, and experts' opinions related to Amorepacific Group. Our analysis of 3,785 media articles on the Group published between January 1 and December 31, 2018 identified several key issues including CSR activities such as '20 by 20 Commitment,' economic outcomes, and innovative sustainable technologies. This Sustainability Report presents issues drew from various media coverages as well as our activities in response to government policies and demands made by external experts.



NO	Material Issue	Cost	Benefit	Risk	Strategic Orientation	GRI Topic	Page Number(s)
1	Implementing sustainable technology innovation and investment	○	○		Sustainable lifestyle		8-10, 38
2	Strengthening product safety			○	Sustainable lifestyle	Customer health and safety	81
3	Strengthening product sustainability		○		Sustainable lifestyle		8-10, 38
4	Enhancing human rights and diversity of employees			○	Inclusive growth	Human rights assessment	22-23, 86
5	Enhancing employee health and quality of life			○	Inclusive growth		18, 86-88
6	Expanding safety culture throughout the value chain			○	Inclusive growth		19, 21, 95-96
7	Supporting suppliers' sustainable management practice and enhancement			○	Inclusive growth	Supplier environmental assessment, supplier social assessment	96-98
8	Supporting suppliers' growth and development		○		Inclusive growth		19-20, 96-98
9	Carrying out strategic CSR activities aligned with our businesses			○	Inclusive growth	Indirect economic impacts, Local communities	22, 99-102
10	Promoting circulation of resources	○	○		Contribution to sustainable lifestyle circular economy	Water, effluents and waste	30, 92-94
11	Minimizing the impact on global warming by corporate activities	○			Contribution to circular economy	Energy, emmissions	28-29, 90-92

# Stakeholder Engagement

Amorepacific Group defines stakeholders as all parties, including customers, employees, shareholders, local communities, and business partners that directly and indirectly influence or are influenced by the company's business activities. For each stakeholder group, we identify and reflect key issues in our business activities. We also gather their opinions and understand their expectations through various communication channels available on a permanent or regular basis. Furthermore, we draw key issues through communicating with stakeholders that are reported in our Sustainability Report transparently.

Stakeholders	Communication Channels	Frequency of Each Channel	Key Opinions	Measures Taken
<b>Customers</b>	-Corporate and brand website, SNS -CGAP enhancement activities -CGAP Exhibition	-On demand -On demand/ Once a year -On demand	-Reinforce product safety -Strengthen customer services	-Expanded VOC sharing methods and subjects through CGAP digital exhibitions -Introduction of automated service by incorporating AI 'chatbot'
<b>Employees</b>	-Employee engagement survey -Regular labor-management meetings -In-house online community	-Once a year -Once per quarter -On demand	-Strengthen internal corporate communication -Expand opportunities of growth for individuals -Establish safe working environment	-Workshops to enhance employee engagement in each organization -Employee communication programs
<b>Shareholders</b>	-Annual General Shareholders' Meeting -Analyst Day -Conference calls -IR website -Domestic /overseas investor conferences	-Once a year -Once a year -Quarterly/ On demand -On demand -On demand	-Establish fair corporate value -Enhance shareholder values -Promote corporate access	-Quarterly and yearly earnings release -Shared mid- to long-term business strategies -Presented market trends and future outlook -Expanded 1:1 meetings with shareholders and investors
<b>Local communities</b>	-Local consultative meetings (off-line) -BOD meetings and websites of foundations -CSR portal site, SNS -CSR seminar -Global CSR Roundtable -A MORE Beautiful Day (Sharing Campaign)	-On demand -Once a year -On demand -Once a year -Once a year -Once a month	-Increase the community engagement -Action plans for '20 by 20' commitment -Respond to local community sponsorship request -Expand a sharing culture	-Practiced problem-solving activities in local communities -Discovered partners to solve issues in local communities (social enterprise, coop, social venture, etc.) -Promoted collaborative projects with local businesses (i.e. collaborative education donation activities) -Strengthened collaborations with major institutions in CSR sector
<b>Business partners</b>	-Mutual growth general meetings (per sales channel) -Win-Win practice seminar and general meeting -Business partner satisfaction survey	-Once a year -Once a year -Once a year	-Strengthen support for mutual growth -Establish a culture of communication and participation -Empower beauty partners and improve work environment	-Supported supplier funds and human resources -Conducted joint R&D projects with suppliers -Opened communication channels on a regular basis -Carried out 'Good Jobs Strategy' for beauty partners

# Governance Structure

Amorepacific Group implements a responsible management system for each business, focusing on the deliberative corporate governance structure of our holding company. Our efforts allow us to professionalize and reinforce our core competency and expertise in beauty and healthcare businesses, which include cosmetics, personal care, and healthcare products. In addition, our corporate governance structure contributes to generating sustainable values for all stakeholders, including strong shareholder returns and the diversification of management risks.

## Board of Directors (BOD): Composition and Authority

As the highest decision-making body, the Board of Directors<sup>BOD</sup> of Amorepacific Group consists of six registered members as of March 2019. The BOD of Amorepacific consists of eight registered members. Pursuant to the Commercial Act of Korea and the company's Articles of Incorporation, all directors on both boards are obligated to faithfully exercise their fiduciary duties and fulfill their responsibilities as good managers to promote the interests of shareholders and other stakeholders.

Category	Name	Position/Affiliation	Major Responsibility	Industry experience	Committee Activities
Executive Directors	Suh Kyung-bae	CEO	Supervision of management	Head of Planning and Coordination of Taepyeongyang Co., Ltd. CEO of Taepyeongyang Co., Ltd. Current Chairman of Amorepacific Group	Management Committee Risk Management Committee
	Bae Dong-hyun	President	Supervision of management	Chief Financial Officer of Amorepacific Executive Vice President of Corporate Support Unit at Amorepacific Current President and CEO of Amorepacific Group	Management Committee Risk Management Committee
	Kim Seung-hwan	Executive Vice President	HR	Senior Vice President of Planning Innovation at Strategy and Finance, Amorepacific Senior Vice President of Strategic Planning Division at Amorepacific Group Current Executive Vice President of Group HR Unit at Amorepacific Group	Risk Management Committee
Executive Directors	Shin Dong-youb	Professor at Yonsei University School of Business	Audit Committee Member	Deputy Director of Yonsei Sangnam Institute of Management	Audit Committee Non-executive Director Recommendation Committee
	Choi Jung-il		Audit Committee Member	Ambassador to India Ambassador to Germany	Audit Committee Non-executive Director Recommendation Committee
	Choi Jong-hag	Professor at Seoul National University Business School	Audit Committee Member	Current Non-executive Director and Audit Committee Member of Pulmuone Co., Ltd. Current Director and member of Fund Management Committee of Seoul National University Development Fund	Audit Committee Non-executive Director Recommendation Committee

Category	Name	Position/Affiliation	Major Responsibility	Industry experience	Committee Activities
Executive Directors	Suh Kyung-bae	CEO	Supervision of management	Head of Planning and Coordination of Taepyeongyang Co., Ltd. CEO of Taepyeongyang Co., Ltd. Current Chairman of Amorepacific Group	Management Committee Risk Management Committee
	Ahn Sae-hong	President	Supervision of management	Senior Vice President of Amorepacific Market Sales Vice President of innisfree Co., Ltd. Current President of Amorepacific	Management Committee Risk Management Committee
	Lee Sang-mok	Management support	Audit Committee member	Served at Samjeong KPMG, Deloitte Anjin LLC, and PWC Consulting Senior Vice President of Finance at Amorepacific Current Executive Vice President of Corporate Support Unit at Amorepacific	Risk Management Committee
Non-executive Directors	Eom Young-ho	Audit Committee member	Management support	Economist at Federal Reserve Bank of New York Chairman of Disciplinary Committee at Korea Exchange President of Korea Derivatives Association	Audit Committee Non-executive Director Recommendation Committee
	Park Seung-ho	Overall business management	Audit Committee member	Head of Samsung Economic Research Institute Beijing Office Professor Emeritus at China Europe International Business School (CEIBS)	
	Kim Jin-yeong	Audit Committee member	Overall business management	CFO of Shinsegae Chosun Hotel Director of Center for Creative Medicine at Severance Hospital, Yonsei University Health System	Audit Committee Non-executive Director Recommendation Committee
	Kim Kyung-ja	Overall business management	Audit Committee member	Dean of the Office of International Affairs, Catholic University of Korea President of the Korean Society of Consumer Studies	
	Lee Hwi-sung	Senior Advisor of innovation enterprise ShallWe	Overall business management	CEO, IBM Korea Vice President of Strategy, IBM Headquarters	Audit Committee Non-executive Director Recommendation Committee

## Independence of BOD and Transparency of the BOD Election Process

The BOD guarantees the independence of non-executive directors to actively state their opinions on overall management. The ratio of non-executive directors at Amorepacific Group and Amorepacific is maintained at 50% and 62.5%, respectively. The independence of non-executive directors is guaranteed in accordance with the related laws and regulations.

Executive directors and non-executive directors are appointed by the approval of the General Shareholders' Meeting upon recommendation by the BOD and nomination by the Non-executive Director Recommendation Committee, respectively. For recommendation of non-executive directors, Amorepacific Group and Amorepacific convene the Non-executive Director Recommendation Committee as a non-standing committee. The Non-executive Director Recommendation Committee recommends candidates to the BOD based on an evaluation of their independence from the company and the largest shareholder, and their professional expertise required by global companies. The BOD decides and submits the final candidate to the General Shareholders' Meeting which then decides whether or not to elect the candidate in question. Prior to the General Shareholders' Meeting, personal information of the candidate is officially announced on the Data Analysis, Retrieval and Transfer<sup>DART</sup> System of the Financial Supervisory Service (<http://dart.fss.or.kr>).

## Committees under BOD

In order to faithfully fulfill the responsibilities and roles of the BOD, Amorepacific Group and Amorepacific have four committees under the BOD: Audit Committee, Management Committee, Non-executive Director Recommendation Committee and Risk Management Committee. The Audit Committee and Non-executive Director Recommendation Committee consist only of non-executive directors to assure fairness and transparency of management.

Committees under the BOD

As of March 2019

Committee	Key Responsibilities and Activities
Audit Committee	Performs audits on the company's financial and business affairs in accordance with the laws and the regulations of the BOD
Management Committee	Deliberates and resolves general managerial matters delegated by the BOD in accordance with the purpose of the Committee which is to promote expertise and efficiency in decision-making in management
Non-executive Director Recommendation Committee	Recommends candidates to the BOD based on an evaluation of their independence from the company and the largest shareholder, and their professional expertise required by global companies.
Risk Management Committee	Discusses, evaluates and resolves general matters relating to management risks, including risk prevention and management, post-management of actual risks

## Activities of BOD

In 2018, Amorepacific Group convened six BOD meetings and decided on 14 items with 94.4% attendance rate for executive directors and 100% for non-executive directors. Amorepacific also convened six BOD meetings and decided on 15 items in 2018 with 92.9% attendance rate for executive directors and 96.0% for non-executive directors.

Key resolutions made by the Board in 2018 were notified to shareholders and other stakeholders through official announcements of the Financial Supervisory Service and the Korea Exchange.

## Activities of the Amorepacific Group Board of Directors

2018

Session	Date	Topic and Contents	Attendance Rate
1	January 31, 2018	<b>Report</b> A. Management status for 2017 B. Operation and evaluation of internal accounting management system <b>Agendas</b> 1. Matter of approving the 59 <sup>th</sup> (2017) financial statements and sales report 2. Establishment of Non-executive Director Recommendation Committee and appointment of a new member 3. Establishment of Risk Management Committee and appointment of a new member 4. Matter of approving transactions between subsidiaries	100% (6/6)
2	February 27, 2018	<b>Agendas</b> 1. Matter of convening the 59 <sup>th</sup> (2017) regular General Shareholders' Meeting and approving submitted agenda items 2. Matter of resolving the agenda of the 59 <sup>th</sup> (2017) cash dividends	100% (6/6)
3	March 16, 2018	<b>Agendas</b> 1. Matter of appointing a new chairman 2. Matter of appointing new committee members of the BOD 3. Matter of acquiring stocks to increase capital of Cosvision 4. Matter of providing mortgage to subsidiaries	100% (6/6)
4	May 9, 2018	<b>Report</b> A. Reporting of management status for the first quarter of 2018 <b>Agenda</b> 1. Matter of changing the mortgage provision for Pacificglas Co., Ltd.	83.3% (5/6)
5	July 26, 2018	<b>Report</b> A. Reporting of management status for the first half of 2018 <b>Agenda</b> 1. Matter of providing mortgage to subsidiaries	100% (6/6)
6	October 29, 2018	<b>Report</b> A. Management status for the third quarter of 2018 B. Inspection outcome regarding compliance with compliance control standards <b>Agendas</b> 1. Matter of establishing a Corporate Governance Charter 2. Matter of partial amendment of Committee Charter	100% (6/6)

Session	Date	Topic and Contents	Attendance Rate
1	January 31, 2018	<b>Report</b> 1. Management status for 2017 2. Operation and evaluation of internal accounting management system <b>Agendas</b> 1. Matter of approving the 12 <sup>th</sup> (2017) financial statements and sales report 2. Matter of partial amendment of Committee Charter 3. Matter of partial amendment of provisions of Non-executive Director Recommendation Committee and appointment of new committee members 4. Matter of establishing Risk Management Committee and appointing new committee members 5. Matter of approving changes in real estate property sales contract 6. Matter of approving transactions between subsidiaries	100% (6/6)
2	February 27, 2018	<b>Agendas</b> 1. Matter of convening the 12 <sup>th</sup> (2017) regular General Shareholders' Meeting and approving submitted agenda items 2. Matter of resolving the agenda of the 12 <sup>th</sup> (2017) cash dividends	100% (6/6)
3	March 16, 2018	<b>Agendas</b> 1. Matter of appointing a new chairman 2. Matter of appointing new committee members of the BOD	87.5% (7/8)
4	May 9, 2018	<b>Report</b> Management status for the first quarter of 2018 <b>Agenda</b> 1. Matter of approving asset transaction between Amorepacific and Cosvision Co., Ltd.	85.7% (6/7)
5	July 26, 2018	<b>Report</b> Reporting of management status for the first half of 2018	100% (7/7)
6	October 29, 2018	<b>Report</b> A. Management status for the third quarter of 2018 B. Inspection outcome regarding compliance with compliance control standards <b>Agendas</b> 1. Matter of establishing a Corporate Governance Charter 2. Matter of partial amendment of Committee Charter 3. Matter of approving transactions between subsidiaries 4. Matter of appointing a compliance support officer	100% (7/7)

## Compensation

Amorepacific Group performs annual evaluation of the composition, functions, responsibilities of the BOD and states the results in its Business Report.

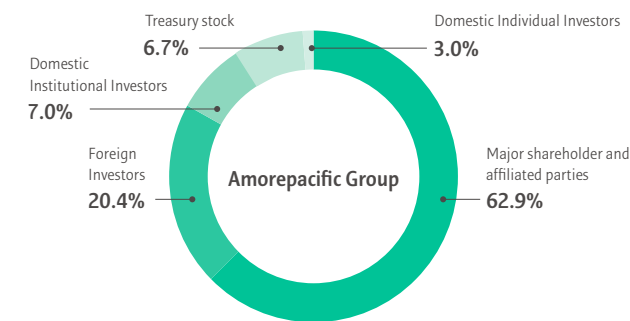
Compensation of Amorepacific Group Directors 2018

Number of Directors (persons)	Total Compensation (million KRW)	Average Compensation (million KRW)
6	2,039	340

Compensation of Amorepacific Directors 2018

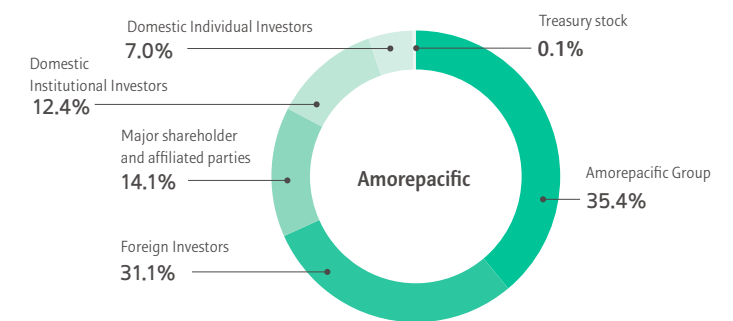
Number of Directors (persons)	Total Compensation (million KRW)	Average Compensation (million KRW)
8	3,797	475

## Shareholders



Amorepacific Group 2018

Category	Proportion (%)
Major shareholder and affiliated parties	62.9
Foreign Investors	20.4
Domestic Institutional Investors	7.0
Treasury stock	6.7
Domestic Individual Investors	3.0
Total	100

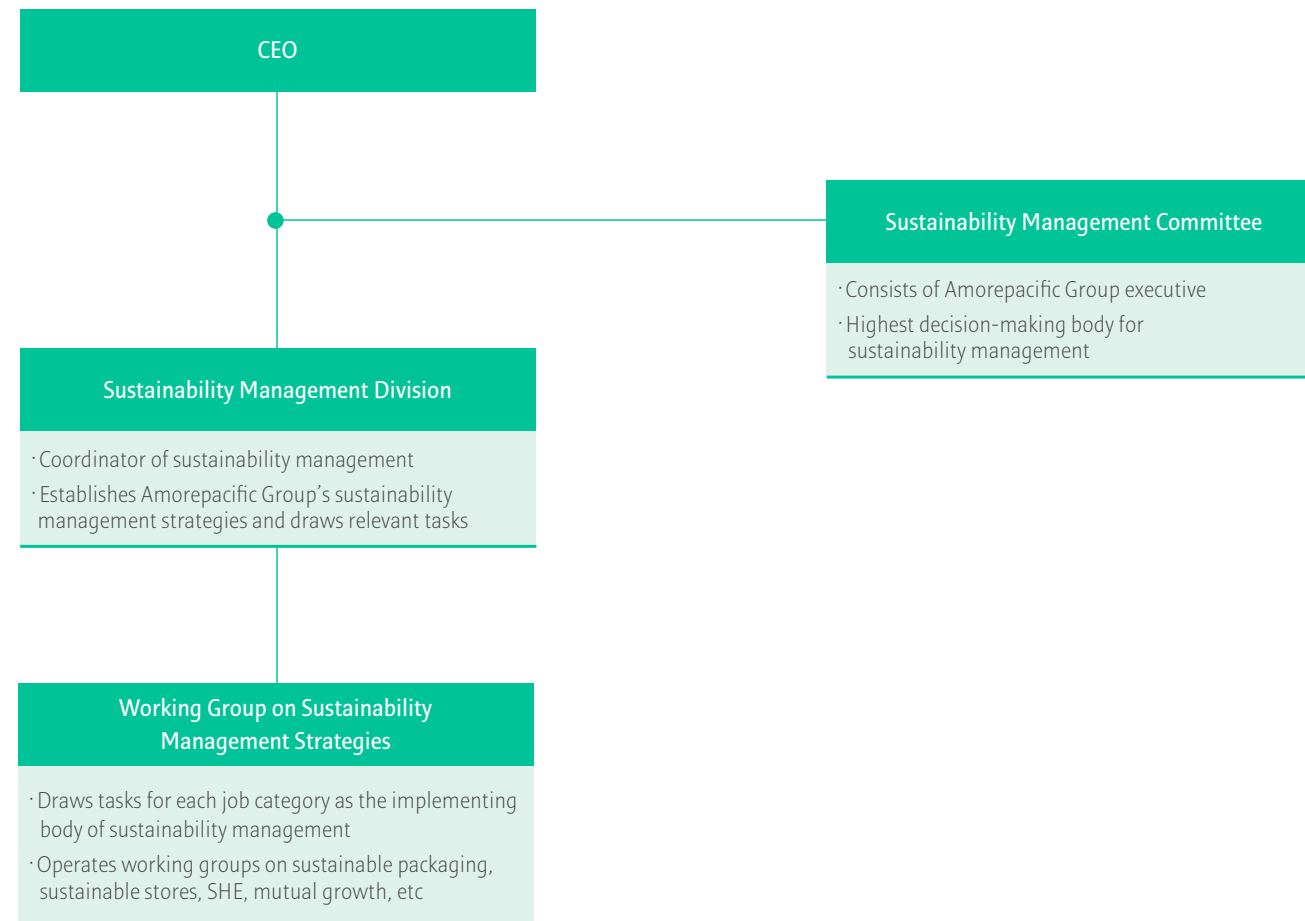


Amorepacific 2018

Category	Proportion (%)
Amorepacific Group	35.4
Foreign Investors	31.1
Major shareholder and affiliated parties	14.1
Domestic Institutional Investors	12.4
Domestic Individual Investors	7.0
Treasury stock	0.1
Total	100

## Sustainability Management Committee

In an effort to create A MORE Beautiful World, Amorepacific Group has set out three focus areas: [sustainable lifestyle](#), [inclusive growth](#), [circular economy](#) and eight commitments of the 2020 Sustainability Goals. Each year, we draw and implement new tasks toward achieving these goals. In 2018, the Group established the Sustainability Management Division to build more systematic strategies and strengthen working group activities with employees. Sharing the outcome of sustainability management with transparency, Amorepacific Group shares and spreads the value of sustainability. To realize this goal, the Group is operating the Sustainability Management Committee, the highest decision-making body that makes strategic decisions on sustainability management issues and monitors the implementation of core tasks. In 2018, the Committee was convened twice, enhancing the execution of sustainability management by reflecting key indexes on the performance evaluation of executives in charge.



## Ethical Management

Amorepacific Group conducts ethical management in an effort to spread its corporate ethics built on 'integrity', one of the core values of the AP WAY, to the overall business ecosystem.

### Establishment of Policies and Regulations on Ethical Management

In 2017, Amorepacific Group revised the Code of Ethics. Since then, various rules of conduct for employees have been established and applied to observe proper business principles, policies, and regulations.



#### Major Activities of 2018

- Strengthening the system for group-wide protection of trade secrets
- Establishment and application of zero tolerance principle on sexual harassment
- Establishment of a guideline of manners for suppliers and clients

In 2019, Amorepacific Group will establish a 'compliance operation regulations' to emphasize and affirm the basic professional ethics. The regulations will reinforce the enhancement process of preventing recurrence of misbehaviors and improve the Code of Ethics, which will reflect the social responsibility of Amorepacific Group's employees.

### Improving Awareness of Ethical Management

#### Group-wide Survey of Ethical Awareness

Amorepacific Group is conducting group-wide surveys on ethical awareness in order to raise awareness of employees and recognition of social issues related to the changing business environment in recent years. Through the surveys, the Group is tracking responses of each organization and VOCs in various domains that include after-work dinners, sexual harassment, business manners, protection of trade secrets, and management of reputation. For potential issues and improvements, the Group provides education to employees as an activity to improve its ethical management.



Number of participants to group-wide surveys on ethical awareness (persons): **3,729**

#### Internal and External Campaigns and Public Relations

In each season, Amorepacific Group is running a variety of campaigns to employees, suppliers, and clients to improve the culture of after-work dinners, prevent sexual harassments, eliminate unnecessary exchange of gifts, and spread more reasonable practices around personal events. In 2018, the Group operated the 'Gentle AP Campaign' to prevent power abuse and harassment of its employees. In 2019, the Group will launch a course on 'advanced business manners' to improve the ethical awareness of employees further.

In addition, Amorepacific Group promotes the Code of Ethics in our suppliers and encourage reporting by utilizing the purchasing system, a channel for us to communicate and cooperate with our suppliers. When signing an electronic contract, the ethics pledge clearly states that suppliers are required to comply with the Code of Ethics of Amorepacific Group.

### Systemized Education of Ethics

For all employees of Amorepacific Group, we provide accessible online courses on corporate ethics. Along with the educational provisions, employees sign the pledge of compliance for business ethics. In addition, employees are required to complete off-line courses on ethics at the HR Development Center when they are hired as new employees or promoted to higher positions [team leaders and promoted employees](#). The employees are provided with education courses to learn ethical issues in different positions.



Completion rate of online corporate ethics course: **93%**  
Participation rate of the pledge of compliance for business ethics: **93%**

#### Reporting of Unethical Conduct by Stakeholder Groups

Clients	Suppliers	Employees	Customers	Others	Total
6	15	27	9	17	74

## Transparent Tax Payment

Amorepacific Group pays its fair share of taxes transparently by complying with the Commercial Act and tax-related laws and regulations in Korea and all other jurisdictions in which it operates, and we are committed to fulfilling their obligations to pay tax. In particular, we adopt a reasonable transfer pricing policy in its global transactions with foreign companies, in accordance with the domestic tax laws and the OECD Guidelines, and do not utilize the tax rate structure and tax system for tax avoidance and do not transfer value created to low tax jurisdictions. In addition, pursuant to the Base Erosion and Profit Shifting<sup>BEPS</sup> Action Plans for the prevention of tax evasion of multinational companies, we submit the BEPS report<sup>Master file, Local file and Country-by-country report</sup> to the Korean and other competent tax authorities. Through these activities, the headquarters and overseas offices are committed to fulfilling their obligations to pay tax in full compliance with the relevant laws and regulations. For important matters regarding reporting tax affairs or any ambiguity in interpreting tax laws, the company receives consultation from professional service firms such as accounting firms in order to draw the most appropriate response measures and minimize tax-related risks in advance.

Tax Payment Status<sup>1)</sup>

Unit: billion KRW

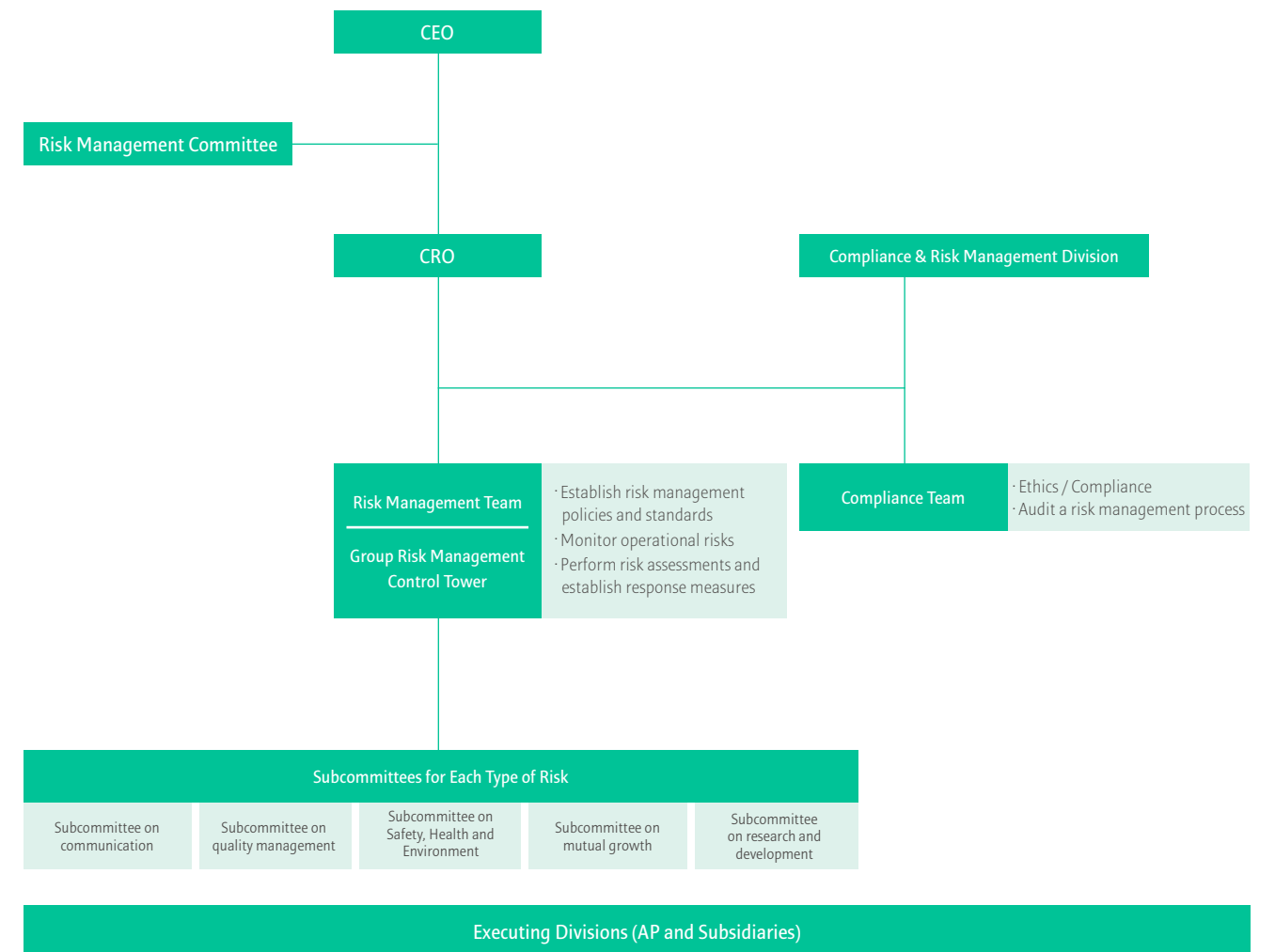
Major Regions	Amount
Korea	251.26
Asia	45.37
Europe	-
North America	0.11
Other Regions	-

1) As of 2017

## Risk Management

### Risk Management System

Amorepacific Group has an effective risk management system to respond to various risks such as fast-changing domestic and global political and economic conditions, fluctuating business environments, increased influence of social media including social networking services and blogs, and heightened expectations of stakeholder demands. The Risk Management Team communicates with subcommittees on each issue, undertakes potential risk prevention activities and forms early responses to actual risks. To allow prompt decision-making and stable business operations, we formed a group-wide risk-management committee consisting of C-level executives. Since the possibilities and impact of global risks continually continue to increase, Amorepacific Group established an advanced risk management system in its overseas branch in China in 2017. In 2018, branches in Singapore and Thailand also set up the risk management system to assess and manage potential global risks. By upgrading the risk response systems of other overseas offices one-by-one, Amorepacific Group will build a solid basis for their sustainable growth.



\*Under the guidance of the head of each division, responsible units collaborate with the Risk Management Team (Control Tower) and relevant subcommittees to effectively respond to and manage individual risks



## Risk Management Process

The risk management system of Amorepacific Group operates based on the following keywords: 'Detect', 'Respond' and 'Prevent'.

### Risk Detection and Prevention

Based on an analysis of internal and external environments, we prioritize high- impact, high-potential risks and establish a detection system by which we can proactively respond to key risks by identifying their causes.

### Risk Response

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

### RM Diagnosis and Prevention of Recurrence

According to risk scenarios and risk management policies, we minimize the impact of risks. We also prevent recurrence of those risks by analyzing their causes. The Risk Management Team provides trainings on the risk-management system on a regular basis and carries out various campaigns to establish a healthy and effective risk management culture throughout the company.

## Risk Management Activities

To effectively manage risks, Amorepacific Group categorizes risks identified through its risk management process into the following four categories, and separately manages factors that may potentially have a significant impact on the company's reputation as well as ethical and legal matters.

Market Risk	Product Risk	Supply Chain Risk	Sales & Distribution Risk
<ul style="list-style-type: none"> <li>Increased global regulations on safety and environment</li> <li>Diversification of customer needs</li> <li>Increased possibility of major disasters and natural calamities</li> </ul>	<ul style="list-style-type: none"> <li>Increased importance of managing product safety and harmful materials</li> <li>Measures to prevent recurrence of customer claims</li> </ul>	<ul style="list-style-type: none"> <li>Increased importance of demand prediction and supply management in accordance with changes in the market environment</li> <li>External influences on supply chain and ensuring a robust supply chain for stable supply of raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Increased need for efficient management attuned to each country</li> <li>Response to changes in regulatory environment of each sales and distribution channel</li> </ul>
<b>Reputational Risk</b>			

## Managing Potential Risks

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

Category	Changes in the regulatory environment following the expansion of global businesses	Changes in the distribution and sales environment following the development of ICT <sup>1)</sup>	Increase in environmental risks due to climate change
<b>Economic and Social Environments</b>	<ul style="list-style-type: none"> <li>Increase in the need to tap into new overseas markets due to domestic market saturation</li> <li>Segmentation and diversification of laws and regulations in each country, such as environmental regulations, certifications, import requirements and regulations on raw materials</li> <li>Strengthen safety, labor and human rights regulations for employees in the new markets</li> </ul>	<ul style="list-style-type: none"> <li>Continued growth in online and mobile markets due to ICT development</li> <li>Stronger regulations enforced by the Fair Trade Commission, including the Act on the Fairness of Franchising Transactions and the Fair Transactions in Agency Act, and increase in the demand for mutual growth</li> <li>Increase the influence of personal digital channels, such as influencers</li> </ul>	<ul style="list-style-type: none"> <li>Continuous increase in the possibility of materialization and impact of environmental risks, including abnormal climate, natural disasters and air pollution</li> <li>Changes in the cultivation areas of crops and difficulties in sourcing natural materials for cosmetics</li> </ul>
<b>Impact of Risks</b>	<ul style="list-style-type: none"> <li>Strengthen safety, labor and human rights regulations for employees in the new markets</li> <li>Financial impact such as fines and penalties for violation of laws and regulations, and negative impact on market expansion</li> </ul>	<ul style="list-style-type: none"> <li>Decline in sales through existing offline retail channels due to increase in online or mobile purchasing</li> <li>Impediment to achieving mutual growth following business decline in franchises and agencies</li> <li>Generate negative brand image through unproven personal digital channels</li> </ul>	<ul style="list-style-type: none"> <li>Stronger regulations and monitoring by the government, consumers and civil groups on the use of substances affecting the natural ecosystem</li> <li>A series of risks such as destruction of production facilities due to earthquakes and other natural disasters and corporate paralysis</li> </ul>
<b>Risk Prevention Activities</b>	<ul style="list-style-type: none"> <li>Establishing processes for reputation risk management in overseas offices</li> <li>Conducting regular analysis of changes in local systems and regulations, and establishing response processes for each issue</li> <li>Reinforcing due diligence for safety and labor when entering into new markets and dealing with business partners</li> </ul>	<ul style="list-style-type: none"> <li>Innovating mobile services within existing retail channels such as ARITAUM's O2O services, door-to-door beauty Q</li> <li>Strengthening mutual growth and communication by supporting the business activities of field sales offices and agencies</li> <li>Verificatating Influencers and Establishing Training System for Education</li> </ul>	<ul style="list-style-type: none"> <li>Conducting research and development to secure alternatives for ingredients difficult to obtain</li> <li>Participating in efforts of the international community in preventing the pollution of ecosystem, including the reduction of the use of plastics</li> <li>Developing and operating BCP (Business Continuity Planning) to maintain business continuity in case of disasters or calamities</li> </ul>
<b>Future Plans</b>	<ul style="list-style-type: none"> <li>Preventing occurrence and recurrence of risks by continuously improving the process of entering into new markets</li> </ul>	<ul style="list-style-type: none"> <li>Developing products considering the characteristics of online and offline markets</li> <li>Increasing effectiveness by establishing a group-wide support for mutual growth</li> <li>Establishing a Marketing Strategy System for Influencers</li> </ul>	<ul style="list-style-type: none"> <li>Analyzing the effect of climate change on business activities and identifying potential risks on a regular basis</li> <li>Developing innovative sustainable technology through collaboration of the government, industry, and stakeholders</li> <li>Examining supply chain CSR risks to prepare for unexpected disasters and risks, management of manuals, and securing alternative supply chain.</li> </ul>

<sup>1)</sup> ICT, Information and Communications Technologies

## Reporting of Sustainability Management Performance

# Customer Satisfaction

## Customer Complaint Management

### CGAP

The CGAP *Customer Gift for Amorepacific* is Amorepacific Group's unique customer complaint handling system to practice prompt collection, response, and improvement issues raised by customers. Amorepacific Group understands customer complaints as a gift from customers for product improvement and handles them as promptly as possible. Through CGAP, customer satisfaction is increasing every year in Korea. In particular, customer complaint resolution rate in China stands at 91.9% and 99.3 points in customer satisfaction in counseling services.

### 2018 CGAP Exhibition

Amorepacific Group has been holding an annual CGAP exhibition to deliver various VOCs to employees and communicate with customers. In 2018, a digital exhibition was held without any limitation of space and time. The exhibition was organized in five exhibition halls that focused on themes such as products, services, events, and personal information. Amorepacific Group will continue its effort to stay as a beloved company once again, consistently sharing the voices of its customers with employees.

### Customer Communication Performance<sup>1)</sup>

Category	2016	2017	2018
Customer Complaint Resolution Rate (%)	99.1	99.3	99.6
Customer Satisfaction <sup>2)</sup>	54.4	61.4	66.8

1) Calculation scope based on Amorepacific's domestic businesses.  
2) Indicated NPS (Net Promoter Score)

## Protecting Customer Information

### Safe Protection of Digitalized Personal Information

Amorepacific Group protects customers' personal information very carefully. As the industry is rapidly digitalized in recent years, the methods and types of using customer information are also becoming diverse. In 2018, the Group examined and enhanced its IT system that using personal information in addition to the existing security measures. According to the lifecycle of collecting, storing, using, and disposing of information, any potential legal violation or technical issue was reviewed. Amorepacific Group also built a platform for the safe management of customer information in cases such as marketing events where the information is used for short durations.

### Personal Information Protection in Overseas Offices

Amorepacific Group has been continuing its activities to protect customer information from various threats and comply related laws and regulations to customer information protection in Korea and overseas. In 2018, the Group assessed the security level and established plans for enhancement in overseas offices in Asia and Europe including offices in China, Taiwan and Hong Kong. A 24/7 is in operation in key countries to protect and manage the entire system including B2C and e-commerce sites. Amorepacific Group is also planning to expand its security activities since a number of countries are recently strengthening and establishing laws and regulations on customer information protection and cyber security in recent years.

# Sustainable Consumption

## Developing Sustainable Products



**Lirikos Deep Sea Waterfall Cream**  
Applied seaweed paper



**mise-en-scène Super Botanical Shampoo**  
Applied Biomass plastic in the product packaging



**Illiyoon Ceramide Ato Lotion**  
Applied containers that minimize the remaining amount of contents



**innisfree Natural Room Water**  
Used naturally derived ingredients for more than 99%



**primera Mango Butter Comforting Body Lotion**  
Used raw materials from Beautiful Fair Trade



**mise-en-scène Smooth and Silky Moisture Shampoo**  
Applied braille letters on the product packaging

## Products with Less Environmental Impact

### Sustainable Paper Packaging

Amorepacific Group uses a variety of sustainable papers, such as FSC-certified papers made of wood from sustainable forests, papers made from plant by-products, and recycled papers. The papers are used in manufacture product containers.<sup>1)</sup> In 2018, Sulwhasoo, LANEIGE, Mamonde, HERA, primera, IOPE, and HANYUL used FSC-certified papers in 573 new products. In particular, primera used FSC-certified papers in product containers for all of its products. In addition, Amorepacific Group is actively using papers made of plant by-products such as tangerine peelings or seaweed. They are mixed with recycled pulp to produce eco-friendly papers. innisfree used tangerine papers in product containers of 153 new products. Lirikos used seaweed papers in product containers of 9 new products.

1) Applied to products sold in Korea only.

### Improving the Resource Efficiency of Packaging Materials

In order to replace the protective packaging made of plastic, which is mostly discarded after a single use, Amorepacific Group applied a new protective packaging that contains bio-mineral materials. By mixing bio-mineral materials with plastic in a proportion between 30 and 40 %, the material quality of packaging was enhanced while reducing the use of plastic.

In addition, Amorepacific Group is promoting the use of recycled packaging materials that partially include recycled materials as well as biomass plastic made of plant-based materials instead of oil-based materials in depletion. In 2018, the Group applied biomass plastic in 67 new products. ETUDE House applied recycled plastic in 27 new products, improving the resource efficiency.

### Minimizing Residual Product Content in Containers

Amorepacific Group is enhancing the design of product containers to reduce resource waste and environmental damage by minimizing product waste thrown away with used containers. In 2018, illiyoon applied airless pumps and dual structured containers that reduce the residual product under 5 % in Ceramide Ato Lotion and Ultra Repair Lotion.

### Using Naturally Derived and Organic Ingredients

In addition to enhance sustainability of packaging materials, Amorepacific Group is also striving to improve the sustainability of its cosmetic products. The four products in innisfree's Natural Room Water line improve their environmental impact by using naturally derived ingredients for more than 99 %. O'sulloc's Samdayeon and other twelve new tea products use ingredients with organic farming certification, contributing to the preservation of environment through their eco-friendly production process.

### Reviving Discarded Plant Resources

innisfree collaborated with Anthracite Jeju to revive discarded coffee bean peels into ingredients for coffee oil and scrub powder, developing an upcycle product specialized in exfoliating skin. The new product contributed to solving the issue of coffee waste created caused by the increasing coffee consumption.

## Products with More Social Impact

### Using Raw Materials from Beautiful Fair Trade

Amorepacific Group pursues mutual growth with local communities by using raw materials purchased through Beautiful Fair Trade and creating products with locally produced ingredients. Amorepacific's Moisture Bound Rejuvenating Crème and another new product use bamboo trees of Sacheon region in Korea. primera had donated mango trees to Jamui region in India through 'Let's Love Campaign' supporting young girls in the region. Fruits from the donated trees are purchased in fair prices and used as an ingredient for Mango Butter Comforting Body Lotion and another product.

### Developing Universal Design Containers

Amorepacific Group is expanding the application of universal design to our product containers so that anyone, regardless of their age or physical disability, can easily use our products. In 2018, 33 new products by Ryo, mise-en-scène, and illiyoon applied braille or raised letters.

### Developing Social Contribution Products

HERA is a major sponsor of 'Pink Ribbon Campaign,' a campaign to promote awareness of early assessment and examination of breast cancer and deliver the message of positive self-affirmation and love. HERA also launched Pink Ribbon Limited Edition and continues to launch updated editions every year. In 2018, HERA renewed product packages of its steady seller items – Magic Starter, Rouge Holic, and Sensual Tint – with pink ribbon designs. The brand donated part of its sales proceeds to the Korea Breast Cancer Foundation.



innisfree x Anthracite Upcycling Coffe series

2018 HERA Pink Ribbon Edition

### Making Our Stores Sustainable

#### Applying Eco-friendly Interior Materials

Amorepacific Group strives to create eco-friendly stores by using materials with eco-certificates and high-efficiency lighting when launching new stores and renewing the existing stores.

ARITAUM replaced lighting in 370 or its 1,321 stores with LED lighting. Since June 2016, the brand made it mandatory for all new stores to use LED lighting according to its interior design manual. ETUDE House also made it mandatory to use materials with eco-certificates in its interior design manual. As of December 2018, 258 of 381 ETUDE House stores are built with eco-friendly materials. In 2018, innisfree used eco-certified materials *gypsum plaster board and paint* in its 65 new roadshops.

#### Promoting Sustainable Consumption

Amorepacific Group is spreading the culture of sustainable consumption by applying eco-friendly materials in store supplies and sharing sustainability information of products with customers.

ARITAUM is using FSC-certified papers in five items including paper bags, shopping bags, and shopping bags for perfume products. Innisfree is issuing smart receipts that enable customers to check their payment details.

Since 2018, the smart receipt became a default option for customers who installed the innisfree application, reducing the amount of paper waste.

ETUDE House has more than sustainable 70 products that use eco-friendly materials including recycled plastic and FSC-certified product containers. The brand is also promoting awareness of eco-friendliness of its products through promotional materials at its stores.



Applied Eco-friendly Interior Materials

## Good Workplace

### Employee Status

#### Employment Status

The total number of employees directly employed by Amorepacific Group in 2018 was 13,032, an increase of 5.5 % from the previous year. The number of employees in Korea was slightly decreased compared to the previous year. Both Amorepacific Group and Amorepacific maintain over 60% ratio of women employees within the age group of over 30 and under 50 accounting for the highest number of employees.

Amorepacific Group is also increasing employment of social minorities through 'special hiring of people with disabilities' and 'additional points for applicants from the marginalized groups'.

Employment Status				Unit: Persons
Category	2016	2017	2018	
Total	11,867	12,348	13,032	
Domestic	7,718	7,703	7,596	
Overseas	4,149	4,645	5,436	

Domestic Employment Status							Unit: Persons
Category		Amorepacific Group			Amorepacific		
		2016	2017	2018	2016	2017	2018
Employment Status	Permanent	7,189	7,375	7,195	5,726	5,871	5,773
	Temporary	529	328	401	484	265	318
Gender	Men	2,758	2,790	2,717	1,881	1,932	1,926
	Women	4,960	4,913	4,879	4,329	4,204	4,165
Age Group	Under 30	3,236	2,948	2,578	2,715	2,408	2,101
	30-49	4,263	4,522	4,760	3,342	3,558	3,809
	50 or higher	219	233	258	153	170	181
Employees with Disabilities <sup>1)</sup>		59	56	76	54	52	70

<sup>1)</sup> Including the number of employees with disabilities hired by Amorepacific subsidiary WeDream

#### Employment Status in Overseas Offices

Category		2016	2017	2018
Number of Locally Hired Employees(persons)	Total	4,019	4,515	5,286
	Asia <sup>2)</sup>	3,761	4,270	5,009
Europe and others		163	118	124
North America		95	127	153
Ratio of Locally Hired Employees(%)		96.9	97.2	97.2
Ratio of Locally Hired Women Employees(%)		85.9	85.3	85.2
Ratio of Locally Hired Managers(%)		68.3	65.4	65.1
Ratio of Locally Hired Women Managers(%)		66.7	68.6	74.1

<sup>2)</sup> Overseas office in Australia is counted as Asia

### Recruit and Turnover

Amorepacific Group solidifies the basis of its human resources and creates jobs through new hiring. In 2018, Amorepacific Group and Amorepacific hired 731 and 549 persons, respectively.

Turnover rate of Amorepacific Group and Amorepacific in 2018 was 7.1% and 6.8%, showing a slight increase from the previous year. Amorepacific Group will take various measures, including improving employee welfare and corporate culture, to increase employee satisfaction and reduce turnover rate.

#### New Employees (Domestic)

Category	Amorepacific Group			Amorepacific		
	2016	2017	2018	2016	2017	2018
Number of New Employees(persons)	1,496	996	731	1,218	756	549

#### Turnover (Domestic)

Category	Amorepacific Group			Amorepacific		
	2016	2017	2018	2016	2017	2018
Turnover Rate(%)	4.5	6.6	7.1	4.3	6.1	6.8

### Securing Women Leadership

Amorepacific Group is committed to securing women leadership in line with the characteristic of the cosmetics industry where the majority of consumers are women. The Group has established a number of policies and developed diverse cultural activities to foster a work environment where employees can demonstrate their leadership. Accordingly, Amorepacific Group is creating a corporate culture where all employees, regardless of gender, act considerately toward each other. As a policy to ensure the maximum efficiency of work and find a balance between work and life, the Group introduced flex-time working.

The ratio of women employees of all employees at Amorepacific Group and Amorepacific is 64.2% and 68.4%, respectively, and the ratio of women managers is on the increase in both companies in three consecutive years. Amorepacific Group will continue fostering women leadership and use it as a drive of growth in the global business environment.

#### Women Employees and Managers

Category	Amorepacific Group			Amorepacific		
	2016	2017	2018	2016	2017	2018
Ratio of Women Employees(%)	64.3	63.8	64.2	69.7	68.5	68.4
Ratio of Women Managers(%)	24.7	27.1	29.2	26.5	29.1	31.0

### Fostering Talent

Amorepacific Group fosters 'Creative Masters' that change the world to a more beautiful place based on the five core values of openness, integrity, innovation, proximity and challenge set forth by its value structure, also known as the 'AP WAY'.

#### Key Talent Fostering Activities

Managing Corporate Culture	Cultivating Leaders	Training Creative Masters
<ul style="list-style-type: none"> <li>·Managing changes based on AP Minds</li> <li>·Advancing Engagement Survey and operating programs for reinforcing organizational capacity</li> </ul>	<ul style="list-style-type: none"> <li>·Strengthening leadership development for executives</li> <li>·Leadership workshops, Leaders' Agora, executive coaching, executive on-boarding, SNU E-MBA program</li> </ul>	<ul style="list-style-type: none"> <li>·Developing and operating professional job training courses based on job training system</li> <li>·Promoting digital-based talent cultivation systems and fostering professionals</li> </ul>
Fostering Talent	Fostering Global Talent	Strengthening the Capacity of Beauty Partners
<ul style="list-style-type: none"> <li>·Establishing an autonomous / continuous learning culture by introducing new learning systems</li> </ul>	<ul style="list-style-type: none"> <li>·Developing and operating global standardized leadership programs (5 ASEAN countries, Amorepacific China office, Amorepacific Hong Kong office)</li> <li>·Defining and strengthening capacity of local new hires and leaders</li> </ul>	<ul style="list-style-type: none"> <li>·Developing and providing video contents on new products and beauty</li> <li>·Strengthening capacity of beauty partners and managers</li> <li>·Supporting future beauty talents through academic-industrial MOUs</li> </ul>

#### Employee Education and Training Status

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

#### Education & Training Cost and Hours per Person

Category	Amorepacific Group			Amorepacific		
	2016	2017	2018	2016	2017	2018
Education & Training Cost per Person <sup>1)</sup>	145.4	119.3	103.3	154.8	122.2	102.9
Education & Training Hours per Person (Hours)	82.7	76.4	66.1	81.1	82.8	69.3

1) Unit: KRW 10,000

#### Women's Leadership Cultivation Programs

As the importance of women leadership is increasing for Amorepacific Group to become a global beauty company, the Group is operating an internal mentoring program (ABC Mentoring). 'ABC Mentoring' is a program where women employees share their experiences and know-hows to newly promoted women team leaders and other women employees, leading employees to perform their professional roles and lead the organizational culture. In 2018, four executive mentors were matched with eight mentees.

#### Fostering Global Talent

'Hyecho' program is a global talent management program, established in 2011 to act preemptively on the demand of global talent. As of 2018, 208 employees have been sent to 27 countries and gained knowledge and experience in the respective countries. The program is operated in conjunction with Amorepacific Group's business strategy. The program is composed of 'City Hyecho' and 'Theme Hyecho,' which respectively sends employees to new markets to establish grounds for Amorepacific brands to enter and to developed and advanced markets to discover and learn from the growth engine for the future in accordance with the era of the fourth Industrial Revolution. In 2018, seven employees were sent to Peru, Poland, Myanmar, and India as part of 'City Hyecho' program to analyze markets through activities focusing on customers and business sites.

Through the analysis of consumption channels and trade locations, strategies for Amorepacific brands to enter the markets were set. In addition, R&D, digital, makeup artist teams were respectively sent to advanced countries in their fields as part of 'Theme Hyecho' program. In 2019, three teams from R&D and SCM sections will be sent to overseas as part of 'Theme Hyecho' program. The Group will appoint two groups of 'Theme Hyecho' program and one group of 'City Hyecho' program. In addition, Amorepacific Group organizes regular meetings and study groups of previous 'City Hyecho' participants to maintain the professionalism and interest in the countries they have visited and discover tasks to be completed. This will encourage them to play the role of a think tank.

## Human Rights Management

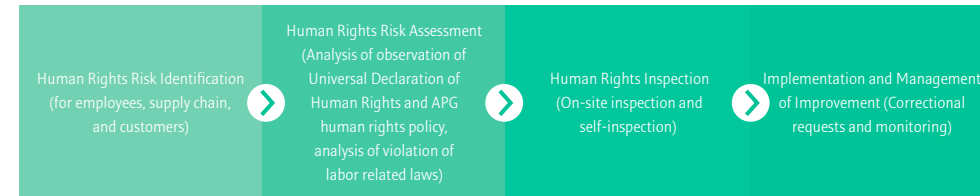
### Human Rights Management Principles

Amorepacific Group endorsed the UN Global Compact<sup>UNGC</sup> in 2007 and fully respects the Universal Declaration of Human Rights and the recommendations of the National Human Rights Commission of Korea. We have also established and publicly announced our own human rights policies reflecting our commitment toward respect for human rights, while promoting the implementation of human rights management not only in our subsidiaries but the overall value chain.

### Identifying Human Rights Risks and Areas of Improvement

Amorepacific Group identifies potential human rights issues not only in its supply chain including subsidiaries but throughout its overall business activities. The Group comprehensively considers past incidents and frequency of human rights issues and the seriousness. The human rights assessment focuses on weak areas based on the characteristics of business of each subsidiary and local laws and regulations. Once potential issues to be improved are discovered, the Group takes action to correct them in order to prevent recurrence of issues.

### Human Rights Assessment



### On-site Assessment of Human Rights

Amorepacific Group conducts self-inspections of human rights status in all of its 11 subsidiaries including Amorepacific, and evaluates their compliance with laws and regulations on labor and human rights such as the Labor Standards Act as well as wage standards and the non-discrimination principle. In 2018, five items for improvement were found in three subsidiaries and corrective measures have been requested for potential improvements. Subsidiaries that received such requests initiated plans for improvements, which will be monitored by corresponding departments in charge of inspection. Each year, Amorepacific inspects the human rights status of its suppliers through third-party assessment agencies, identifying and requiring corrective actions for areas of improvement such as providing education and training to employees and ensuring their freedom of association.

### Sexual Harassment Prevention Education

Amorepacific Group undertakes sexual harassment prevention education to prevent sexual harassment in the workplace. In July 2018, the Group ran the first regular online courses on sexual harassment. In December, additional courses were held for new employees and those who had not complete their courses.

### Establishing a Trust-based Labor-Management Relationship

For the past 27 years, Amorepacific has maintained a dispute-free labor-management relationship by building mutual trust and communication. We carry out self-inspections of work conditions at least once a year to ensure full compliance with labor-related laws and regulations at Amorepacific and all affiliates. Labor-management Cooperation Team and HR Team

provide active support to improve labor-management relations. As of the end of 2018, the Amorepacific Labor Union has 2,947 members, which accounts for 51.3% of all employees. Employees are entitled to freely decide to join or withdraw from the union and the biennial collective agreement applies to all employees. Amorepacific labor-management meeting is held each quarter as a place to discuss employee welfare, grievance handling, safety management and other ways to achieve mutual growth. Furthermore, we promote active communication between labor and management through various channels including management seminars, sharing business plans and meeting with union members.

## 'We care' Program for Good Workplace

In order to create an organizational culture in which its members can enjoy their work and be creative, Amorepacific Group conducts annual Engagement Surveys. Since 2017, the assessment model was improved by revising certain criteria and specifying the definition of engagement to understand the level of employees' engagement more practically. Through the assessment, Amorepacific Group comprehends the direction of improvements and reflect them in overall business activities. In 2018, the engagement ratio of Amorepacific Group and Amorepacific was 48.2% and 45.1%, respectively.

### Engagement Survey Results

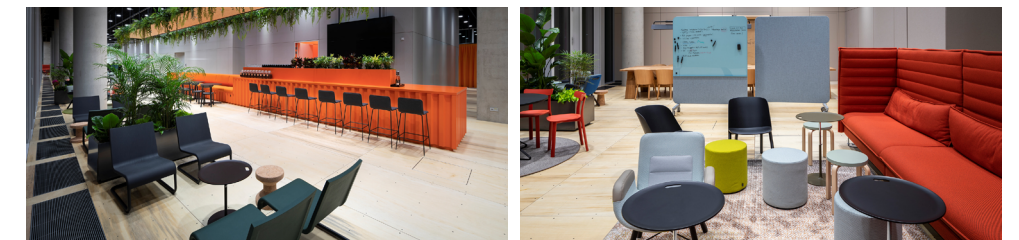
Category	Amorepacific Group			Amorepacific		
	Amorepacific	2017	2018	2016	2017	2018
Engagement <sup>1)</sup> (%)	57.0	46.6	48.2	55.9	42.0	45.1

<sup>1)</sup> The engagement score in 2016 was converted by applying the new measuring standard implemented in 2017.

### 'Shared Office' – A New Space for Working Together

A 'shared office' is launched on the 21st floor of Amorepacific Group global headquarters to support free collaboration and creative work. The shared office is composed of four different spaces. 'Chang Young-Sil' is a co-working space that can accommodate up to two hundred employees while providing an active and comfortable atmosphere. 'Jibhyeondang' is a new kind of unmanned library where employees can study and debate in an open space. 'Hyeum' is an ideation space for future projects. 'Hwajaengdae' is a space for discussions and debates, which can accommodate up to ninety people.

The shared office is a futuristic co-working space that will contribute to fostering employees' creativity and collaboration.



Shared Office / AP Thematic Lectures

### Good Workplace Programs



In-house Clubs	458 employees in 20 in-house clubs
Thematic Lectures	Four lectures by invited experts throughout the year to strengthen humanistic literacy
Hope Tree	A wish-come-true program for employees who want to share hope with their colleagues and families

### Maternity and Parental Leave

Amorepacific Group strives to foster a working environment where work and family are in harmony and balance. The Group offers a 'Care for Expectant Moms' program in an effort to create a women-friendly working environment for expectant mothers. The program promotes flex-time work, prenatal testing during work hours and no overtime, in addition to raising an awareness among team members to be considerate toward their pregnant colleagues.

The program also provides ergonomic chairs, foot rests and blankets to help relieve physical discomfort as well as stretch mark creams and supplements to stay healthy during pregnancy.

Furthermore, expectant mothers are encouraged to use parental leave to encourage a balance between work and childcare after giving birth. The company also allows flex-time work for childcare and operates an on-site daycare center. In 2018, the number of employees using parental leave remained at a similar number from the previous year in both Amorepacific Group and Amorepacific. One-year retention rate after parental leave is maintained at over 80%.

Parental Leave Status

Category	Amorepacific Group			Amorepacific		
	2016	2017	2018	2016	2017	2018
Number of Employees Using Parental Leave (persons)	260	289	289	237	259	248
Return-to-work Rate After Parental Leave (%)	97.3	99.0	92.4	97.5	98.8	92.3
One-year Retention Rate After Returning to Work (%)	88.9	84.3	84.9	88.0	84.6	83.1

### Improvement of Employees' Health

Type	Key Programs
Stress Management	<ul style="list-style-type: none"> <li>Stress assessment through autonomous nervous system examination and mental health clinic at AP-Severance Clinic</li> <li>Happy life consulting: Face-to-face/phone/bulletin board counseling and weekly visiting consultation</li> <li>Emotional Labor Manual: Customer response manual to protect emotional laborers and consultation sessions</li> </ul>
Healthy Working Environment	<ul style="list-style-type: none"> <li>Management of lighting, noise, air quality, humidity and temperature to create an ergonomic working environment</li> </ul>
Physical Health	<ul style="list-style-type: none"> <li>Fitness facilities and healing (sleeping) spaces</li> </ul>
Health and Nutrition	<ul style="list-style-type: none"> <li>Health fund, no-smoking fund, health exam follow-up program for diagnosed workers</li> <li>Success rate of health fund in 2018: 40.3%</li> <li>Success rate of anti-smoking fund in 2018: 63%</li> <li>Participation rate of follow-up program for diagnosed workers in 2018: 22.5%</li> <li>Nutrition consulting at AP-Severance Clinic for employees requiring health exam follow-ups (high blood pressure, hyperlipidemia, diabetes, etc.)</li> <li>Nutritionally balanced meal program</li> <li>Offering massage service through LAON, an in-house massage center: 16 health keepers (certified visually impaired massagers) promotes physical and mental health of employees. The benefit made through LAON is donated as a matching fund to two organizations for the visually impaired and Korea Childhood Leukemia Foundation. In 2018, a total of 53,580,000 KRW was donated through LAON.</li> </ul>
Childcare Support	<ul style="list-style-type: none"> <li>Daycare centers at the global headquarters, Beauty Campus Osan and Yongin R&amp;D Center</li> <li>Kindergarten and tuition support: Tuition support for kindergarten, domestic middle/high school or university</li> </ul>
Maternity and Parental Leave	<ul style="list-style-type: none"> <li>Compliance with regional laws on maternity and parental leave</li> <li>Programs to promote maternity and parental leave</li> <li>Maternity protection system: Flex-time during pregnancy, no overtime, prenatal examination</li> <li>Care for Expectant Moms program: Supplies for pregnant employees at offices (anti-electromagnetic blanket, foot rest, dedicated chair, and celebratory cake)</li> </ul>

# SHE Management

Amorepacific Group is putting effort in protecting employees from various risk factors related to SHE (Safety, Health, Environment) and observe its responsibilities and duties. In particular, Amorepacific Group has established a task force to respond and adapt to the climate change through greenhouse gas(GHG) mitigation. In addition, the Group enhanced its efficiency of water resource usage and expanded the recirculation of water, reducing the overall usage of water. In addition, Amorepacific Group has a deep concern with the recent national issue of recycling waste and strives to take an environmental responsibility on a global level by actively taking measures to realize a circular economy. For example, Amorepacific Group created product and packaging designs that minimize waste from the production process and reconsidered materials used in products for better recycling. In addition, the Group is making efforts to support and improve suppliers to enhance SHE management in the supply chain.

## Advanced SHE Management

### SHE Response as Preemptive Measures

Amorepacific Group introduced advanced group-wide management standards in order to manage global SHE risks and respond to different regulations. By establishing the group-wide SHE standards and SHE audit system, Amorepacific Group proposed the minimum standard of management and built a system to monitor, assess, maintain, and improve.

In particular, Amorepacific Group established 31 management items that are related to SHE issues and operate the entire PDCA structure as the Group SHE standard from the perspective of SHE administrator. The Group operates SHE risk-based audit system and continuously manage quantified SHE performances. Also, high-risk issues are given higher priorities when establishing improve measures.

### Management System



## Response to Climate Change

As a responsible global corporate citizen, Amorepacific Group is aware of the seriousness and urgency of climate change. Accordingly, the Group strives to reduce greenhouse gas emissions throughout all processes of production and overall business activities by introducing renewable energy and improving efficiency of energy consumption.

### Ratio of Renewable Energy Generation

Amorepacific is continuously investing in renewable energy and introducing it with a goal to expand the energy generation by renewable energy in the long term. In 2018, the domestic energy generation by renewable energy reached 3,881MWh, twenty-five times bigger than the previous year. 12% of energy used at the new headquarters building and 4.4% of energy consumed by Amorepacific business sites were from renewable energy sources. Amorepacific Group will keep expanding the ratio of renewable energy in the future.

#### Renewable Energy Capacity

Site		Capacity (kW)
Beauty	Solar panels at the distribution building (x 1)	202
	Solar panels (x 2)	959
Daily Beauty	Solar panels	151
Global Headquarters	Solar panels	365
	Geothermal power	3,165
	Solar thermal power	138
Shanghai	Solar panel (business site 2)	50

### Eco-friendly Headquarters Building

The global headquarters of Amorepacific Group is certified as the first grade of G-SEED<sup>Green Standard for Energy and Environmental Design</sup>, the first grade of energy efficiency, and gold grade of LEED<sup>Leadership in Energy and Environmental Design</sup> by various Korean organizations and standards. The building is designed to consume 37.6% less energy than its energy demand projection.

The global headquarters building is operating renewable energy facilities (solar panels, geothermal and solar power), heat recovery ventilation system, high-efficiency transformers and motors, power factor correction capacitors, and 100% LED lighting. Moreover, the building is equipped with DALI (Digital Addressable Lighting Interface) system that senses the natural level of light and automatically adjusts brightness of the interior of the building. Since Amorepacific Group employees moved in on December 2017, employees are also participating in energy saving activities by adjusting operation hours of lighting and heaters at offices and using power outlets that automatically block standby power.

### GHG Reduction Activities at Production Sites

Amorepacific Group continuously identifies and implements tasks to reduce GHG emissions in our production sites. Although the GHG emissions increased by 7.4% in 2018 due to the expansion of FnC building at Daily Beauty sites and construction of the second site in Shanghai, a total of 1,880 tonnes of GHG emissions were reduced thanks to 43 GHG reduction measures including cold water production facility using the natural temperature during the winter, AI-powered lighting system for corridors, and installation of heat recovery instrument of air pollution prevention facilities. Moreover, we share a notable energy reduction case through our internal cross-functional task force on climate change.

#### Major Reduction of Energy Consumption

Item	Amount of Energy Reduced (kWh)	Amount of Expense Reduced (Unit: million KRW)
Solar panel	778,345	119.8
High-efficiency LED lighting	655,427	83.2
Insulation of packaging facility	39,085	7.3

### GHG Reduction Activities in Distribution Activities

Amorepacific Group's central distribution center replaced lighting with high-efficiency LED lighting and optimized the operation of heating and cooling facilities. In 2018, distribution centers in Osan and Gimcheon enhanced energy efficiency by improving filters of heating and cooling units and installing shades over outdoor heat exchangers, reducing 191 tonnes of GHG emissions.

### Energy Consumption and GHG Emissions

#### Amorepacific Group Energy Consumption

Category	2016	2017	2018
Total Energy Consumption (TOE)	32,536	31,882	44,602
Amorepacific (Domestic)	11,215	10,881	23,589
Amorepacific (Overseas)	1,955	2,199	2,508
Pacificglas	11,561	10,508	11,155
Pacificpackage	2,477	2,180	2,246
Cosvison	1,757	2,892	2,339
Aestura	2,438	2,206	1,548
Osulloc Farm	1,133	1,017	1,217
Total Consumption by Fuel Types (TOE)			
Electricity	23,066	22,698	33,201
LNG	5,613	5,649	8,319
Bunker-C Oil	2,993	2,753	1,950
Others	864	782	1,132
Energy Intensity (TOE/tonnes of production)	0.244	0.265	0.357

#### Energy Consumption by Amorepacific (Domestic)

Category	2016	2017	2018
Total Energy Consumption (TOE)	11,215	10,881	23,589
Total Consumption by Fuel Types (TOE)			
Electricity	9,270	8,884	19,494
LNG	1,931	1,983	3,930
Diesel	14	13	43
Others	0	0	122
Energy Intensity (TOE/tonnes of production)	0.126	0.134	0.282

#### GHG Emissions by Amorepacific Group

Category	2016	2017	2018
Total GHG Emissions (tCO <sub>2</sub> eq)	87,208	87,627	100,496
Amorepacific (Domestic)	34,106	35,163	48,881
Amorepacific (Overseas)	6,022	6,739	7,643
Pacificglas	30,085	27,332	28,090
Pacificpackage	5,123	4,510	4,645
Cosvison	3,652	6,057	4,880
Aestura	5,153	4,670	3,263
Osulloc Farm	3,066	3,156	3,094
Type			
Direct (Scope 1)	29,460	29,558	30,892
Indirect (Scope 2)	57,748	58,070	69,604
GHG Emissions Intensity (tCO <sub>2</sub> eq/tonnes of production)	0.653	0.729	0.805



## Water Resource Management

Total GHG Emissions (tCO<sub>2</sub>eq) (Domestic)

Category	2016	2017	2018
Total GHG Emissions (tCO <sub>2</sub> eq) <sup>1)</sup>	34,106	35,163	48,881
Type			
Direct (Scope 1)	6,306	7,356	9,620
Indirect (Scope 2)	27,799	27,807	39,261
Other indirect (Scope 3)	3,348	3,531	3,757
GHG Emissions Intensity (tCO <sub>2</sub> eq/tonnes of production)	0.382	0.434	0.584

<sup>1)</sup> Other indirect (Scope 3) excluded

Amorepacific Group is deeply aware of the need for efficient use of water resource, optimizing its water consumption under the principle of 3R – Reduce, Recycle, and Reuse. On a 2015 baseline, Amorepacific Group aims to reduce water consumption per tonne of production by 22% in Korea and 41% overseas by 2020.

In 2018, water consumption was increased as the Group increased the number of product cleansing to achieve higher quality standards. However, a number of counter-measures were taken, including the use of rainwater as water for laundry, examination of water leakage during holidays, adjustment of the flow rate of cooling water of vacuum pumps, and improving the production and cleansing processes.

Amorepacific Group Water Consumption

Category	2016	2017	2018
Total Water Consumption (Tonne)	988,697	950,707	1,049,919
Amorepacific	530,837	470,539	518,426
Pacifcglas	99,651	89,597	96,070
Pacifcpackage	23,965	26,059	35,555
Cosvison	49,340	81,914	80,586
Others	284,904	282,598	319,282
Water Consumption by Source of Water (Tonne)			
Municipal water (tap water)	628,431	602,364	670,923
Industrial water	53,854	43,134	36,962
Ground water	270,411	268,794	295,524
Rainwater	36,001	36,415	46,510
Intensity of Water Consumption (tonne/tonnes of production)	7.402	7.907	8.413

Amorepacific Water Consumption

Category	2016	2017	2018
Total Water Consumption (Tonne)	530,837	470,539	518,426
Water Consumption by Source of Water (Tonne)			
Municipal water (tap water)	432,546	384,799	440,432
Industrial water	48,322	42,309	31,484
Ground water	13,968	7,016	0
Rainwater	36,001	36,415	46,510
Intensity of Water Consumption (tonne/tonnes of production)	5.662	5.475	5.727

## Wastewater Discharge and Reuse

Amorepacific Group tries to minimize the impact of effluent water discharged from its business sites on adjacent ecosystems. In particular, the Group reuses wastewater such as cleaning water for landscaping and introduces a wastewater recycle system by replacing filtering system at wastewater processing facilities, inspecting toxic chemical processing facilities, and expanding automation systems. In 2019, Amorepacific Group will increase the use and application of rainwater as well as dry processing in production and manufacturing processes.

Amorepacific Group Wastewater Discharge and Reuse

Category	2016	2017	2018
Reuse of Wastewater (Tonne)	32,604	22,191	41,046
Amorepacific	32,604	18,544	36,880
Pacifcglas	0	3,647	4,166
Discharge (Tonne)	424,561	431,070	481,520
Amorepacific	274,154	268,702	305,530
Pacifcglas	94,986	88,359	94,754
Pacifcpackage	140	153	152
Cosvison	40,221	60,232	61,946
Others	15,060	13,624	19,138
COD (Tonne)	20.2	23.4	26.4
Amorepacific	16.0	17.3	20.3
Pacifcglas	0.8	0.9	0.8
Pacifcpackage	0.0	0.0	0.0
Cosvison	3.3	4.6	5.0
Others	0.1	0.6	0.3

## Waste and Recycling

Amorepacific Group seeks to contribute to building a circular economy by minimizing waste generated in production sites and promoting recycling. Waste generated in each production site is categorized by types and traits, while optimal recycling measures are implemented for each type of waste. In 2018, Amorepacific Group reduced 5,448 tonnes of waste compared to the previous year. The recycle rate also increased by 22%. Moreover, the Group is increasing the number of products that are designed to be recycled from the initial production stage. In 2019, waste compressors will be installed for optimal management of waste.

Amorepacific Group Waste Generation and Recycling

Category	2016	2017	2018
Waste Generation (Tonne)	13,472	18,483	13,035
Amorepacific	10,952	15,516	9,822
Pacifcglas	1,856	1,671	1,706
Pacifcpackage	179	207	373
Cosvison	210	714	820
Others	276	376	314
Recycling (Tonne)	11,208	10,663	10,465
Rate of Recycling (%)	83	58	80
Waste Amount by Disposal Methods (Tonne)			
Non-hazardous waste	11,853	16,293	11,226
Landfill	407	395	132
Incineration	1,259	6,899	1,829
Recycling	10,187	8,999	9,159
Others	0	0	107
Hazardous waste	1,619	2,189	1,808
Landfill	54	34	41
Incineration	544	491	461
Recycling	1,021	1,664	1,306

## Emission of Air Pollutants

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

Amorepacific Group Emission of Air Pollutants

Category	2016	2017	2018
Dust (Tonne)	3.0	3.7	4.3
Amorepacific	2.8	2.7	3.0
Pacifcglas	0.2	0.3	0.5
Others	-	0.7	0.8
Sox (Tonne)	20.7	18.8	19.5
Amorepacific	2.1	1.6	0
Pacifcglas	18.6	17.2	19.5
NOx (Tonne)	26.1	24.8	30.2
Amorepacific	12.0	10.4	14.5
Pacifcglas	14.2	14.3	15.7

## Environmental Investment

In 2018, Amorepacific Group greatly increased investment in environmental operations and investments in order to preserve the environment through various eco-friendly processing technologies and product development. Amorepacific Group invested KRW 5.39 billion in environmental operations and investments. There have been no violations of environmental regulations and no penalties.

Amorepacific Group Environmental Operations and Investments

Category	2016	2017	2018
Total Cost (KRW100 million)	47.3	55.1	53.9
Amorepacific	30.3	37.0	35.5
Pacifcglas	7.9	11.4	10.2
Others	9.2	6.6	8.2

## Safety and Health

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

Amorepacific Group's Seven Principles on Safety and Health

Awareness	Behavior	Check
<ul style="list-style-type: none"> <li>-Safety and health training</li> <li>-Expertise management</li> </ul>	<ul style="list-style-type: none"> <li>-Safety management of facilities and equipment</li> <li>-Safety management of hazardous and dangerous work</li> <li>-Preparation for and response to emergency situations</li> </ul>	<ul style="list-style-type: none"> <li>-Measurement and monitoring</li> <li>-Auditing and corrective actions</li> </ul>

### Third-party Assessment Groups (SHE Audit, compliance to Chinese laws and regulations)

As continued business expansion entailed safety risks both inside and outside the company, Amorepacific Group established SHE standard in 2017 in accordance with specific characteristics of different business sites. In 2018, the Group reviewed compliance to the standard in each business site and came up with directions for improvement. Group SHE Audits were performed at 14 business sites in Korea with a total of 404 questions to inspect compliance to internal corporate regulations. In China, production, distribution, and research sites in Shanghai were inspected according to their compliance to the local laws and regulations. For each issue discovered by the inspection, Amorepacific Group is taking actions according to its plans for improvements.

### Strengthening Safety Management of Suppliers

Amorepacific Group is expanding its safety management to suppliers, improving health and safety of suppliers and reducing industrial disasters. In 2018, various safety promotion activities were done through supplier safety management programs, assessing risk of business sites and providing safety information and safety gears. In addition, the Group improved suppliers' capacity of self-management by supporting the establishment of safety and health and helped seventeen internal companies and one external company assess risks at their business sites. Through the program, Beauty Campus Osan acquired an A grade in safety and health coexistence and collaboration program.

### Safety Leadership Tour

Amorepacific Group runs 'Safety Leadership Program' to foster the safety culture at business sites. It is a safety assessment program directed by employees in charge of management of business sites. The goal of the program is establishment of safe working environment by enhancing the level of safety and health management and improving awareness of employees. The program is based on Amorepacific Group's SHE standard and related laws and regulations and inspects working environment, health and sanitation, education management, emergency response, chemical substance management, and supplier management. In 2018, seventeen tours were performed at ten production, manufacture, and distribution business sites in Korea.

### Industrial Safety and Health

Amorepacific Group convenes the Industrial Safety and Health Committee in each business site on a quarterly basis, creating a safety culture through the collaboration of labor and management. The Committee consists of an equal representation of labor and management, including union representatives and heads of each business site.

Amorepacific Group Industrial Safety and Health

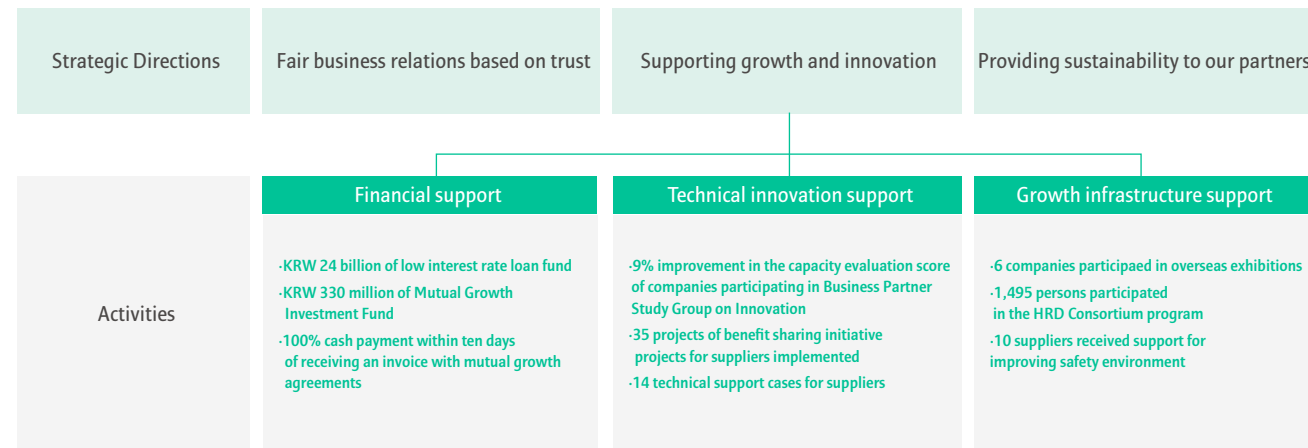
Category	2016	2017	2018
Accident Rate (%)	0.103	0.042	0.116

Amorepacific Industrial Safety and Health

Category	2016	2017	2018
Accident rate (%)	0.086	0.032	0.097
Domestic			
Injury frequency rate (%)	0.450	0.166	0.504
Occupational disease rate (%)	0.000	0.000	0.000
Overseas			
Accident rate (%)	0.201	0.119	0.286
(Mainland China)			
Injury frequency rate (%)	1.045	0.617	1.490
Occupational disease rate (%)	0.000	0.000	0.000

# Mutual growth

## Mutual growth Strategy



## Sustainable Supply Chain Management

### Supplier Status

Amorepacific Group designates and manages 'key supplier' in consideration of their impact on our business, the scope of business transactions and their business capacity, categorized by types of purchasing. As of the end of 2018, out of 431 suppliers, Amorepacific Group categorized 52 as key suppliers, of which 22 supply packaging materials, 17 supply raw materials and 13 provide ODM products. The Group purchased a total of KRW 979.3 billion from its suppliers, while promoting local purchasing to share our business performance with local communities.

Category	2016	2017	2018
Number of Suppliers (Companies)	475	456	431
Number of Key Suppliers (Companies)	54	52	52
Total Purchasing Amount (KRW 100 million)	12,115	10,387	9,793
Purchasing Amount from Key Suppliers (KRW 100 million)	6,907	5,872	4,250
Local Purchasing Rate in Overseas Business Sites (%)	65.4	69.6	70.0

### Supplier Selection Policy in the Purchasing Process

Amorepacific Group conducts business transactions only with those suppliers that satisfy the minimum sustainability requirements at the point of executing the business contract. The Group undertakes a sustainability assessment of all new suppliers reviewing compliance with legal requirements regarding quality, product safety, labor standards, safety and health, and environment, which is a standard by which the Group decides whether to enter into a contract. When signing contracts, Amorepacific Group requires all suppliers to comply with the Amorepacific Group Code of Ethics and Supplier Sustainability Guidelines.

### Supplier Sustainability Assessment

Amorepacific Group has established, and requires all suppliers to comply with, the Supplier Sustainability Guidelines, which set out 34 items on human rights and labor, health and safety, environmental protection, ethical management, and other areas that need to be considered in order to fulfill their social responsibilities. The Group has also prepared a manual on how to translate the guidelines into actions, publishing it on Amorepacific Group website. Amorepacific Group conducts annual sustainability assessment of key suppliers, reflecting the results in supplier assessment. Based on the results of supplier assessment, the Group offers incentives such as giving priority to receiving support for inclusive growth programs or in allocating the quantity of goods supplied. Over the past three years, 99 suppliers including all of the key suppliers and new suppliers have undergone sustainability assessment by an independent third party. Suppliers that have been found to have significant social or environmental risks are required to take actions to handle the risks and follow up with measures to confirm that such risks have been dealt with.

Category	2016 - 2018
Ratio of new suppliers that have undergone assessment of social and environmental impact (%)	100
Ratio of suppliers that have undergone independent assurance on their social and environmental impact in the past three years (%)	100 / 100
Ratio of key suppliers that have undergone independent assurance on their social and environmental impact in the past three years (%)	99

## Supplier Sustainability Assessment Results in 2018

Through supplier sustainability assessment, Amorepacific Group identifies potential risks and requires suppliers to take corrective measures. Through the 2018 sustainability assessment, all suppliers found potential improvements. In cases where suppliers did not meet our standard or had critical violations, we applied follow-up measures such as reduction of business with suppliers that have been found to have significant violations or performance under a certain level, while providing support programs for those suppliers in need of building capacity of sustainability.

### Low Performance Areas and Corrective Action Requests

Low Performance Areas	Category	Risk Level	Corrective action request rate	Corrective action plan establishment rate
Human Rights and Labor	Cases of illegal detachment of workers	High	100%	100%
	Potential violation of the minimum wage law due to the practice of blanket wage system	Middle	100%	100%
Safety and Health	Violation of regulations on toxic chemical substance management (absence of MSDS)	Middle	100%	100%
Environment	Prolonged storage of specified waste	High	100%	100%
	Inadequate management of GHG emissions	Low	100%	100%
Corporate Ethics	Lack of CSR activities for local communities	Low	100%	100%

## Support programs for enhancing sustainable management of suppliers



### CSR coaching

General education programs on corporate social responsibility, including issues such as labor and human rights, health and safety, environment, and corporate ethics.

### Safety/environment assessment for suppliers

Legal risk assessment of safety/environment of business sites and provision of possible improvements.

## Supporting the Growth and Innovation of Suppliers

### Financial Support

Amorepacific Group provide loans to its suppliers at low interest rates using the KRW 18.9 billion Win-Win Partnership Fund, which provides direct assistance to suppliers. Amorepacific Group added KRW 1 billion to the existing KRW 4 billion of Mutual Growth Fund. The Group also runs a KRW 390 million Mutual Growth Investment Fund to enhance the capacity of its suppliers.

In April 2016, Amorepacific Group revised its payment policy to ensure that all payments to small and medium-sized suppliers under the Mutual growth agreement are made 100% in cash within ten days of receiving an invoice. In November 2018, the payment method was expanded to 56 additional suppliers. In addition, Amorepacific Group runs mutual growth partnership loan and cash payment monitoring system and promote mutual growth agreement between the first and second tier suppliers, spreading the culture of mutual growth.

Amorepacific Group operates diverse CSR programs in order to contribute to the realization of gender equality and responsible consumption and production, which are respectively the 5<sup>th</sup> and 12<sup>nd</sup> goals among UN SDGs (Sustainable Development Goals).

Supporting Technological Innovation

In 2018, six suppliers participated in the Business Partner Study Group on Innovation, a community for innovative activities that support suppliers who fall behind in areas of cost reduction, production, product quality, distribution, production technology, and equipment management. Through the activities, the participating suppliers came up with improvement tasks in quality, scheduling, and distribution. Amorepacific Group provided support to their voluntary improvement. As a result, the participating suppliers showed a 9% improvement (average of four suppliers) in the capacity assessment result.

Through a support program for MES (Manufacturing Execution System) building, which is launched in 2018, eight suppliers shortened the manufacturing lead time and enhanced delivery rate by improving the overall process of order-purchase-production-inventory-distribution management.

With regards to collaborative research and development tasks such as benefit sharing between Amorepacific Group and suppliers with innovative tasks, there were 35 projects with KRW 650 million funding for research and development.

Strengthening the Infrastructures

Since 2015, Amorepacific has provided both manpower and financial support for participating in exhibitions held overseas with the goal of securing a global market for 5~6 small and medium sized suppliers. Suppliers that participated in Cosmoprof in Hong Kong between 2017 and 2018 signed ten new export contracts.

In 2018, Amorepacific Group increased KRW 450 million as payments for suppliers that had signed the mutual growth agreement. The measure was taken as a proactive response to the pressure of labor cost after the increase of minimum wage in January 2018 and readjustment of supply prices to a realistic level.

Through the Consortium for HRD Ability Magnified Program, established to provide training courses to employees of small- and medium-sized suppliers and facilitating human resource management, Amorepacific Group launched 80 training courses and provided cosmetics industry-related education to 1,495 employees of 313 suppliers in 2018.

Beauty Partner and Mutual Growth in Sales

Omnichannel Synergy Program: A Mutual Growth Agreement of innisfree and ARITAUM with Store Owners

innisfree and ARITAUM signed a mutual growth agreement with the council of store owners at the Amorepacific Group headquarters to observe Omnichannel Synergy Program. The program is a mutual growth business model responding to a change in customer experience to the online. While innisfree and ARITAUM are based on off-line business model, there is a consensus about the need to build a new business model based on the digital and create unique customer values. When customers of the two brands register a specific off-line store as 'my shop' on official online shopping malls, any purchase made on the websites is registered as the sales of the registered store.

Omnichannel Synergy Program will provide opportunities for store owners to make additional sales and revenue. For Amorepacific Group, the program will prevent attrition of active customers and establish a ground for various marketing activities to maintain the sales of innisfree and ARITAUM. The program will contribute to a mutual growth of the company and affiliated stores.

Support for Growth of Beauty Partners

AMOS Professional offers specialized training to Beauty Masters who are salespersons for the brand's authorized retail stores. The training program covers a wide range of topics from professional calling as Beauty Masters and cultivation of their sense of pride for sales activities to practical know-hows of store operations. By systemizing training programs, AMOS Professional hopes to grow with Beauty Masters and build win-win relationships with them.

Beauty Partners are prone to suffer from musculoskeletal disorders since they stand up all day while working at innisfree stores. To improve the working conditions of store employees and help them relieve fatigue, innisfree provides 'Green Us Well-being Kit' to Green Us, the Beauty Partners of Innisfree. Launched in 2013 with leg massagers dedicated to Green Us employees, the well-being kit is updated each year with items wanted by store employees through annual surveys. Foot pads, leg gel, back massager, and neck massager have been supplied to Green Us employees. In 2018, innisfree supplied hand massagers to more than 1,600 Green Us employees, helping them care their hands.

CSR Activities by Amorepacific Group

Category		2016	2017	2018
Social Contribution Expenditure	Amount of Expenditure(KRW million)	23,994	20,600	22,644
	Ratio Compared to Sales(%)	0.36	0.34	0.37
Employee Volunteer Activities	Participation Rate(%)	88.7	80.8	74.7
	Average Hours of Volunteer (hours)	10.9	9.2	8.8
Public Foundation Disbursement	Amorepacific Foundation (KRW million)	741	923	1,275
	Amorepacific Welfare Foundation (KRW million)	560	650	792
	Korea Breast Cancer Foundation (KRW million)	2,717 <sup>1)</sup>	2,761	2,839
	innisfree Moeum Foundation (KRW million)	358	926	885

1) Amended due to duplication of execution amount

Value of CSR Activities by Amorepacific

Unit: KRW million

Category	2017	2018
Cash Contribution	12,390	12,962
In-kind Giving: product or services donations, projects/partnerships or similar	1,008	1,013
Management Overhead	4,206	5,475

20 by 20 Commitment

The '20 by 20' Commitment is Amorepacific Group's promise that we will beautify women's lives by supporting the health, well-being, and economic empowerment of 200,000 women by 2020. As a company that has been growing with women, we believe that making women's lives more beautiful is a way to make a more beautiful world.

In other countries with Amorepacific Group's overseas offices, such as China, Singapore, Hong Kong, Taiwan, Vietnam, and Thailand, the Group is striving to make women's lives more beautiful. The Group's participation in UN's global movement, 'Every Woman Every Child,' is another activity to share its vision with more people and take responsibility as a global corporate citizen.

As of December 2018, Amorepacific Group supported 287,180 women, accomplishing 144% of the initial objective of '20 by 20' Commitment.

Number of Beneficiaries of 20 by 20 Commitment (2018)

Category	Beneficiaries (persons)	Expenditure (KRW)
Women's Health and Well-being Support	140,387	5,042.5
Enhancement of Women's Economic Capacity	1,450	3,088.1

Global Performance (2018)

Region	Program	Beneficiaries (persons)	Expenditure (KRW)
Korea	makeup your Life, Pink Ribbon Campaign, Hope Store, Beautiful Life, Makeup ARTIST on the Go	49,031	5,834.3
Mainland China	makeup your Life, MORI Run, Screening for Breast/Cervical Cancer	92,561	2,170.2
Taiwan	makeup your Life	100	107.8
Hong Kong	makeup your Life	61	9.4
Singapore	makeup your Life	44	3.4
Thailand	makeup your Life	40	5.5

makeup your Life

Launched in 2008, makeup your Life Campaign is designed to support women's cancer patients overcome emotional stress caused by the changes in their physical appearance due to their illness. The campaign does not promote patients to beautify how they look. Rather, it helps them have the basic life they enjoyed before by managing their appearance through activities such as skincare and makeup. In 2018, makeup your Life Campaign was held in six countries and regions (Korea, China, Taiwan, Singapore, Hong Kong, and Taiwan) with 899 volunteers (2,697 hours) and 1,694 patients.

In 2018, makeup your Life Campaign was held for the first time in Thailand in partnership with Queen Sirikit Centre for Breast Cancer at Chulalongkorn University, providing skincare and makeup lessons to 40 patients.

In China, the campaign was held in a government hospital for patients with mobility issues. In Hong Kong, the number of participants was increased to 61 patients thanks to additional partnerships that enabled more engagement. In Taiwan, medical specialists explained changes in patients' skin and how to deal with such changes. The campaign was also held in Singapore with 44 participants.

Key Achievements of 'makeup your Life' Campagin

Region		2016	2017	2018
Number of Beneficiaries (persons)	Korea	1,049	1,264	1,243
	Mainland China	180	200	206
	Hong Kong	-	24	61
	Taiwan	-	101	100
	Singapore	-	45	44
	Thailand	-	-	40
	Vietnam <sup>1)</sup>	25	46	-
Number of Volunteers (persons)	Korea	697	769	797
	Mainland China	42	50	36
	Hong Kong	-	9	5
	Taiwan	-	24	19
	Singapore	-	25	23
	Thailand	-	-	19
	Vietnam <sup>1)</sup>	11	17	-

1) No activities in Vietnam in 2018



makeup your Life, Thailand



MORI RUN 2018

Pink Ribbon Campaign

In 2000, Amorepacific Group funded and established the Korea Breast Cancer Foundation, a non-profit public organization for breast health. Since then, the Group is running Pink Ribbon Campaign to support women in all ages to take interest in their bodies and lead healthy lives. Key programs of Pink Ribbon Campaign are 'Pink Run,' a running festival to raise awareness on early examination of breast cancer, and 'Pink Tour,' an education program about breast self-exams.

Key Achievements of Pink Ribbon Campaigns

Category		2016	2017	2018
Expenditure (KRW million)		3,848	3,959 <sup>1)</sup>	4,084
Promote Awareness (persons)	Pink Run Korea	24,105	24,279	24,209
	MORI Run Mainland China	3,200	3,600	4,500
Support for Education (persons)	Pink Tour Korea	39,612	41,900	45,450
	Education in Mainland China	43,500	80,000	72,300
Support the Screening (persons)	Korea	1,081	1,505	798
	Mainland China	12,078	18,526	20,055
Support for Surgery (persons)	Korea	71	111	90

1) Amended due to partial omissions of activities in mainland China in 2017

Pink Ribbon Campaign is held in Mainland China, too. In 2018, Amorepacific Group China successfully held 'MORI Run' at Shanghai Oriental Sports Center, raising awareness of breast and cervical cancer. Held since 2016, the event is a global rendition of the annual 'Pink Run' that promotes awareness of breast health. It is also an activity to keep the promise to empower 200,000 women by 2020. Held in collaboration with China Women's Development Foundation, 'MORI Run' provided an opportunity to think about the importance of women's health through a healthy way of running with more than 4,500 participants.

Since August 2018, Amorepacific Group also started working with China Women's Development Foundation to provide free breast and cervical cancer exams. The free cancer exams were provided to 20,055 underprivileged women in ten counties in three provinces including Heilongjiang, Guizhou, and Ninxia as well as 72,300 women who had participated in health seminars.

Hope Store

Hope Store is a 'micro credit' program that supports single mother households to launch businesses, making positive changes to the lives of their families. It was started by 'Heemang Seed Money,' a fund donated by family members of Jangwon Suh Sungwhan, the founder of Amorepacific Group, on June 30, 2016 to commemorate his efforts to support welfare of women and children. Hope Store seeks to help single mother households to achieve the stabilization of livelihood by supporting single mothers to launch new businesses in various fields from food, beauty, service, retail and wholesale manufacture, and education. Since the launch of the first 'hope store' in 2004, the program saw the launch of 100th store in 2011 and the 200th store in 2013. As of December 2018, a total of 366 businesses have been launched with support of Hope Store.

In 2018, Hope Store provided an additional support by organizing 'business succession support' through which beneficiaries of the program can learn business know-hows from previous beneficiaries who have been successfully operating their businesses for more than five years. Through this support program in its second year, new beneficiaries in Seoul, Gyeonggi, and Incheon opened 'hope stores' after learning from previous beneficiaries who founded a stew restaurant<sup>Dongjak-gu, Seoul</sup> and a car cleaning shop<sup>Geumcheon-gu, Seoul</sup>.

### Beautiful Life

Beautiful Life is a corporate social responsibility program launched in 2008 in partnership with the Community Chest of Korea through a designated donation made by Amorepacific Group. The program helps underprivileged women [immigrants, North Korean defectors, single mothers, elderly women, youths from correctional facilities, etc.](#) to achieve economic autonomy, providing support for them to find new jobs.

Along with support programs through designated contributions, Beautiful Life also organizes open calls to extend beneficiaries such as small organizations helping women in need. The results are promising. In 2018, 474 women received education for job seeking and license acquisition. Among the beneficiaries of Beautiful Life 2017, 60.1% of women who received designated contribution and 29% of women who received support through open call found employment,

### Makeup & Hair Artist on the Go

Makeup & Hair Artist on the Go is a corporate social responsibility program that provides career mentoring to future makeup artists and empowers underprivileged women by providing them makeup sessions. The program is held in partnership with schools, facilities, and organizations with youths who want to become makeup [hair](#) artists. In 2018, the program was held every month, supporting a total of 808 beneficiaries.

In addition, a scholarship of KRW 50,000,000 was provided to 18 beneficiaries [8 people for makeup, 10 people for hair design](#) to foster future makeup and hair artists.



Makeup & Hair Artist on the Go

## Promoting Responsible Consumption

As a consumer goods company, Amorepacific Group is implementing Responsible Consumption and Production [SDG 12](#) throughout its entire product lifecycle and is working to spread a responsible consumption culture with customers.

### GREENCYCLE Campaign

GREENCYCLE Campaign collects used cosmetics containers from customers, recycling them as a new resource or upcycling them to make artworks. Through the campaign, Amorepacific Group contributes to the circulation of resources and promote a culture of more responsible consumption.

#### Used Container Collection by Channels

Unit: Tonne

Category	Total	ARITAUM	Large Retailers	Department Stores	innisfree	ETUDE House
2016	265.4	63.6	14.6	37.7	145.6	3.9
2017	264.5	68.8	7.1	40.3	146	23
2018	277.9	74.4	10.2	29.8	161.5	2

### Beauty Inside Journal

Amorepacific Group strives to take its social responsibility by supporting more people to develop awareness on UN's [SDGs Sustainable Development Goals](#) and take part in realizing them. As part of the effort, Amorepacific Group introduces minutes of UN General Assembly that are not easily accessible to many people. The Group also delivers stories about activities to accomplish global goals and make various efforts to raise awareness of sustainable lifestyle by 2030.

A special monthly journal presents themes that can be practiced in everyday life and ways to understand SDGs more easily, activating communication inside and outside the company. In 2019, 'Beauty Inside Magazine' will be published to introduce the details of the UN General Assembly week in 2018. The magazine will help more people understand SDGs. Sales proceeds of the magazine will be donated to [WWF World Wildlife Federation](#) in order to support 'Life Below Water,' the 14<sup>th</sup> goal of SDGs.

## Brand CSR

### Sulwhasoo

#### Beauty from Your Culture

In 2017, Sulwhasoo expanded its traditional culture preservation activity 'Sulwha Cultural Exhibition,' which has been held since 2006 in Korea, into a global CSR campaign 'Beauty from Your Culture.' As practicality and aesthetics of Korean traditional culture have been reevaluated through Sulwhasoo's products, Sulwhasoo hopes to preserve and continue the traditional culture of countries around Asia.

2018 Sulwha Cultural Exhibition 'Fortune Land – Gold Leaf' presented the beauty of Korean tradition and its significance through traditional 'gold leaf' art in a modern perspective. Diverse gold leaf artworks, created not only by a gold leaf artisan who is registered as an intangible cultural asset to contemporary artists, were presented through a concept of a theme park. A variety of participatory classes and events were provided in order to make traditional culture more accessible to the public.

Sulwhasoo also launched Beauty from Your Culture Limited Edition, consisting of its bestselling First Care Activating Serum EX and Perfecting Cushion, inviting customers in Korea and overseas to take part in Sulwhasoo's Mecenat activities by encouraging purchase of the limited edition products. In Korea, the sales proceeds of the limited edition products was provided to traditional artisans as previous years. In China, the sales proceeds were used to restore intangible cultural assets, while the sales proceeds from Singapore, Malaysia, Indonesia, and Thailand, were donated to cultural heritage preservation.

### LANEIGE

#### Refill Me

Launched in 2016, 'Refill Me' is a campaign to support water deficit countries and conserve water resources. The campaign provides 'Refill Me Bottle' to customers, inviting them to reduce thoughtless use of disposable items. 'Refill Me' campaign is suggested as an activity to fill one's self, life, and environment.

LANEIGE has been continuing the campaign through its key products. The sales proceeds of the products is donated to domestic NGOs, contributing to the global activities and emergency relief campaigns for clean drinking water. In 2017, two ground water pumps were installed in Tana River County in Kenya where access to clean drinking water is around 55%. In 2018, three additional pumps were installed thanks to efforts made by 'Refill Me' campaign.

The campaign is also continuing in ASEAN countries where LANEIGE operates, donating part of the sales proceeds to local NGOs. 'Refill Me' will expand its reach in the coming years.

### Mamonde

#### Bee Happy Day

As a brand that studies the energy of flowers, Mamonde runs a campaign to prevent the extinction of bees that directly contributes to the breeding process of flowers. Since 2016, Mamonde has been building 'Mamonde Honeybee Garden,' an urban bee yard, in collaboration with a social enterprise Urban Bees Seoul.

The first 'Mamonde Honeybee Garden' was installed on the rooftop of the Korea Scout Association building in Yeouido. In 2017, the second honeybee garden was installed in Seoul Forest Community Garden. In 2018, the third honeybee garden was built at the Seoul Museum of Art to provide a habitat for endangered urban honeybees, reviving honeybees that provide one third of water for flowers and contributing to ecology with positive impact.

## innisfree

### Eco Hankie

Launched in 2010, Eco Hankie campaign is innisfree's key global eco campaign that is held in every June. The campaign carries a message that using hankerchief instead of paper towels will reduce deforestation and further preserve the Earth.

The Eco Hankie is updated with new designs every year. In 2018, under the slogan 'Play Green Everywhere,' the hankerchief presented a colorful illustration of 'play-greeners' who practice 'play green' in their own ways in the city, forest, and ocean. The Eco Hankie was distributed in innisfree stores. In addition, customers who promised eco-friendly activities at festivals and various off-line stores were also provided with the hankerchief, participating in innisfree's eco campaign with more pleasure.

### Green Forest

innisfree has been running the 'Green Forest Campaign' since 2012. The campaign was initiated with an idea to returning what innisfree was given by the nature through the protection and fostering of forests.

innisfree is growing a number of forests around the world in places suffering from desertification, fire, typhoon, and loss of soil. The campaign was held in Hong Kong, Thailand, Taiwan, and Malaysia. In 2018, it was also held in Indonesia, India, and the United States. As of 2018, 124,700 trees have been planted through Green Forest campaign.

### Green Christmas

Green Christmas is innisfree's annual campaign with Christmas Limited Edition products. The campaign was launched in 2010 with a motto, 'Make my joy become warmth for someone.' Each year, innisfree creates unique DIY kits for customers to make their own interior decorations while participating in a meaningful donation activity.

In 2018, Green Christmas campaign introduced a DIY Socks kit. Customers could freely attach ornaments to decorate their own Christmas socks. The kit could be purchased for KRW 2,000 along upon purchasing Christmas Limited Edition products. In conjunction with the DIY kit, innisfree also ran #GreenChristmas hashtag event. For each SNS posting with the hashtag, innisfree generated KRW 1,000 donation. As a result, KRW 53,000,000 was raised from the sales proceeds and donations by customers, which was donated to Save the Children and used for providing school uniforms to teenagers.

## ETUDE House

### Makeup Your Dream

Launched in 2017, Makeup Your Dream is a corporate social responsibility campaign to support young people who feel insecure about their future. Through the campaign, 'Youth Lecture' was held in Seoul and Busan to provide empowerment and advices of 'dream mentors,' delivering messages of hope to many young people.

Through a fund raised by the campaign, 'Dream Scholarship' was given to twenty university students from low-income families who strive to make their dreams come true. Dream Scholarship students of 2017 and installation artist Lee Hyo-yeol did an art campaign together, presenting an art performance and installing artworks in ten places around Seoul under the theme, 'We might have bloomed already.' Through the activity, a warm message was delivered to many people.

## primera

### Love the Earth

Taking the vitality of plants as the core value, primera supports the preservation of wetlands where the vitality of the Earth is accumulated. The brand has been running an eco-campaign since 2012 and established the theme of 'preservation of wetlands' in 2015 under the title 'Love the Earth.' Since 2017, primera started cooperating with the Ramsar Regional Center-East Asia<sup>RRC-EA</sup>, borrowing their expertise to more directly engage in wetlands protection activities. By donating part of the sales proceeds from campaign goods to RRC-EA, primera also contributes to wetlands preservation activities in Korea.

In 2018, primera organized travel events to visit the wetland in Suncheon Bay to foster support and customer experience. The event took the form of a fan meeting with well-known YouTubers, delivering the meaning of the campaign through the experience of travelling together.

### Let's Love

Every winter, primera launches the limited edition of Mango Butter Comforting Line, along with its Let's Love campaign. Launched in 2013, the campaign improves the living conditions of girls in Jamui, India, who have no access to education due to poverty and gender discrimination. Through Beautiful Fair Trade, primera uses mangoes grown in Jamui and donates ten mango trees to families in Jamui using the proceeds from the sales of its Mango Butter products. In 2017, mangoes grown from these trees were harvested for the first time, thus realizing a donation system based on the circular economy beyond a single event.

As of 2018, primera donated 6,200 mango trees through six editions of Let's Love campaign.

## mise-en-scène

### mise-en-scène Short Film Festival

For the past 18 years since 2002, mise-en-scène has sponsored the mise-en-scène Short Film Festival to promote short films in Korea and discover emerging directors. While the corporate support for films are concentrated in big-budget films, the film festival aims to contribute to the long-term development of the Korean film industry through continuous support of short films, a relatively less popular genre, and discovery of directors and films that bring unique visions. The 17th mise-en-scène Short Film Festival in 2018 had a record high of 1,189 entries, of which 58 films were shown at theaters with the highest number of submitted works and competition among short film festivals in Korea.

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## Public Foundations

### Amorepacific Foundation

Amorepacific Foundation was established for the purpose of supporting academic, educational and cultural programs to explore the values of culture and communicate those values to the public. Since its establishment in 1973, Amorepacific Foundation has been dedicated to supporting academic research on 'Asian Beauty' and 'Women and Culture' from a multidisciplinary approach and using the research findings to communicate with the world and generate new values.

#### Women and Culture

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

#### Asian Beauty

The research on 'Asian Beauty' has been continued since 2011, focusing on the Asian concept of beauty that values the beauty in everyday life and aesthetic experiences, which is different from the Western concept of art and the beauty of the human body that centers around visual senses. The research results are published in a series entitled 'Asian Beauty,' which was first published in 2014. The series is planned as an anthology of twenty books. As of 2018, eight books have been published.

#### Asian Beauty Lectures

Asian Beauty Lectures was launched in 2012 to share the research results of Asian Beauty program with the public. The lecture series focuses on the communication between experts from various fields and the participating audience. In 2018, two lectures were held under the theme 'beautiful people' with more than 300 participating audiences. With Asian Beauty Lectures, Amorepacific Foundation will continue the communication with the public with interesting and unique themes.

### Amorepacific Welfare Foundation

Amorepacific Welfare Foundation was established in 1982 with the vision of building a beautiful and harmonious society by promoting the welfare of socially vulnerable women and enhancing the quality of their lives. For 'improving well-being through spatial beauty,' the foundation runs Space Design Improvement Project, Space Utilization Support Program, and Cleaning and Reorganization Consulting Project. The ultimate goal of these projects is not to simply improve a facility but help women in need of social protection enjoy a new life and find independence.

#### Space Design Improvement Project

Space Design Improvement Project transforms facilities and space for women and non-profit organizations in poor condition into space of caring and healing, fostering the change of women's lives. Launched in 2005, the project celebrates its 10th anniversary in 2019. As of the end of 2018, a total of 196 facilities and non-profit organizations for women were transformed to safe and comfortable places. The project renovated offices with no sunlight, counseling rooms that have been storing office equipment, and outdated bathrooms into places for women to feel stable and happy.

#### Cleaning and Reorganization Consulting Project

Cleaning and Reorganization Consulting Project was launched in 2016. Through the project, women with interrupted careers go through a cleaning and reorganization consultant course and provide consulting to the beneficiaries of the project. The project operates along with Space Design Improvement Project, improving satisfaction and work efficiency of facility users. Moreover, it contributes to the job creation for women with interrupted careers and empowers the women to lead their lives with more agency.

#### Space Utilization Support Program

Space Utilization Support Program provides various activities (programs) to women who use improved space, giving positive influence in the lives of underprivileged women. The program is not limited to a concept for improving the physical space. It provides active support to improve the quality of life by enhancing the self-esteem and capacity of women through various programs.



### Korea Breast Cancer Foundation

Korea Breast Cancer Foundation is Korea's first non-profit organization dedicated to breast health, entirely funded by Amorepacific Group in 2000. The Foundation undertakes various initiatives on multiple fronts to raise awareness of the importance of breast health, which include the Pink Run, breast health lectures, financial support for low-income breast cancer patients, support for academic research, sponsorship of breast cancer patient associations, and activities to promote breast health among unprivileged women including those from multicultural families. The Pink Ribbon Campaign, a joint initiative between Korea Breast Cancer Foundation and Amorepacific Group, has made a significant contribution to promoting women's health by emphasizing the importance of breast health and encouraging early detection and treatment through self-exam.

### Pink Run

Pink Run is an annual event organized by Amorepacific Group and Korea Breast Cancer Foundation. It is a running festival held in five different cities throughout Korea to provide useful information about breast health and raise awareness of the importance of early cancer exam. The participation fee **KRW 10,000 per person** is donated to Korea Breast Cancer Foundation, supporting cancer exams and operations of breast cancer patients. Between 2001 and 2018, more than 347,871 people participated in the event and raised approximately KRW 3,780,000,000, which was donated to Korea Breast Cancer Foundation to promote the healthy culture of sharing.

### Pink Tour

Pink Tour is a program promoting breast health by providing on-site education about breast self-exam for early diagnose. Since 2001, more than 1,000 education sessions were given to over 330,000 people, making it one of the most well-known breast health education program in Kroea.

### Support for Cancer Exam and Operation

By providing free breast cancer exam through visiting exam sessions, Korea Breast Cancer Foundation raises awareness of the importance of regular exam and early diagnose and provides financial support for operation and treatment of cancer underprivileged patients. In addition, the foundation is operating a variety of support programs for breast cancer patients and academic research on breast health.

### innisfree Moeum Foundation

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

### Preservation of Nature

innisfree Moeum Foundation organizes 'jeju-daumi,' a program to preserve and promote the value of Jeju with university students. In 2018, the program installed eco-friendly coconut mats on trails to various sites of Oreum (small defunct volcano), a major ecological asset of Jeju. Previously, the trails were covered with rubber mats made of discarded tires. 80 university students and 50 innisfree employees worked together to remove and install the mat, paving it in a 1,285-meter trail between Dot-oreum and Doonji-oreum.

### Culture and Arts Support

The foundation held a 'Clean House Design' project to promote advanced waste separation and beautification of local communities. For the project, innisfree, innisfree Moeum Foundation, and Jeju Special Self-Governing Province formed a council. A design proposal was produced, reflecting opinions of different stakeholders while removing complexity to create harmony with environment. A pilot 'Clean House' was built in Nohyung-dong, Jeju.

In 2018, the foundation also held the second Jeju Oreum Photo Contest to help preserve Oreums and promote their natural and ecological value. Under the theme, 'Jeju Oreum with Stories,' 1,407 photos were submitted. 36 entries were awarded through a strict examination of expert judges with a total of KRW 9,500,000 award money, KRW 3,000,000 for the grand prize.

### Fostering Future Talents

To foster digital influencers who understand issues of Jeju and spread them with participatory attitude, innisfree Moeum Foundation appointed 18 social creators among university students in Jeju. For the duration of six months, the social creators participated in education and mentoring programs on video production, editing, contents planning, and field investigation. They discovered issues of society in Jeju and tried to find solutions. As a result, the social creators produced videos about 'Dongbaek Village,' a local community that discovered and promoted the value of camellia in Jeju, and 'Oreum,' a core asset of nature and ecology of Jeju.' They also organized 'Recycling Project' to solve the issue of ocean waste.

In addition, innisfree Moeum Foundation awarded KRW 13,000,000 scholarship to nine outstanding students from an agricultural meister highschool in Jeju upon recommendations by the school principal and a dean of a university department related to the industry. The scholarship was provided in order to discover talents in Jeju tangerine industry and foster them to enhance competitiveness of tangerine agriculture industry.

## Appendix

1. Independent Assurance Statement
2. Verification Statement GHG Inventory
3. GRI Standards Index
4. UNGC Communication on Progress
5. About This Report

## INDEPENDENT ASSURANCE STATEMENT

DNV·GL

PRJC-594654-2019-AST-KOR-E

### Introduction

Amorepacific Group (“APG”) commissioned DNV GL Business Assurance Korea Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2018 (the “Report”). The directors of APG have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of APG in accordance with the terms of reference. DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

### Scope and Basis of assurance

Based on non-financial data and sustainability activities and performance data of 2018 generated from APG, we have evaluated the adherence to GRI(Global Reporting Initiative) Standards Principles and assessed the quality of sustainability performance information. We have reviewed that the Topic-specific disclosures of GRI Standards which are identified in the process for defining report content;

No.	Material topic	GRI Disclosure	No.	Material topic	GRI Disclosure
1	Implementing sustainable technology innovation and investment	416-1	7	Supporting suppliers’ sustainable management practice and enhancement	-
2	Strengthening product safety	416-2	8	Supporting suppliers’ growth and development	
3	Strengthening product sustainability	416-1	9	Carrying out strategic CSR activities aligned with our businesses	203-1,2 / 413-1,2
4	Enhancing human rights and diversity of employees	412-1,2	10	Promoting circulation of resources	303-1,2,3 / 306-1,2,3,4,5
5	Enhancing employee health and quality of life	403-6	11	Minimizing the impact on global warming by corporate activities	302-1,2,3,4,5 / 305-2,3,4,5,6,7
6	Expanding safety culture throughout the value chain	414-1,2			

We performed our work using DNV GL’s assurance methodology VeriSustain<sup>TM1</sup>, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The verification was carried out in February and June 2019. The site visits were made to APG Head Office and Factories. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting systems as they relate to selected content and performance data;
- reviewed the materiality assessment report.
- site visit and test of data gathering process;
  - Domestic: Beauty Campus in Osan
  - Overseas: Amorepacific China office and Shanghai Beauty Campus in China

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

### Limitations

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

## Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe the adherence to the Principles in GRI Standards. The verification team has observed that there is general awareness of sustainability context across all different levels of the organization. Further opinions with regards to the adherence to the following Principles are made below;

### Stakeholder Inclusiveness

APG has identified internal and external stakeholder groups such as Customers, Employees, Shareholders, Local community and Business Partners. APG engages with the stakeholders at the company and business unit levels through various channels. The examples of approaches to engagement with selected stakeholders are described in the Report. In the future, APG could engage stakeholders in the region including China where APG does business more, address the reasonable expectations and interests of stakeholders and report corresponding actions taken in the Report.

### Sustainability Context

APG has stated the '2025 Vision' and 2020 sustainability goals and objectives. In addition, APG is helping readers understanding how 2020 sustainability goals are linked to UN SDGs(Sustainable Development Goals). In particular, APG makes an effort to achieve gender equality through '20 by 20 Commitment' activities aimed at promoting women's health, well-being and economic competitiveness, and is leading responsible production and consumption through continuous improvement of environment-friendly products. APG has presented various performance indicators with which the performance and goals of sustainability management can be monitored.

### Materiality

APG has conducted the materiality assessment to prepare the Report. 'Business impact' such as peer review, international standards, internal strategy and 'stakeholder interest' are considered during the materiality assessment, issue pools were used on internal and external stakeholder survey to rate the material topics and 11 material topics are prioritized accordingly. DNV GL has reviewed material topics that could have a significant impact on the APG's economic, environmental and social impacts or affect the decision-making of stakeholders in assessing materiality.

### Completeness

The Report has covered the sustainability strategy, management approach and sustainability performances of APG for the reporting period. The reporting boundary has been set to include all affiliates in APG. Amorepacific, a major affiliate, includes not only domestic sites but also some performances of overseas corporation. DNV GL has reviewed that the materiality assessment process and confirms relevant material topics prioritized from the process are addressed completely in the Report.

Further opinions with the principles of report quality of GRI Standards as follows;

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

DNV GL has reviewed the quality of the report based on the 6 principles defined in the GRI Standards. DNV GL also has reviewed the reliability of the disclosure data - water consumption, the amount of waste water discharge and recycling, waste generation and recycling, air pollution emissions, the verification team has interviewed the person-in-charge, reviewed the process of gathering and processing data and information, and the supporting documents and records. APG could improve the data collection process and present the sustainability performance for the last 3 years to allow for comparability over time. Any errors or misstatements identified during the assurance engagement were communicated and corrected prior to the Report being published. The information in the Report indicates the time period to which it relates.

## Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct<sup>2)</sup> during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL have no other contract with APG and did not provide any services to APG in 2019 that could compromise the independence or impartiality of our work. DNV GL has conducted the verification of GHG emissions in 2019, which isn't considered a conflict of interest in the report verification.

2) DNV GL Code of Conduct is available from DNV GL website ([www.dnvgl.com](http://www.dnvgl.com))

June 2019  
Seoul, Korea

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

## VERIFICATION STATEMENT GREENHOUSE GAS (GHG) INVENTORY

DNV·GL

### Amorepacific Group

DNV GL BUSINESS ASSURANCE  
NO.: AS\_PRJC-594292-2019-CCS-KOR\_R1

### Introduction

DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by AMOREPACIFIC Group to verify the AMOREPACIFIC Group's Greenhouse Gas Inventory Report for the calendar year 2018 ("the report") based upon a limited level of assurance. AMOREPACIFIC Group is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol: 2004 and the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of AMOREPACIFIC Group only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

### Scope of Assurance

The emissions data covered by our examination comprise Direct emissions (Scope 1 emissions), Energy indirect emissions (Scope 2 emissions) and Other indirect emissions (Scope 3 emissions) from AMOREPACIFIC Group boundary of the report;

- Organizational boundary for AMOREPACIFIC: HQ/Sale offices, Sites (Beauty 1 in Osan, Daejeon and Jincheon, Daejeon and Jincheon), Distribution centers (Gangbuk, Gwangju, Gimcheon, Daejeon, Busan, Songtan, Incheon, Jincheon and Osan), R&D/HRD,
- Local Business unit (Gwangju, Daegu, Daejeon and Busan), Delivery and transportation by centers (Other indirect emissions)
- Organizational boundary for PACIFICPACKAGE: Cheonan
- Organizational boundary for AESTURA: Ansong
- Organizational boundary for COSVISION: Daejeon
- Organizational boundary for OSULLOC: Hannam, Premium factory, Seokwang, Dolsongi, and Wolchulsan (in Jeju, Republic of Korea)
- Organizational boundary for AMOREPACIFIC SHANGHAI: Shanghai (China)

### Verification Approach

The verification has been conducted by DNV GL from 1<sup>st</sup> February through 23<sup>rd</sup> April 2019 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2006. We planned and performed our work so as to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub> equivalent. As part of the verification process;

- We have reviewed and verified the SHEQM system of AMOREPACIFIC Group (activity data, GHG emission calculation results, emission factors, and other parameters)
- We have reviewed and verified the process to generate, aggregate and report the emissions data

### Conclusions

Based on the above verification of core elements, it is the DNV GL's opinion that nothing comes to our attention to suggest that GHG emissions are not properly calculated, and a significant uncertainty and error are included in the GHG Emissions of AMOREPACIFIC Group for the year 2018 below;

Greenhouse Gas Emissions of AMOREPACIFIC Group from Yr 2018 Unit: tCO<sub>2</sub>-eq

AMOREPACIFIC Group	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Other indirect emissions (Scope 3)	Total emissions
AMOREPACIFIC	9,620	39,261	3,757	52,638
PACIFICPACKAGE	385	4,260	-	4,645
COSVISION	1,001	3,879	-	4,880
OSULLOC	1,977	1,117	-	3,094
AESTURA	904	2,358	-	3,263
AMOREPACIFIC SHANGHAI	899	6,744	-	7,643

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the system with ± 1 tCO<sub>2</sub>-eq.  
※ Total emissions = Scope 1 + Scope 2 (Total emissions of AMOREPACIFIC include Scope 3 emissions)

23<sup>rd</sup> April 2019

  
Lee, Jang Sup  
Country Representative  
DNV GL Business Assurance Korea

This Assurance Statement is valid as of the date of the issuance (23<sup>rd</sup> April 2019). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of AMOREPACIFIC Group is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

# GRI Standards Index

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\*Amorepacific Group Business Report can be viewed on the following website.  
<http://dart.fss.or.kr/dsaf001/main.do?rcpNo=20180402CJ2570> [http://dart.fss.or.kr/dsaf001/main.do?rcpNo=2018040200\\_570](http://dart.fss.or.kr/dsaf001/main.do?rcpNo=2018040200_570)

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413-2	Operations with significant actual and potential negative impacts on local communities	34-36	
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416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There was no violation of the applicable laws	
Marketing and Labeling	417-1	Requirements for product and service information and labeling	8-10, 81-82
	417-2	Incidents of non-compliance concerning product and service information and labeling	There was no violation of the applicable laws
	417-3	Incidents of non-compliance concerning marketing communications	There was no violation of the applicable laws

### 3. Non Material Topic-specific Disclosures

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	205-2	Communication and training about anti-corruption policies and procedures	73
	205-3	Confirmed incidents of corruption and actions taken	73
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	There was no violation of the applicable laws
<b>Environmental Standards</b>			
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	308-2	Negative environmental impacts in the supply chain and actions taken	96-97
<b>Social Standards</b>			
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Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	86, 96-97
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Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	86, 96-97
	412-2	Employee training on human rights policies or procedures	73, 86
	MA		96
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	96-97
	414-2	Negative social impacts in the supply chain and actions taken	96-97
Public Policy	415-1	Political contributions	*There was no political donation *Amorepacific's expenditure for industry associations and tax-free organizations is listed below"
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	There was no material case
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	There was no material case

- Expenditure(for 3years) : 1,105 million won(in 2018), 837 million won(in 2017), and 858 million won (in 2016).

- Major Expenditures : Korea foundation for cooperation of large&small business, rural affairs 329 million won, Korea Cosmetic Association 266 million won, Korea Chamber of Commerce and Industry 130 million won, Korea direct selling industry association 85 million won, The Korea Employers Federation 62 million won

## UNGC Communication on Progress

### Ten Principles of the UNGC and Amorepacific Group's Activities

Classification	Principle	Businesses should support and respect the protection of internationally proclaimed human rights; and	Amorepacific Group's Principles and Activities	Page
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Amorepacific Group supports the Universal Declaration of Human Rights and UN Guiding Principles on Business and Human Rights; Ruggie Framework.	86, 96-97
	Principle 2	make sure that they are not complicit in human rights abuses.		
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Amorepacific Group supports the employees' right to join and leave the labor union and build trust between the management and the employees through communication.	86
	Principle 4	the elimination of all forms of forced and compulsory labour;	Amorepacific Group strictly prohibits any form of child labor, involuntary or forced labor and discrimination throughout its entire business process, and conducts annual on-site reviews of the company and its suppliers.	86, 96-97
	Principle 5	the effective abolition of child labour; and		
Environment	Principle 6	the elimination of discrimination in respect of employment and occupation.		
	Principle 7	Businesses should support a precautionary approach to environmental challenges;	Amorepacific Group is committed to reducing greenhouse gas emissions and water consumption intensity, introducing renewable energy and developing a sustainable package by 2020 as part of environmental protection and circular economy strategy.	26-33, 90-94
	Principle 8	undertake initiatives to promote greater environmental responsibility; and		
Anti-Corruption	Principle 9	encourage the development and diffusion of environmentally friendly technologies.		
	Principle 10	encourage the development and diffusion of environmentally friendly technologies.	morepacific Group puts "Integrity" as the top priority of the AP WAY values to promote ethical practice and raise awareness throughout the corporate eco-system.	73

## About This Report

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### Purpose of the Report

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

### Scope and Boundary of the Report

The scope of this report covers Amorepacific Group and all its subsidiaries (Amorepacific, innisfree, ETUDE, etc.). In the case of Amorepacific, the domestic production sites (headquarters in Seoul, R&D Center, HR Development Center, Regional BU, and Beauty Campus Osan, Daily Beauty production site and Osulloc production site) were mainly under review, and, in some cases, includes performances of overseas offices.

### Reporting Period

The reporting period is from January 1 to December 31, 2017 and data from 2015 and 2016 were included for comparative purposes. Data regarding performance from the first half of 2018 were reflected in some cases.

### Third Party Assurance

In order to enhance the accuracy and reliability of this report, the content was verified by an independent verification institution, DNV GL Business Assurance Korea Ltd. Based on VeriSustain, the content was verified to a limited level of assurance and a reliability assessment was conducted regarding environmental performance.

### Reporting Standards

This report was prepared in accordance with the sustainability reporting guideline standards (Core Option) of the Global Reporting Initiative (GRI) and is based on major agenda of the Sustainable Development Goals (SDGs) and Amorepacific Group's internal reporting guidelines.

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