

THE SCIENCE OF KOREAN BEAUTY

COSMAX  
SUSTAINABILITY  
REPORT 2021

COSMAX SUSTAINABILITY REPORT 2021



# About this Report

This is the first sustainability report published by COSMAX. COSMAX strives to fulfill its social responsibilities while seeking economic value through R&D and production. COSMAX is publishing this sustainability report to share its ESG efforts and performance with various stakeholders.

## Reporting standards

This report was written in accordance with Global Reporting Initiative (GRI) Standards: Core option, and the UN Sustainable Development Goals (SDGs) as well as ISO 26000:2010 Guidance on social responsibility. The financial information in this report is based on Korean International Financial Reporting Standards (K-IFRS).

## Reporting period and scope

January 1, 2020 to December 31, 2020

(including performance in the first half of 2021)

\* Data included in this report is information on the domestic operations of COSMAX only, excluding that of subsidiary companies.

## Report assurance

Independent third-party verification

## Report information

This report is published in Korean, English and Chinese, and is available for download online ([www.cosmax.com](http://www.cosmax.com)).

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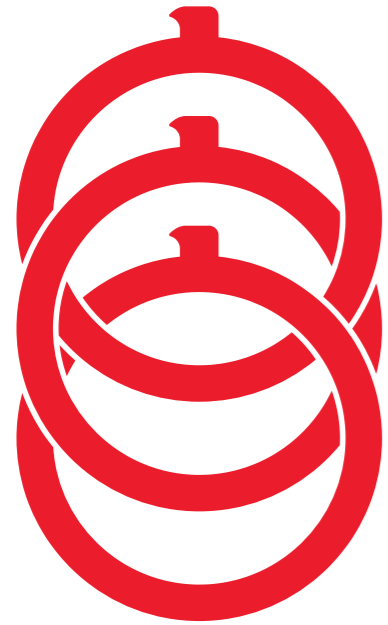
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# Corporate Philosophy & Core Values

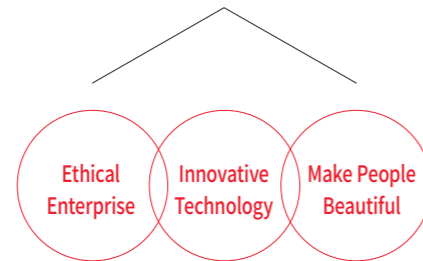
COSMAX began with its three apples of promise—Eve’s Apple which stands for ethics, Newton’s Apple which stands for science, and Aphrodite’s Apple which stands for beauty. As such, we strive to become an ethical enterprise that values respect and sincerity backed by innovative technology to make people beautiful. Based on these core commitments are our core values of trust and love. COSMAX will continue to pursue a better world under the philosophy of growing with clients, partners, and the society at large.



**EVE’S APPLE**  
**Ethical Enterprise**  
**Trustworthy Company**  
 · Respect  
 · Sincerity

**NEWTON’S APPLE**  
**Innovative Technology**  
**Innovative Company**  
 · Creative innovation  
 · Professionalism

**APHRODITE’S APPLE**  
**Make People Beautiful**  
**Exemplary Company**  
 · Environmental management  
 · Social contribution



Corporate Philosophy

Core Values



Code of Conduct

- 1 **Make the best in quality.** Give bundles of satisfaction to customers and consumers.
- 2 **Become an expert.** Be a champion in taking care of even the smallest and invisible things.
- 3 **Learn and practice.** Ask and learn persistently, practice like a warrior.
- 4 **All problems are everyone’s problems.** Stick to them until you get to the roots.
- 5 **“Respect” and “diligence” are the basics.** Honor promises with customers and society.
- 6 **Create “happiness.”** Give the “best in beauty” and “vigorous health” to customers and consumers.
- 7 **Love life.** “Love nature and love people” by “sharing the environment.”
- 8 **Do not say “no” or “I don’t know.”** Say “yes” and “I can” and act smoothly like a flowing river.
- 9 **“Dress smartly,” “put on a smile,” “happily greet each other.”** Behave like a sunny day whenever, wherever.

## Mid-to-long Term Management Strategies (2021–2025)

MISSION

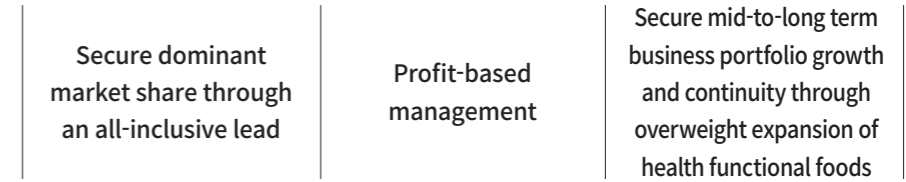
Let all humans across the globe live in freedom, beauty and health by expressing their unique values

VISION

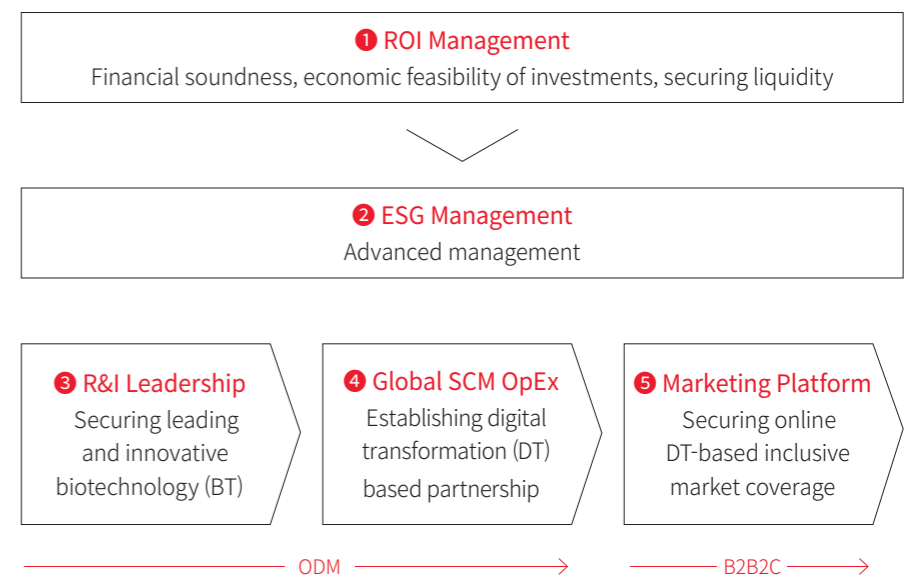
Become the center of the world in the beauty and health industry with digital technology and data while growing with customers to new horizons



Management Keynote  
 (Business Goals)



Priority Strategies



# Chairman Message



Dear respected stakeholders,

For the past two years, the international community has endured a period of hardship as a whole—financial and otherwise—in the midst of the COVID-19 pandemic. However, I believe that we are close to seeing the end

of these seemingly never-ending dark times thanks to Korea’s world-class disease control and prevention measures, and the systematic vaccination efforts on a nationwide scale.

COSMAX achieved stable development despite the sluggish economy through securing online channel clients and developing products in tune with the times. Furthermore, we are constantly seeking ways to change for future development, such as investments in digital transformation. Of course, we remain indebted to our clients, partners, shareholders, stakeholders and employees for contributing to our growth and vision.

Since establishment, COSMAX has been striving to manifest its corporate philosophy comprising three commitments based on three apples of history: Eve’s Apple, Newton’s Apple, and Aphrodite’s Apple. First, Eve’s Apple represents COSMAX as an ethical enterprise that values respect and sincerity. Next, Newton’s Apple represents COSMAX’s innovative technology that values creative innovation and professionalism. Finally, Aphrodite’s Apple represents COSMAX’s commitment to make people beautiful as an exemplary company that values environmental management and social contribution as corporate social responsibility. These core commitments serve as the cornerstone and foundation of COSMAX, and are what drives us to carry out our corporate social responsibility.

Based on this and the recognition of the importance of ESG and corporate sustainability, we are publishing our first sustainability report to share our economic, environmental, and social performance with stakeholders. Additionally, by participating in the UN Global Compact (UNGC), the largest voluntary sustainability initiative in April 2021, we are planning to internalize the 10 principles related to human rights, labor, environment and anti-corruption into our management strategies and daily operations.

We have voluntarily participated in not just the UNGC, but also EcoVadis as well as the CDP (Carbon Disclosure Project). By releasing our data on non-financial performance in a transparent manner, we will continue to inspect our level of sustainability and make necessary improvements.

This is our promise to our stakeholders—clients, partners, shareholders, and all.

**We will operate as an ethical enterprise through respect and sincerity.**

We have always put "trust" above all else even since our initial phase of establishment. Out of respect and sincerity, we froze our unit price to keep our promise to clients at the cost of our own profit, and spared no effort to overcome the crisis together with clients by abolishing the minimum order policy. As a result, we experienced an all-the-more increase in the number of partners and saw strengthened relationships. We will continue to strive to earn the trust of not just our clients, partners, shareholders and employees, but even consumers.

**We will pursue innovative technology through world-leading product.**

We have focused on creative innovation and professionalism based on our belief that the key competitiveness of research and production companies is their R&D capability. COSMAX BTI R&I Center and each corporate R&I center in Pangyo (Korea), Shanghai (China) and New Jersey (USA) are carrying out product development based on their respective region to lead global trends as a "ONE R&I" organization.

Especially, we are displaying world-leading technologies, such as defining and commercializing skin microbiome, as the first in the world’s microbiome sector, which has recently been receiving global attention. We will not settle for the present and aim to become the No.1 research lab in the world through endless effort and investment. Additionally, we will strengthen our digital transformation and strive to secure future

competitiveness by conducting meticulous research on developing innovative products.

**We will make people beautiful through corporate social responsibility.**

COSMAX has become a leading global ODM of beauty and health products in 2015. In this light, we have gained a greater sense of duty to fulfill our corporate social responsibility siding with employees, partners, clients, consumers, and shareholders. As a part of our effort, we have implemented a policy of producing profit through transparent corporate activity and annually returning profits to the clients, partners, shareholders, local communities, and employees.

COSMAX is expanding its scope of corporate social responsibility to encompass environmental management and social contribution. We are establishing a goal of reducing 30% of GHG emissions by 2030 to actively respond to climate change and plastic waste, along with our goal of increasing reusable plastic usage to 100% in the next five years with subsidiary material partners. This is planned to be expanded beyond Korea to our overseas subsidiaries in the United States, China, Southeast Asia, and more.

We appreciate your continued interest and support in our effort to creating a future based on sustainable values. There is a word of salutation used in many parts of Central and Eastern Europe—servus, which is similar to the Italian ciao. Its Latin etymology implies subservience, meaning “at your service.”

**Servus, COSMAX will always be at your service. Thank you.**

July 2021

**Chairman Kyungsoo Lee, COSMAX Group**

# Business Overview

## COSMAX Group

**COSMAX Group is aiming to become the No. 1 global R&D player and producer of beauty & health products.**

COSMAX Group encompasses and focuses on beauty and health sectors. As a driver behind the science of Korean beauty, COSMAX stands as a global leader along with ODM companies COSMAX NBT and COSMAX BIO while also focusing on development and production of cosmetic equipment and special containers. The group operates world-leading production facilities in 23 factories across the world, including Korea, Shanghai, Guangzhou, Ohio, New Jersey, Dallas, Victoria, Jakarta and Bangkok, and conducts extensive research and development for the swift production of high quality products. COSMAX Group walks along with its various partners in global markets from planning, research, development and production of cosmetics and health functional foods all the way to marketing support.

### Global Network

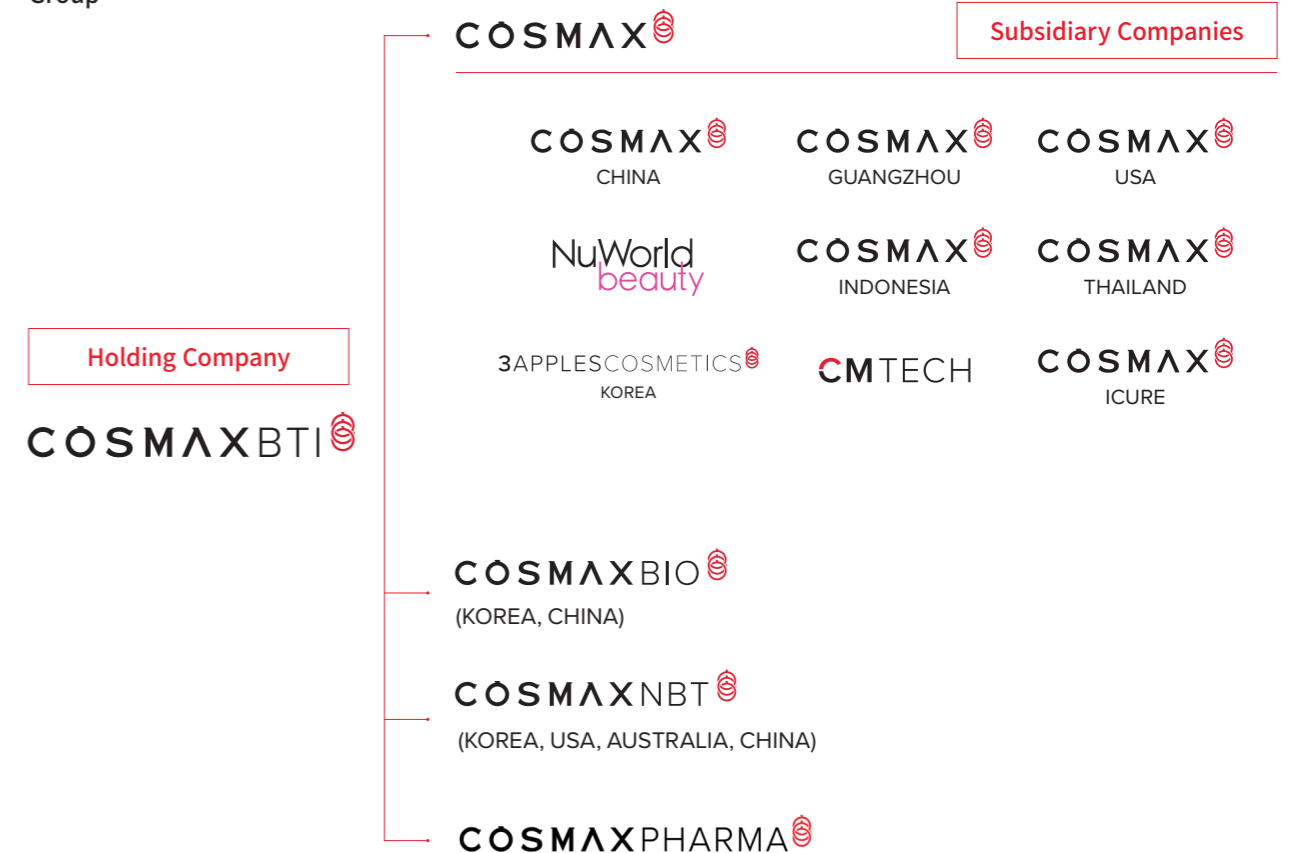
COSMAX Group is striving for global beauty and promotion of health.

COSMAX Group has international offices and factories in Korea, China, Indonesia, Thailand, Australia, the United States, and more. We will contribute to beauty and health by developing, producing and supplying cosmetics, health functional foods and medicine that everyone can trust and buy for the simple reason of it being "Made by COSMAX."

\*Cosmetics \*Health functional foods \*Medicine



Group



Unit: KRW 100 million

Subsidiary	Revenue	Growth (YoY)
COSMAX	7,654	4% ↑
COSMAX BTI	719	7% ↑
COSMAX China	3,393	9% ↓
COSMAX Guangzhou	1,284	17% ↑
3APPLESCOSMETICS	513	2% ↑
COSMAX I cure	136	19% ↑
COSMAX BIO (Korea)	1,606	2% ↓
COSMAX NBT	1,964	34% ↑
<b>Total</b>	<b>17,261</b>	<b>4% ↑</b>

## COSMAX Overview

COSMAX drives the science of Korean beauty as a leading global R&D player and producer of cosmetics products. We are currently supplying to about 600 brands in 100 countries, and have the capacity to produce 2 billion units from domestic and overseas factories, including Korea, China, Indonesia, Thailand, Australia and the United States, based on output as of 2020.

### Overview

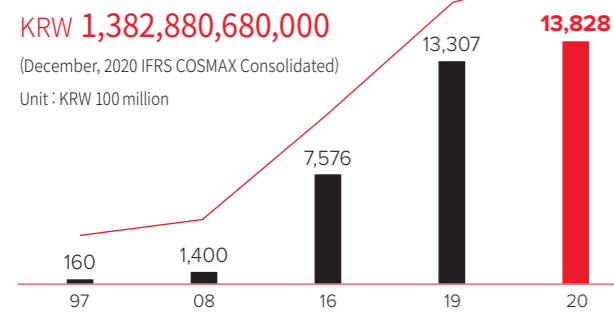
Company	COSMAX Co., Ltd.
CEO	Byeongman Lee, Sangbae Shim
Status	KOSPI-listed medium-sized enterprise
Established	November 1992
Business	Cosmetics
Headquarters	27, Jeyakongdan 1-gil, Hyangnam-eup, Hwaseong-si, Gyeonggi-do, 18622, Republic of Korea
Employees	6,365 (as of 2021)

### Employees

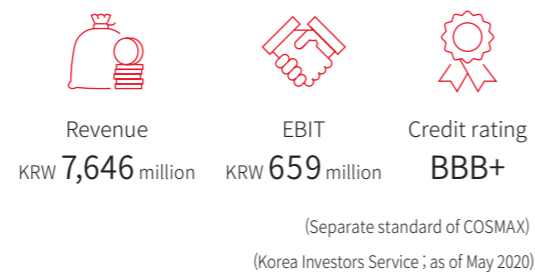
R&I	282
Production	560
Sales	108
Support	113
<b>Total (Korea)</b>	<b>1,063</b>
<b>Total (Global)</b>	<b>5,302</b>

\* Total employees: 6,365  
\* Total researchers: 651  
(Source: 2021 management strategy data)

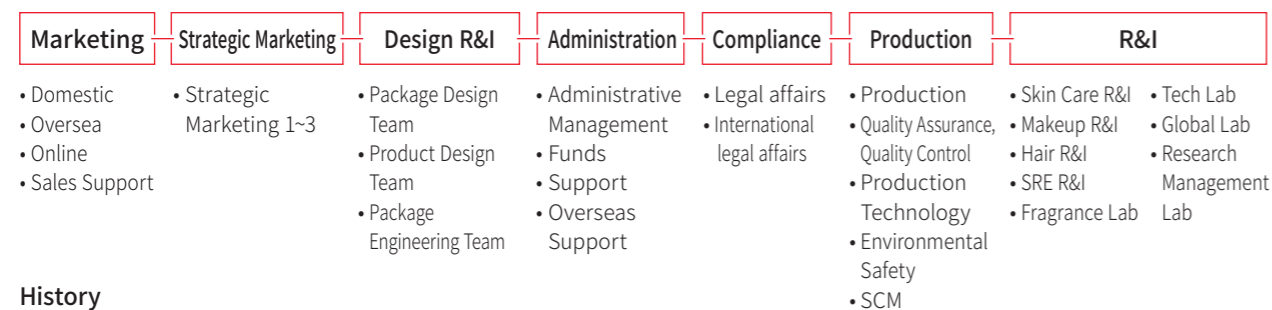
### Sales



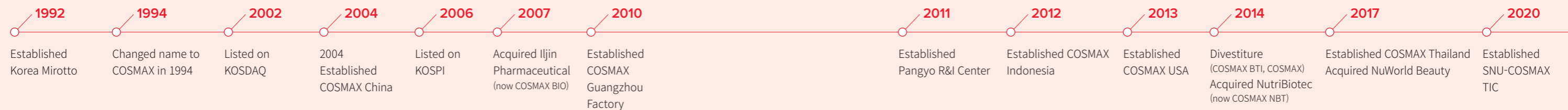
### 2020 Financial Performance



### Organization



### History



\* Pyeongtaek Factory was established in 2019 and began operations in 2020.

### Business Establishment

#### COSMAX (Korea)



\* Domestic: Hwaseong, Jecheon, Icheon, Pyeongtaek, Osong

#### COSMAX China (Shanghai)



#### COSMAX Guangzhou



#### COSMAX Indonesia (Jakarta)



#### COSMAX USA (Ohio)



#### NuWorld Beauty (New Jersey)



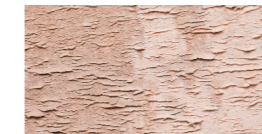
#### COSMAX Thailand (Bangkok)



#### COSMAX Hyangyakwon (Korea)



#### CM TECH (Korea)



#### COSMAX Icure (Korea)



#### 3APPLESCOSMETICS (Korea)



### Major Global Clients

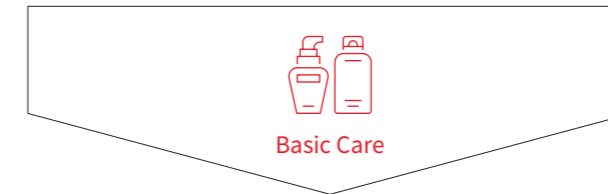


### Major Domestic Clients

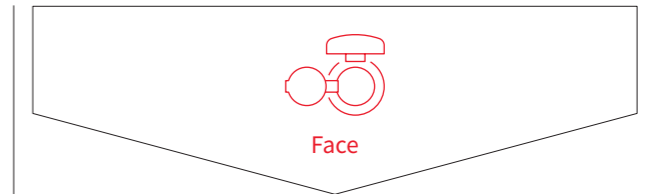


## Product portfolio

COSMAX produces a wide range of cosmetic products from basic care, face, hair and body to makeup that satisfy the customers' desires and demands for health and beautiful skin using scientific technology.



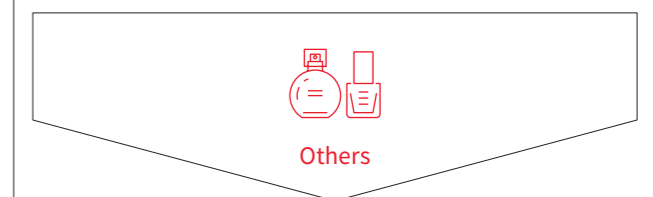
- Skin Care** Toner, Lotion, Cream, Essence, Mist, Oil
- Mask** Sheet Mask, Wash-Off Pack, Peel-Off Pack, Sleeping Pack, Hydro-Gel, Eye Patch, V-Line Patch
- Cleansing** Cleansing Foam, Cleansing Powder, Cleansing Oil, Micellar Water, Lip & Eye Remover



- Cushion** Sun Cushion, BB Cushion, CC Cushion, Primer Cushion, Foundation Cushion, Base Cushion, Blusher Cushion, Highlighter Cushion
- Makeup** Foundation, BB, CC, Primer, Cushion Compact, Two-Way Cake, Face Powder, Blusher, Shading, Highlighter, Lip, Mascara, Brow, Eyeliner, Eyebrow Pencil, Eyebrow Pencil, Lip Liner Pencil
- Suncare** UV Block, Sunscreen, Sun Spray, Sun Stick, Sun Gel



- Hair** Shampoo, Conditioner, Treatment, Hair Styling, Hair Coloring, Baby Hair, Functional Hair Care, Other Hair Products
- Bath & Body** Cleanser, Lotion, Essence, Scrub, Cream, Oil, Hand Cream, Foot Cream, Foot Scrub, Foot Mist, Hand Sanitizer, Women's Cleaner, Body Deodorant, Mouth Mist, Deodorant, Bath Bomb

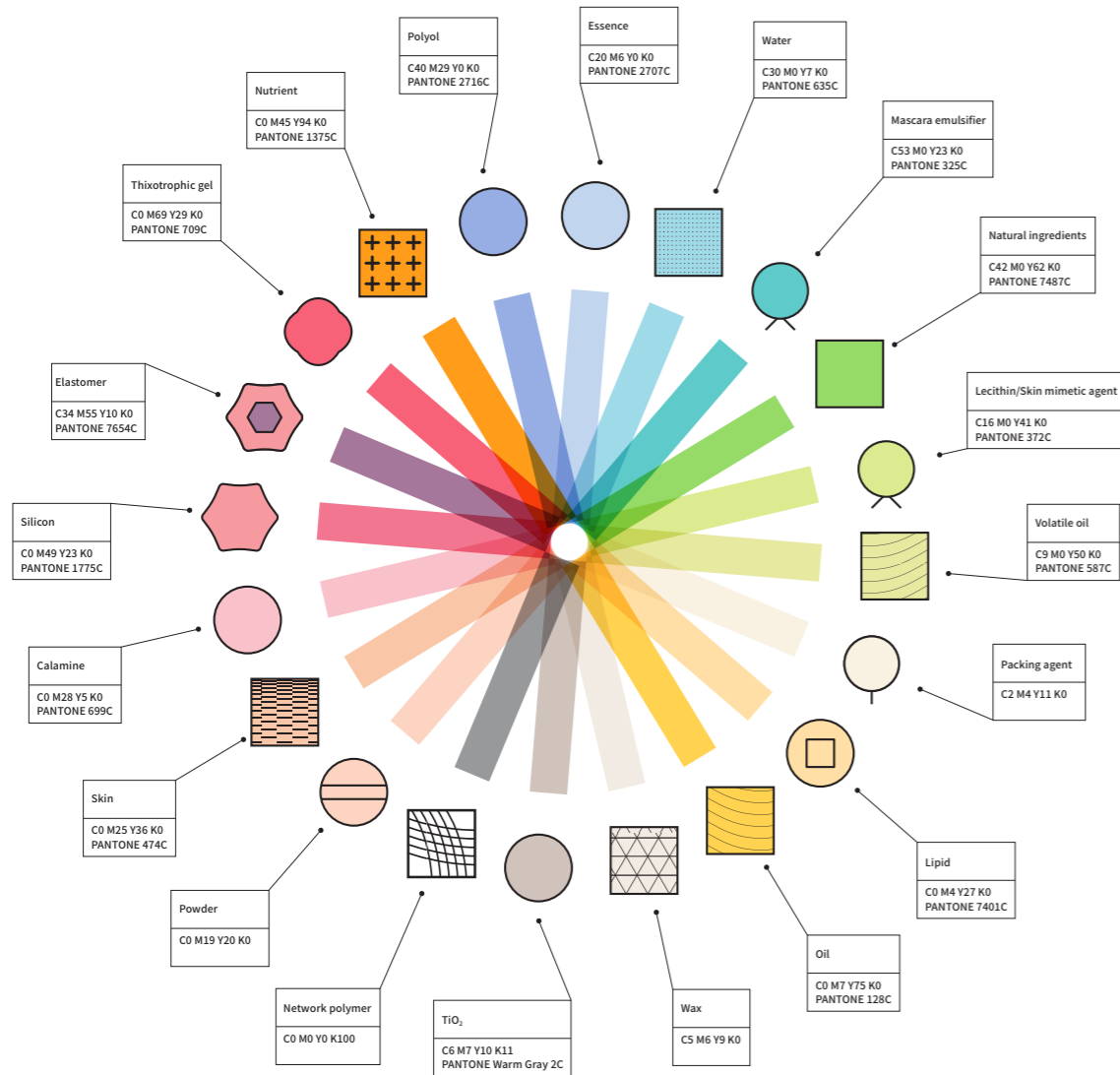


- Fragrance** Perfume, Aroma Oil, Shower Cologne, Diffuser
- Nail** Water-Based Nail Polish
- Baby & Child** Perfume, Aroma Oil, Shower Cologne, Diffuser
- Korean Herbal Cosmetics** Toner Serum, Essence Cream
- Cosmeceutical** Whitening, Anti-Oxidizing Wrinkle Treatment, Skin Barrier Protection, Sebum Control, UV Protection, Tanning, etc.

## Beauty technology

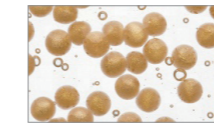
COSMAX recognizes that independent research and development is essential for the development of the company, and is investing more than 30% of the entire workforce into its research and innovation (R&I) centers.

We are constantly focusing on research and development to secure independent technical development capabilities which become the driving force for long-term development. Furthermore, we are breaking the mold to create new ideas by challenging the unknown. COSMAX's beauty technology comprises our core values as a research and technology company leading the global cosmetics market with innovation through convergence technology. We will continue to achieve further development through the core technologies that helped create what COSMAX is today and to prepare for the future in each sector of skin care, sun care, basic care, makeup, fragrance and materials.



## Translating technology for consumers with technology branding

COSMAX is growing based on its differentiated technological capabilities, and is planning to efficiently relay the advantages and efficacy to customers through technology branding for each of our key brands.



### Micro Aid™

Cosmeceutical skincare technology that provides long-lasting effect without vaporizing through the applied G SYSTEM which equally distributes multiple capsules



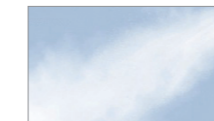
### CeraPresso™

Patented high-enriched skincare technology which accelerates nutrient absorption into the skin through ceramides



### Foamology™

Mousse technology which minimizes skin irritation through the fine and rich elasticity of bubbles



### MISTOLOGY™

Fine spraying technology which provides immediate moisturizing along with a skin toning effect and nutrition from the lotion through serum particles



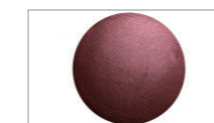
### Solar Clear™

Transparent UV blocking technology with no clouding effect



### skin fabric™

The most complete hybrid technology for skin care and makeup



### JellTex™

COSMAX's major makeup technology that gives a moist texture and a powdery finish at the same time



### Bi-Coat™

COSMAX's unique powder coating technology that provides excellent soft focus effect with high adherence and continuity



### Thiolash™

Thixotropic mascara technology that coats every single eyelash



### Ginsenology™

The foundation of COSMAX's oriental technology that applies all ginseng-related knowledge and technology



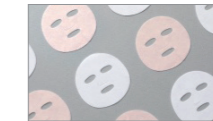
### ISLCE™

Technology that protects the skin from harmful external factors, such as pollution, while protecting the moisture level of the skin by recovering the damaged skin barrier



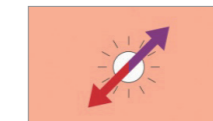
### Emulixir™

A key skin care technology which effectively transfers nutrients to the skin by stabilizing soluble active ingredients



### Maskovery™

Mask technology which supplies excellent skin-friendly emulsion using natural liquid emulsifiers



### IRPT™

A next-generation sun care technology which blocks infrared rays that have emerged as a new issue regarding skin aging



### Air Cloud™

COSMAX's in-house cushion technology Extremely popular with more than 300 million units supplied after development



### Xfine™

Powder fining technology which provides a natural makeup effect identical to natural skin



### ARTCOTTA™

A 10-hour oven-roasted powder molding technology to provide a soft feel and splendid 3D patterns



### creamlime™

An eyeliner and eyebrow technology with creamy application and a powdery finish



### Crystal Prism™

Lipstick wax crystal control technology with vivid colors and soft application



### Scenteritage™

Unique heritage fragrance that comes from Korean traditions, such as plum and crepe myrtle flowers



# Stakeholder Engagement & Materiality Assessment

## Stakeholder Engagement

COSMAX carried out a survey targeting internal and external stakeholders, including the government, suppliers, partners, clients, investors and employees, to gather the opinions of related parties to examine its level of sustainability. We will reflect and improve COSMAX's management and sustainable activities based on the opinions of about 650 respondents.

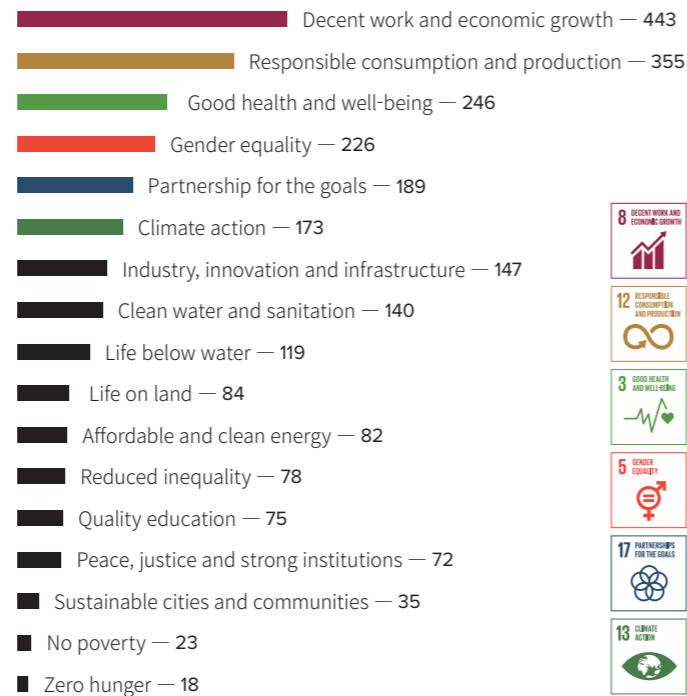
Do you think COSMAX is a company that fulfills its environmental and social responsibilities along with the growth of the company? (Unit: Points)



Do you think COSMAX is faithfully carrying out responses to environmental, social and governance issues in a responsible manner? (Unit: Points)



Which of the SDGs do you think COSMAX can effectively contribute to?

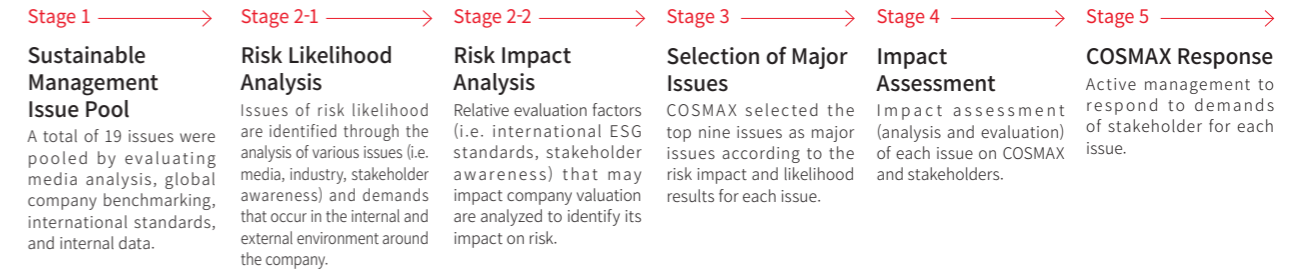
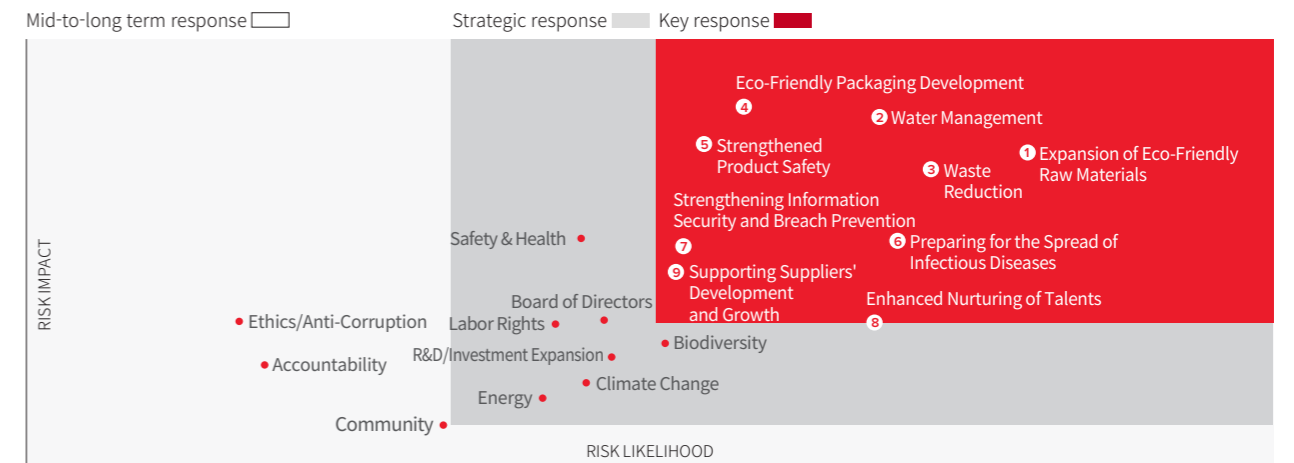


### Stakeholders' Opinions on ESG

Environment	Social	Governance
<ul style="list-style-type: none"> <li>Developing recyclable containers</li> <li>Reducing the use of disposable products</li> <li>Developing an eco-friendly process for reduced energy usage and GHG emissions</li> <li>Researching biodegradable products</li> <li>Using eco-friendly materials</li> </ul>	<ul style="list-style-type: none"> <li>Discovering suppliers continuously for mutual growth</li> <li>Supporting CSR for partners</li> <li>Preventing the outflow of key talent</li> <li>Strengthening security in preparation for technological breaches</li> <li>Strengthening product safety</li> <li>Contributing to communities</li> </ul>	<ul style="list-style-type: none"> <li>Securing and maintaining excellent talents</li> <li>Expanding employee welfare</li> <li>Improving the workplace environment</li> <li>Nurturing talents for mutual growth</li> <li>Providing transparent management activity information</li> <li>Supporting and investing in new technologies</li> </ul>

## Materiality Assessment










COSMAX has conducted a materiality assessment to select major issues considering the interest of stakeholders and impact on its business. This report contains the activities and performance of nine major issues selected for the materiality assessment in 2021 by creating a sustainable management issue pool and conducting surveys as well as analyzing media and ESG global standards.



### 2021 Materiality Issue Metrics

No.	Issue	Risk	Category	Employees	Partners	Customers	Government / Investors	Media	Page
1	Expansion of Eco-Friendly Raw Materials	●	Safe Product Development & Eco-Friendly Packaging			v	v	v	53-56
2	Water Management	●	Environmental Management		v	v	v	v	67-68
3	Waste Reduction	●			v	v			69-70
4	Eco-Friendly Packaging Development	●	Safe Product Development & Eco-Friendly Packaging		v	v	v	v	22-23, 57-59
5	Strengthened Product Safety	●			v		v	v	53-56
6	Preparing for the Spread of Infectious Diseases	●	Overcoming COVID-19	v	v		v		26-27
7	Strengthening Information Security and Breach Prevention	●	Trustworthy Company	v	v	v			37-39
8	Enhanced Nurturing of Talents	●	Happy Workplace	v	v				31-32
9	Supporting Suppliers' Development and Growth	●	Sustainable Supply chain		v		v		73-74

## Management Approach

Issue	Sustainability Context	Risk
<b>Expansion of Eco-friendly Raw Materials</b> 	<ul style="list-style-type: none"> <li>Increased environmental footprint due to the use of non-biodegradable raw materials and increased risk to the ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of laws and regulations for the safety of cosmetics by country</li> <li>Increased negative impact on the ecosystem due to the use of hazardous materials such as fine plastics</li> </ul>
<b>Water Management</b> 	<ul style="list-style-type: none"> <li>Continuous increase of waste water and operational fees due to the expansion of investments for production equipment in order for business growth</li> </ul>	<ul style="list-style-type: none"> <li>Greatly impacts the contamination load of public waste processing facilities as waste water output accounts for the largest portion among resident companies within the industrial complex</li> </ul>
<b>Waste Management</b> 	<ul style="list-style-type: none"> <li>Requires reduction of waste output and maximization of recycling due to designation as a workplace of resource recirculation management</li> </ul>	<ul style="list-style-type: none"> <li>Increased types and amount of waste due to the expansion of production facilities and diversification of products</li> <li>Increased product disposal and ingredients due to the continuation of a lacking cosmetic industry from strengthened social distancing measures and working from/staying home caused by the COVID-19 pandemic</li> </ul>
<b>Eco-friendly Packaging Development</b> 	<ul style="list-style-type: none"> <li>Eco-friendly packaging is a trend applied to all industries and is becoming an obligation more so than a choice</li> <li>Protecting products through brand marketing identity and packaging Requirement of applying eco-friendly elements along with goals</li> </ul>	<ul style="list-style-type: none"> <li>Low client preference due to the downside of having a low external quality despite the high price point</li> <li>Lack of a portfolio for various ingredients and customers' change of awareness for eco-friendly ingredients</li> </ul>
<b>Strengthened Product Safety</b> 	<ul style="list-style-type: none"> <li>Prioritizing customer safety</li> <li>Creating a transparent and truthful company image</li> </ul>	<ul style="list-style-type: none"> <li>Lack of customer awareness for the strengthening of legal standards for product display advertisements</li> <li>Requires the provision of materials based on scientific and professional data</li> </ul>
<b>Preparing for the Spread of Infectious Diseases</b> 	<ul style="list-style-type: none"> <li>Increased requirement for managing production and the safety of employees due to the continuous outbreak of infectious diseases including COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>Occurrence of delivery failures due to halted production lines</li> <li>Requires responses due to the change of business methods and customers' needs</li> </ul>
<b>Strengthening Information Security and Breach Prevention</b> 	<ul style="list-style-type: none"> <li>Increasing trend of the portion of a company operation due to the expansion of IT infrastructure and Industry 4.0</li> </ul>	<ul style="list-style-type: none"> <li>Losses due to breaches of corporate and personal data, and system downtime due to hacking</li> </ul>
<b>Enhanced Nurturing of Talents</b> 	<ul style="list-style-type: none"> <li>Importance of talent development is increasing due to the increased influx of Millennials and Gen Z as the company's core competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Loss of competence and increased training fees due to talent breaches</li> </ul>
<b>Supporting Suppliers' Development and Growth</b> 	<ul style="list-style-type: none"> <li>Increased responsibility as a global corporate citizen which receives raw materials and ingredients from 1,300 companies in 30 countries</li> </ul>	<ul style="list-style-type: none"> <li>Decreased suppliers' quality</li> <li>Occurrence of legal infringements of suppliers</li> </ul>

Opportunity	Strategy and Activity	Next Step
<ul style="list-style-type: none"> <li>Contributing to brand awareness along with decreased carbon emissions through successful eco-friendly product development</li> </ul>	<ul style="list-style-type: none"> <li>Obtaining global eco-friendly certification and expansion application</li> </ul>	<ul style="list-style-type: none"> <li>Creation of COSMAX's independent standards for eco-friendly products</li> </ul>
<ul style="list-style-type: none"> <li>Establishing factors for reducing water usage and management system for responding to risks by increased operational expenses</li> </ul>	<ul style="list-style-type: none"> <li>Reuse of RO enriched water through purification system</li> <li>Reduced contamination load through efficient operation of waste water processing facilities</li> </ul>	<ul style="list-style-type: none"> <li>Constant execution of water reduction activities</li> <li>Independent expansion of waste water processing facilities and improvement of process</li> </ul>
<ul style="list-style-type: none"> <li>Cost reduction through changing waste processing methods</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of waste units and expansion of recycling percentage</li> <li>Carrying out waste production training for employees and inducing a change in awareness through internal campaigns</li> </ul>	<ul style="list-style-type: none"> <li>Setting reduction goals for each workplace to minimize waste creation during production activities</li> </ul>
<ul style="list-style-type: none"> <li>Contributing to brand awareness along with decreased carbon emissions through successful eco-friendly product development</li> <li>Preemptively securing the market through developing a comprehensive eco-friendly package which complies to trends, laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Discovering eco-friendly material through cooperation with global material companies and reviewing its application</li> <li>Developing new products and quality verification through cooperation with subsidiary material companies with technological and quality management competence</li> <li>Product development using PCR, recyclable and bio-based materials</li> <li>Achieving eco-friendliness through simple structure and single material applied container development</li> </ul>	<ul style="list-style-type: none"> <li>Leading the cosmetic subsidiary material trend through cooperation with material and subsidiary material companies</li> </ul>
<ul style="list-style-type: none"> <li>Establishing objective data for proving safety and providing client data</li> <li>Support of B2C communication of clients is possible by providing safety data for each stage of product development, such as raw materials, efficacy, claims, regulations and impurities</li> </ul>	<ul style="list-style-type: none"> <li>Supply of safe products and sustainable management to realize the core values of trust and love</li> <li>Increasing capacity for providing objective activity and data which can satisfy the various demands of clients</li> <li>Customer-tailored development process through constant suggestions of selected ingredients and products</li> </ul>	<ul style="list-style-type: none"> <li>Providing a customer-tailored development process based on world-leading safety standards</li> <li>Selecting sustainable raw materials that speak up for protection of children's rights, the ocean and rain forests, and expanding product development</li> </ul>
<ul style="list-style-type: none"> <li>Creating a new business model and products</li> </ul>	<ul style="list-style-type: none"> <li>Changing business structure such as strengthening customer service and online channel expansion, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of production facilities and strengthening of safety management</li> </ul>
<ul style="list-style-type: none"> <li>Strengthening of information security systems</li> </ul>	<ul style="list-style-type: none"> <li>Creation of security policy for important information and execution of an internal information security evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Obtain ISO 27001 certification</li> </ul>
<ul style="list-style-type: none"> <li>Securing corporate competence through procuring various talents and increasing term of service</li> <li>Constant business growth through enhanced professionalism of employees</li> </ul>	<ul style="list-style-type: none"> <li>Reorganization of work classification system, carrying out a live employment session, and introduction of Smart COSMAX</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening digital competency</li> </ul>
<ul style="list-style-type: none"> <li>Establishing a mutual cooperation relationship with suppliers and producing synergy</li> </ul>	<ul style="list-style-type: none"> <li>Establishing supply chain policies and supporting the strengthening of supplier ESG management</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of support for ESG management of suppliers</li> </ul>

# ESG At A Glance

COSMAX is putting effort in various fields to transparently communicate the process of executing ESG management and its achievements with stakeholders. We have based our first sustainability report on economic, environmental and social performance. Additionally, we have been participating in the CDP since 2019, and received a score of B in 2020.

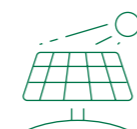
We are continuously governing sustainable management, demanded by global clients, by participating in EcoVadis, a French supply chain evaluation institution, since 2016. For the expansion of noticing non-financial information according to the international notice guidelines, we are publicizing ESG achievements based on the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).



## Environment

2020 CDP  
(Carbon Disclosure Project)

**B**



**Solar Power Plant  
Construction**

May 2021



Environmental Management  
System Certification

**ISO 14001**



GHG Emissions (Scope 1+2+3)

**11,380** tCO<sub>2</sub>eq



## Social

Health & Safety Certification

**ISO 45001**



Approved by the Ministry of Gender Equality and Family

**Family-Friendly Company**

(Since October 2017)



Microbiome-related Patents

**72** Applications

+ **32** Registrations



Employed Persons with Disabilities

**4** Employees



## Governance

Joined  
**UN Global Compact**

April 2021



**EcoVadis**

Continued Participation Since 2016



KCGS\* ESG Evaluation 2020

**B+**

(E: B+ / S: B+ / G: B)



**TCFD · SASB**

Announcement

\* Participation in Global Initiatives : UN Global Compact, Carbon Disclosure Project

\* KCGS : Korea Corporate Governance Service

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# ESG HIGHLIGHTS

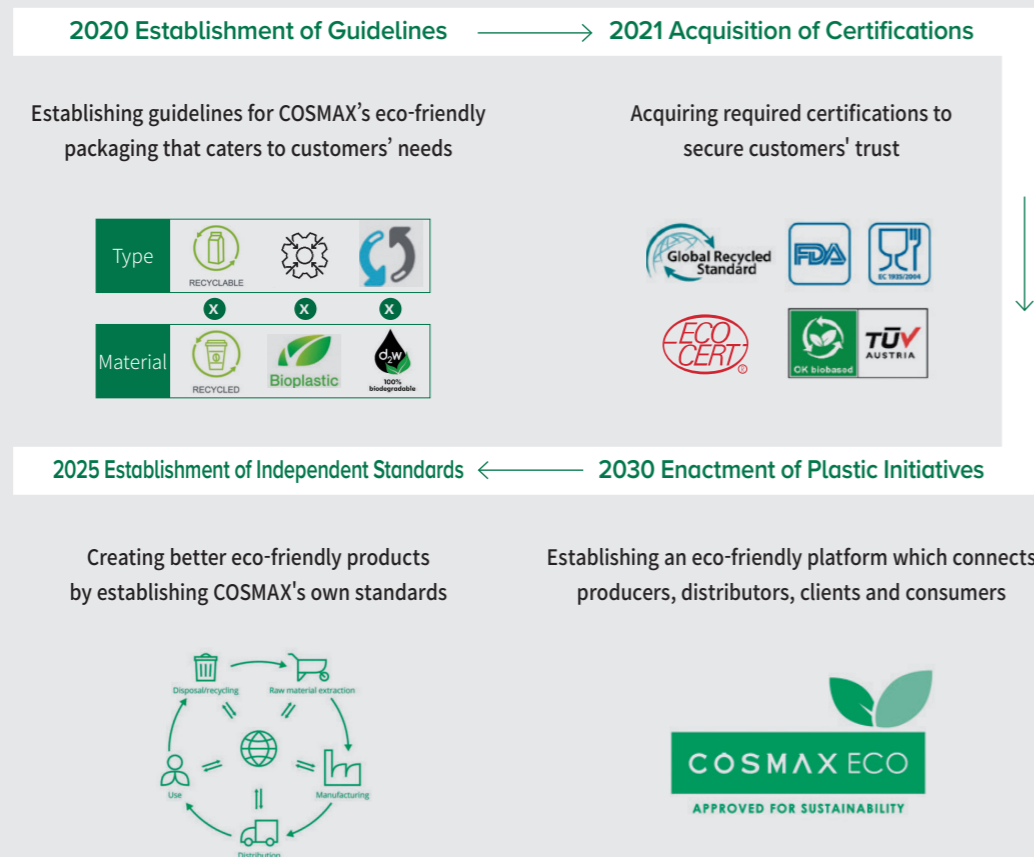
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22	Circular Economy via COSMAX ECO Project
24	Response to Climate Change, TCFD
26	Overcoming COVID-19

## Circular Economy via COSMAX ECO Project

Customers' standards for selecting cosmetics has expanded as of late from product substances to the whole manufacturing process including sustainable materials and eco-friendly containers. COSMAX is carrying out various activities and research on eco-friendly packaging to optimize environmental resource usage across the total life cycle of the products and to minimize negative impacts, such as environmental pollution. We have thus established a ten-year roadmap for the COSMAX ECO Project with goals to attain by 2030. We will contribute to climate change response by developing recyclable, recycled and biodegradable packages, and managing packaging processes by not extracting new resources or increasing recirculation.

### Eco-friendly packaging roadmap



### Q What was the reason for establishing the COSMAX ECO Project?

A As a method for minimizing negative impacts on the environment, COSMAX established its independent eco-friendly standard to carry out responsible management for the global trend of sustainability with clients. Although concerns of eco-friendly packaging have existed for a long time, we are now seeing accelerated demands by global clients, such as L'Oreal, P&G, Unilever and Johnson & Johnson. For example, L'Oreal has implemented its 3R (Respect, Reduce, Replace) policy while Unilever is also planning to produce 100% recyclable products by 2025. COSMAX is planning to lead eco-friendly packaging development by establishing a roadmap that goes beyond just responding to the demands of clients.



COSMAX Design R&I Executive  
Director Choi Jungho

eco-friendly packaging, we have also created packaging guidelines according to domestic recycling and disposal.

### Q What are some specific demands for eco-friendly packaging from global clients, such as L'Oreal and Unilever?

A Global cosmetic companies are establishing their mid-to-long term roadmap and guidelines. Mostly, methods which can be applied in various concepts are in demand, such as developing recyclable materials, increased recycling, reduced usage, avoiding composite materials and easy-to-dispose products. Therefore, COSMAX not only understands eco-friendly concepts, standards and guidelines that our global clients aim for, but is constantly discovering and developing by creating a container manufacturer pool consisting of material companies and container manufacturers to satisfy the various needs of clients. Along with the mid-to-long term plan for global

### Q What are some difficulties in eco-friendly packaging R&D?

A Although the actual functionality of cosmetics are important, brands want to leave strong impressions due to the belief that sales are determined by how pretty the packaging is. Currently, when approaching with eco-friendly materials, there are difficulties in launching new products due to the higher production cost compared to existing products as well as concerns of compatibility, product and packaging quality, and post-production limitations which limit the level of product completion from a marketing perspective.

### Q Please introduce any activities being carried out for the development of eco-friendly packaging.

A We are currently cooperating with various subsidiary material companies across the country to develop eco-friendly packaging. We contact global material companies, such as DuPont, Lotte Chemical and SK Chemicals, to identify the basic characteristics of ingredients, and discuss regarding recycled materials, such as biodegradability. Additionally, we created a package engineering team consisting of molecular chemistry experts to analyze the chemical reactions that happen when cosmetic products are inserted into containers.

## Response to Climate Change, TCFD

After the Paris Agreement in 2016, all 196 countries that signed the climate change agreement submitted their GHG reduction goals for overcoming the global crisis. The Financial Stability Board(FSB) then established the TCFD to develop recommendations for more effective climate-related disclosures for stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. The TCFD has provided global standards for announcing climate-related financial information, and COSMAX is striving to continuously reduce GHG emissions according to the TCFD standards.

### Corporate Governance

#### Corporate governance for climate-related risks and opportunities

The CEO is responsible for environmental and climate-related issues of COSMAX, and is directly supervising and operating the internal Environmental Safety & Health Committee. During quarterly regular board meetings, the board of directors (BOD) discusses sustainable management and climate-related issues, and review matters such as climate-related risk management strategies as well as key activities and business performance monitoring. Participants and executives that make up the board of directors carry out decision-making regarding major issues by providing specific directions for sustainable management and climate-related matters.

The environment management team reports monitoring data on GHG emissions and the status of climate change initiative response to the CEO through quarterly meetings of the Environmental Safety&Health Committee. Major climate-related issues reviewed by the committee are directly submitted as issues for the BOD by the CEO.

### Strategy

#### Impact of climate-related risks and opportunities on enterprise business, strategy and financial plans

COSMAX is identifying the impact of climate-related issues on products and services, the value chain, R&D investment and workplaces as well as the short, mid and long-term risks in the organization's management goals and strategies.

- Increased demand on climate-related issues and eco-friendly products from consumers
- Increased demands of the publication of climate change response information of stakeholders
- Investment in R&D
- Reduction of workplace GHG emissions
- Damages to workplaces due to abnormal weather
- Increased raw materials and supply risk due to abnormal weather
- Introduction of renewable energy

### Risk Management

#### A method for identifying, evaluating and managing climate-related risks

COSMAX stipulates risks that may occur in ESG factors, such as climate change, environmental impact and social issues, as sustainable risks and manages them through a comprehensive risk management system. The Environmental Safety & Health Committee carries out constant monitoring activities and climate change checklists are distributed to each business division for analysis of responses.

Risk metrics are produced based on the degree of financial impact and likelihood for each identified risk based on the results made from continuous monitoring. Risks in which the degree of impact is evaluated as more than an average of stage 3 are decided as a major risk, which requires priority management. Major risks and opportunities based on these evaluation results are designated as issues for the quarterly regular BOD meetings, where solutions for these major risks are discussed during the meeting.

### Quantitative Indices & Reduction Goals

#### Indices and reduction goals used for evaluating and managing climate change related risks and opportunities

COSMAX established a mid-to-long term goal of reducing the 0.478 tCO<sub>2</sub>e/production in 2017 by up to 30% in 2030, and the achievement rate was 56.72% in 2020. GHG emissions (tCO<sub>2</sub>e), GHG emission intensity(tCO<sub>2</sub>e/production), and energy usage (TJ) are being used as indices for evaluating climate-related risks and opportunities.

In order to monitor GHG emissions and the reduction goal achievement rate, a GHG inventory was established in 5 domestic workplaces where third-party verification is carried out for Scope1, 2, and 3.



COSMAX Manufacturing sites  
Operation Senior Director  
Namjung Kim

### Q The demands for responding to climate change and environmental crisis is increasing worldwide. What caused COSMAX to start responding to climate change?

A As a cosmetic manufacturer, COSMAX consumes a large amount of electricity and heat energy, which allowed us to recognize the need for reducing GHG emissions since a long time ago. Major European clients, such as L'Oreal and Lancôme, are very sensitive to climate change, and we are requesting support for climate change responses to our global partners. Especially, for L'Oreal, they are planning to completely use renewable energy by 2025 while achieving zero carbon emissions by 2050, and is requesting a 50% decrease in carbon emissions of its global partners. Furthermore, the Korean government also declared carbon neutrality by 2050, and although COSMAX is not required as it is not included in the top 200 companies, we are preemptively responding to this issue considering future development.

### Q Solar generation facilities were completed in Pyeongtaek Factory. What are some plans for using solar generation and some troubles with the facility?

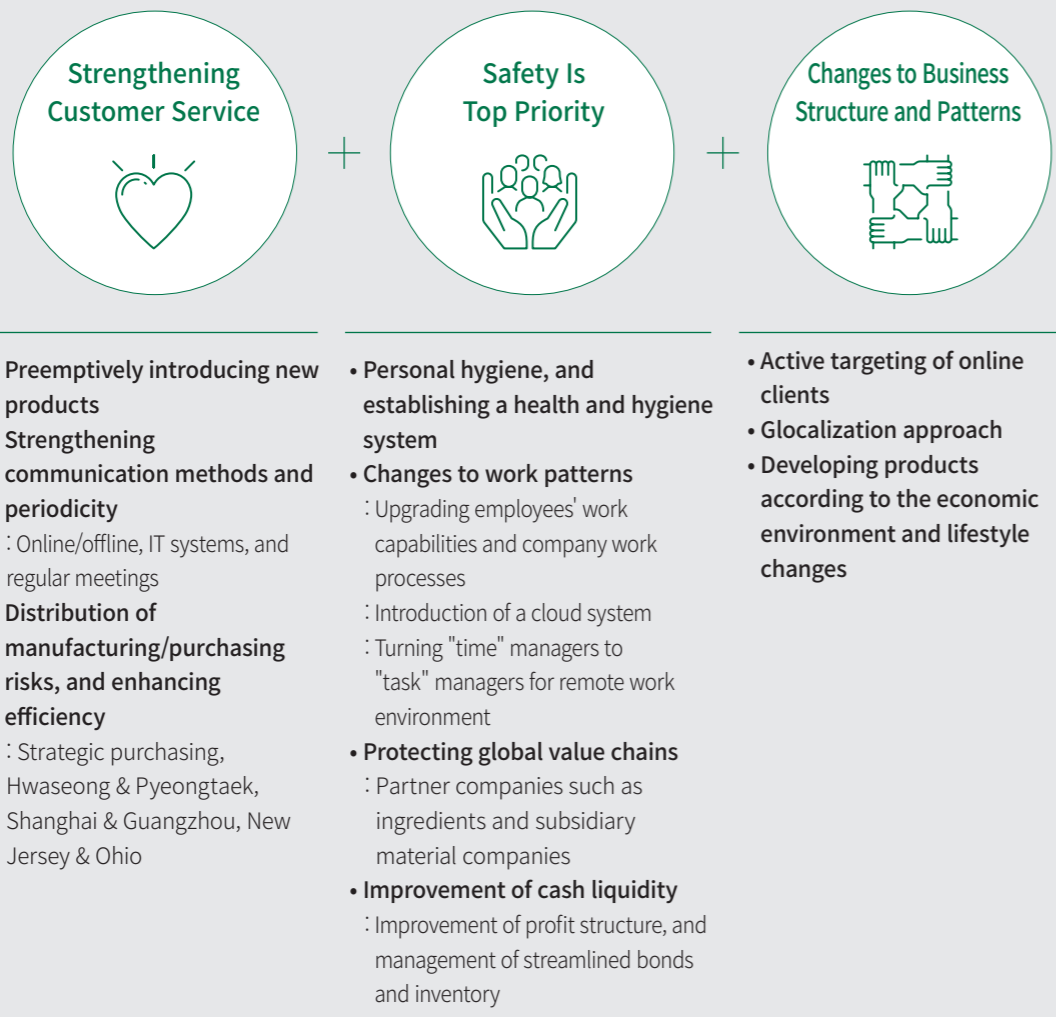
A Renewable energy is crucial for reducing carbon emissions. COSMAX was planning on independently creating a solar generation facility in 2020 until we heard of the solar power support project by the Ministry of Trade, Industry and Energy and Hwaseong City Hall, and became the first to join the project. Construction started for Pyeongtaek Factory in 2020, and 13% of the energy used at Pyeongtaek Factory is supplied through solar generation as of June 2021. Some difficulties in installing solar generation facilities were that the safety of facilities could not be guaranteed due to the aged buildings. Solar generation facilities are being planned in COSMAX's Hwaseong Factory as well, and old buildings of over 25 years will be re-designed considering the installment of solar generation facilities.

### Q What are the specific demands for responding to climate change by global clients, such as L'Oreal and Unilever, and how are you responding to them?

A Global clients will only trade with major partners under the conditions that they maintain at least a B rating by the CDP until 2021, whereas companies which achieved less than B will have trades reconsidered and remove allocation of new products. They also require the provision of ESG evaluation scores for supply chain CSR evaluation, such as EcoVadis, along with the CDP. As a leading global cosmetic R&D company, COSMAX will continue to strive to fulfill our corporate social responsibility.

## Overcoming COVID-19

As COVID-19 spreads across the globe, major changes regarding the global economy and society are occurring. COSMAX will actively respond to global risks and change the crisis into an opportunity. During times where customer service faces downfall, we are increasing the level of it by diversifying communication methods such as preemptively carrying out online promotions of new products among other methods. Additionally, various policies are introduced for the safety of employees and partners, while actively responding to the COVID-19 crisis through changing business structures and patterns.



**Q COVID-19 brought many changes to our daily lives as well as the way companies are managed. How are you responding to protecting global value chains?**

A Our lives before and after COVID-19 are drastically different. As COSMAX supplies products to 600 cosmetics brands across the world as a B2B company, stopping production factories can be a critical management risk. To prevent the shutdown of factories due to catastrophic events, such as natural disasters and pandemics, we dualized and individualized factories in each country so that other factories can handle issues which occur in different factories.

**Q Movement towards contactless channels increased due to the prolonged COVID-19 crisis. What were some changes in COSMAX's business structure?**

A There were many changes. As a B2B company, more than half of the sales team were converted to online meetings for continuous communication as it was difficult to carry out face-to-face meetings with our domestic and overseas clients. We created a digital transformation (DT) team with outstanding personnel for online responses. We use videoconferencing platforms, such as ZOOM and Microsoft Teams, and we even created a video team to focus on producing videos, being that we are a cosmetics company that rely on visuals after all. Especially, we have been investing heavily in IT systems since the advent of Industry 4.0 because we consider technological capability and corporate database to be the core competencies for our future development.



COSMAX Administration  
Director Ansoon Hwang

**Q Consumers' interest and value consumption on clean beauty, expansion of the at-home care market, and eco-friendly products are increasing. What are some measures you are taking?**

A Concerns over eco-friendly products are being researched across the cosmetics industry, but COSMAX is responding with the pride of pioneering the industrial ecosystem for cosmetics. We are not only paying attention to our organic and vegan certifications for our ingredients, but also to managing hazardous substances, such as fine plastics. Additionally, we are aiming to drastically reduce the usage of plastic bottles continuously until we develop 100% eco-friendly products.

**Q What are your future plans for responding to COVID-19, and what are some improvement measures to facilitate COSMAX's sustainable growth?**

A As vaccination rates for COVID-19 quickly rise, consumer sentiment is also back on an upwards trend, and Chinese offline brands experiencing fast recovery hints towards a possible sudden increase in orders. In preparation, we are carrying out the installment of new factory equipment and creating joint ventures as well as other things. In order to quickly respond to the changes of shareholders and investors and provide an image of an innovative company, COSMAX will continuously carry out cooperation with other companies and develop unique ingredients.

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# ETHICAL ENTERPRISE

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30	Happy Workplace
36	Trustworthy Company



# Happy Workplace



## Why does COSMAX value the importance of a happy workplace?

COSMAX is working towards employee welfare and competence development under the belief of securing excellent talent and that the competency of employees is equivalent to that of the company's. We are constantly inspecting and improving human resource policies so that employees can enhance professionalism and achieve a healthy work and life balance, and is striving to create a happy workplace through open cooperation between employees and management.

## How does COSMAX respond to creating a happy workplace?

COSMAX strives to create a happy workplace based on welfare, safety and organizational culture. We have a COVID-19 taskforce to carry out daily prevention activities to manage the health of employees and prevent the spread of COVID-19 while enhancing the bond and communication between individuals through cultural events. Furthermore, we are leading a family-friendly corporate culture where females can work comfortably.

## Next Step

In 2021, COSMAX is planning to take a step forward in employment and creating various development routes as well as establishing a systematic training system and working methods.

### Risks

- Reduced work efficiency due to weakening employee morale
- Weakened competencies in cases of professional personnel runoff
- Difficulties in securing talented Millennials and Gen Z employees

### Opportunities

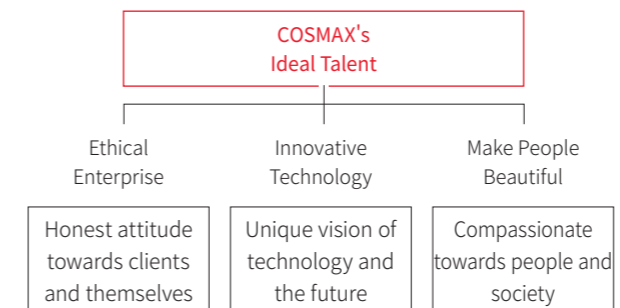
- Securing corporate competence through procuring various talents and increasing term of service
- Positive contribution within the community
- Constant business growth through enhanced professionalism of employees

4.7 Education for sustainable development and global citizenship	5.5 End discrimination against women and girls	10.4 Ensure equal opportunities and end discrimination

## Securing talents and work innovation

### COSMAX talents

COSMAX desires talent that embody and manifest the company's corporate philosophy as well as core values of trust and love. We recruit talent with a good attitude, eccentric vision, and a giving heart.



### Basic Guidelines of Employee Evaluation

<b>Promotion based on faithfulness to principles and fundamentals</b>	• In order to allow fair and responsible evaluation, candidates are selected and evaluated through promotion points to establish a transparent and complete promotion process.
<b>HR system in consideration of the management environment and efficient organizational structure</b>	• Execution of employment by actively responding to the management environment and considering business profitability and marketability. • Selected based on core businesses, professionalism, role and efficiency in the division, etc.
<b>Promotion based on achievements</b>	• Special promotion is carried out for high achieving or competent employees to provide motives by carrying out an achievement-based promotion system.

### Reorganization of the work classification system

COSMAX reorganized its work classification system to enhance the effectiveness of business operations according to the increased importance of organizational structure for each group member and new jobs for strengthening global competency in 2020. COSMAX is planning to reinspect work systems for each company and sector in three-year cycles.

### Job changes (new / defunct / merged)

<b>Cosmetics Business Division</b> (6 groups, 18 classes, 56 positions → 6 groups, 18 classes, 58 positions)	Newly created: Inventory management, process development, global policy research, global quality, environmental management, safety management  Defunct / merged: Global process innovation, development of functional subsidiary materials, skin care + makeup research → formulation research
<b>Health Functional Foods Division</b> (6 groups, 16 classes, 43 positions → 6 groups, 17 classes, 42 positions)	Newly created: Quality testing, cleansing hygiene  Liquid / solid / jelly / soft capsule manufacturing → Singular manufacturing

### Host Live Employment Briefing Session

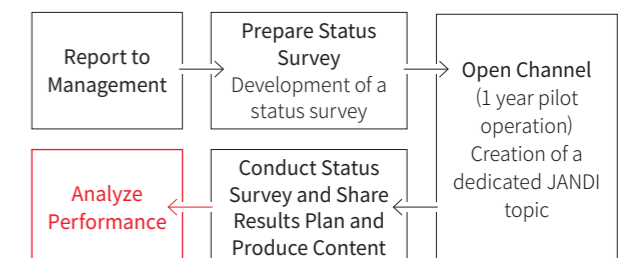
COSMAX hosted an online employment briefing session, to prevent the spread of COVID-19, while also being able to increase accessibility to the employment session.

<b>COSMAX Group Company Analysis Report</b> Survey of COSMAX Group	<b>COSMAX Group Online Employment Talk-Talk</b> Introduction of the ODM industry and tailored jobs from current employees	<b>KakaoTalk Employment Briefing Session</b> Open chat rooms for employment briefing
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### Increased work efficiency

COSMAX is moving towards innovating working methods in response to the COVID-19 pandemic. We introduced Office365 to enhance work efficiency and expand communication between employees to share solutions for work situations and create a share-based work culture of "whenever, wherever, and together."

In the first half of 2021, we carried out a status survey through reports from management and employees to facilitate stable establishment, and this will continue being carried out through a year of pilot operation.



## Strengthening employee competency

### Educational training to nurture professionals

COSMAX believes everybody is a competent, talented individual with unique abilities and the driving force of the world. Therefore, we are planning on nurturing honest and risk taking talent to create future growth engines. We provide support so that employees can be equipped with global competence and professionalism through our training system.



### SMART COSMAX, a new e-learning platform

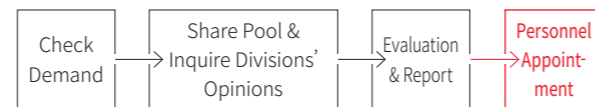
COSMAX's education team introduced SMART COSMAX, an e-learning platform where employees can freely take courses anywhere and at any time. SMART COSMAX provides 31,000 work related/unrelated, and language related content in 2,500 processes, and allows employees to develop via independent learning. The S-COMAXer Awards event is carried out each month to encourage the participation of employees and a prize is given to the top S-COMAXer.



### Overseas employee training program

As a global company, COSMAX is preemptively training overseas employees to dispatch to overseas branches. Candidates that will be dispatched to overseas branches are selected and trained, where systematic management is carried out so they may learn to become global leaders. Overseas employees are secured through a personnel pool via a demand survey every December, which is then shared to overseas corporations for their opinions. The human rights division, in the overseas corporations, review and report the results to management, which leads to selection through personnel appointment.

### Overseas Employee Selection Process



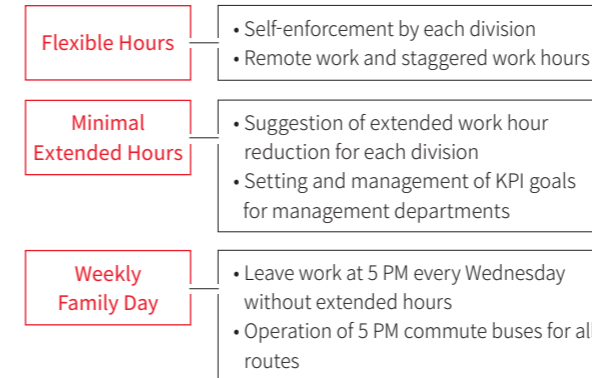
### Internal R&I center conferences

COSMAX's R&I centers conduct independent educational training programs, such as internal conferences, for strengthening the competencies of researchers aside from the common company-wide training. Additionally, various efforts are being carried out along with system changes such as support for creative independent research through the operation of free research time.

## Creating a happy corporate culture

### Ensuring a work-life balance

COSMAX is operating various policies for employees' work-life balance. We have implemented flexible hours where work hours and work type can be adjusted according to the situations of employees along with goals for minimizing extended work hours, and are operating Family Day every Wednesday where all employees go home early to spend time with their family.



### Employee benefits

COSMAX provides various benefits for employee satisfaction.

<p><b>01 Expenditure for congratulations and condolence</b></p> <ul style="list-style-type: none"> <li>Financial aid and vacation days for personal/family weddings, 60th birthdays, and other various congratulatory events</li> </ul>	<p><b>07 Welfare bonus for employees</b></p> <ul style="list-style-type: none"> <li>Provision of summer and winter uniforms (Hwaseong)</li> </ul>
<p><b>02 Full medical examination support</b></p> <ul style="list-style-type: none"> <li>Support for full medical examination once a year for all employees at a higher position than that of team leader</li> </ul>	<p><b>08 Leave system</b></p> <ul style="list-style-type: none"> <li>Summer vacation (3 days)</li> <li>Encouragement of long-term vacation usage</li> <li>Flexible work hours</li> </ul>
<p><b>03 Operation of company cafeteria</b></p> <ul style="list-style-type: none"> <li>Company-provided meals</li> <li>Free lunch and dinner</li> </ul>	<p><b>09 Vacation facilities</b></p> <ul style="list-style-type: none"> <li>Resom Resort, Daemyung Resort, Kumho Resort, Haevichi Hotel/Resorts, Oak Valley, Phoenix Park</li> </ul>
<p><b>04 Operation of commute shuttle bus</b></p> <ul style="list-style-type: none"> <li>Operation of commute buses (Hwaseong)</li> </ul>	<p><b>10 Support for clubs</b></p> <ul style="list-style-type: none"> <li>Support for in-house clubs</li> </ul>
<p><b>05 Reward for long-term service</b></p> <ul style="list-style-type: none"> <li>Reward for long-term service to the company</li> </ul>	<p><b>11 Other</b></p> <ul style="list-style-type: none"> <li>Support for online/offline internal language education (English, Chinese, Japanese, etc.)</li> <li>Support for cultural events for each department</li> </ul>
<p><b>06 Sales of holiday merchandise</b></p> <ul style="list-style-type: none"> <li>Sales of holiday merchandise during family month and national holidays (e.g. Seollal, Chuseok)</li> </ul>	

### A happy corporate culture

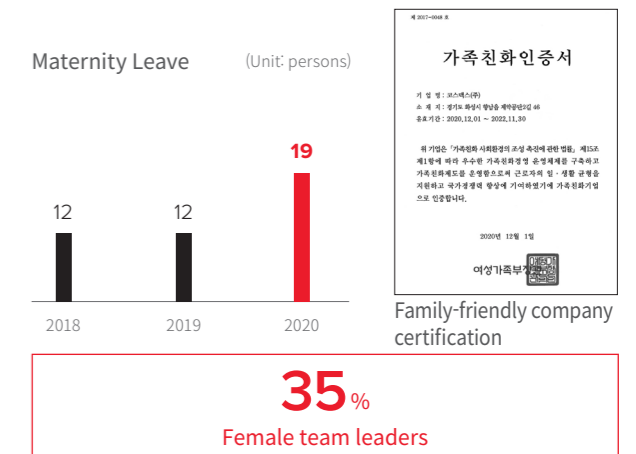
COSMAX is operating various programs for improving corporate culture and facilitating communication between employees. We are creating a happy organizational culture and facilitating communication through in-house clubs, department gatherings, and group HR staff workshops.



HR personnel workshop

### Family-friendly company certification

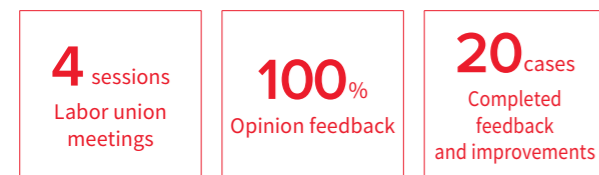
COSMAX is establishing and operating a family-friendly operating system and supporting the work and life balance of its employees. Likewise, we were designated as a family-friendly certified company in 2017.



## Establishing healthy labor relations

### Operation of labor-management council

COSMAX has the goal of creating a bond between the company and its employees through open communication via various channels. The labor union is carried out quarterly for a total of 4 times each year and discusses topics on safety, welfare and compensation. In 2020, we provided feedback for 100% of the proposals made by the labor union and completed improvement measures for 20 requests.



### Matters of discussion and decision

<b>1Q</b>	<ul style="list-style-type: none"> <li>Provision of rewards and incentives for the first half of 2019</li> <li>Distribution of special shares and holiday benefits</li> </ul>
<b>2Q</b>	<ul style="list-style-type: none"> <li>Carried out employee sales for family month 2020</li> <li>COVID-19 prevention activities</li> </ul>
<b>3Q</b>	<ul style="list-style-type: none"> <li>Carried out employee sales for Chuseok 2020</li> <li>Carried out summer vacation and employee health checkups</li> <li>2020 wage increase and provision of regular rewards and incentives for the first half of 2020</li> </ul>
<b>4Q</b>	<ul style="list-style-type: none"> <li>28th anniversary event</li> <li>Health checkup for laborers</li> <li>COVID-19 prevention activities</li> </ul>

Common: Plans for disaster prevention and activities for removing safety risks

### Grievance channel

COSMAX is operating various channels for listening to the various breaches in human rights, corruption and difficulties of our employees. An online channel for voicing complaints is under operation, and a internal cafeteria VOC where employees can report their inconveniences is being operated.

### Internal escalation system

COSMAX is operating an online report policy to achieve open management through active collection of opinions from employees. If there are cases regarding violations of human rights or certain recommendations, an anonymous report system which goes to management is operated both online and offline. Reports are kept confidential and replies and active responses are made sure to be provided to the reporter.

**COSMAX Hot Line System**

“Increasing satisfaction for COSMAX employees' hardships”

**Purpose**

- We can achieve open management through active collection of opinions.**  
Actively collecting the individual opinions of employees and then using these opinions to identify parts where interest adjustment is required between the department and relevant parties.
- We can increase satisfaction regarding employees' hardships**  
It acts as a convenient pathway for relieving grievances without risk of privacy exposure.
- We provide a space where to listen to the voice of employees.**  
It becomes an opportunity where people with similar thoughts and opinions can gather together.

**Security**

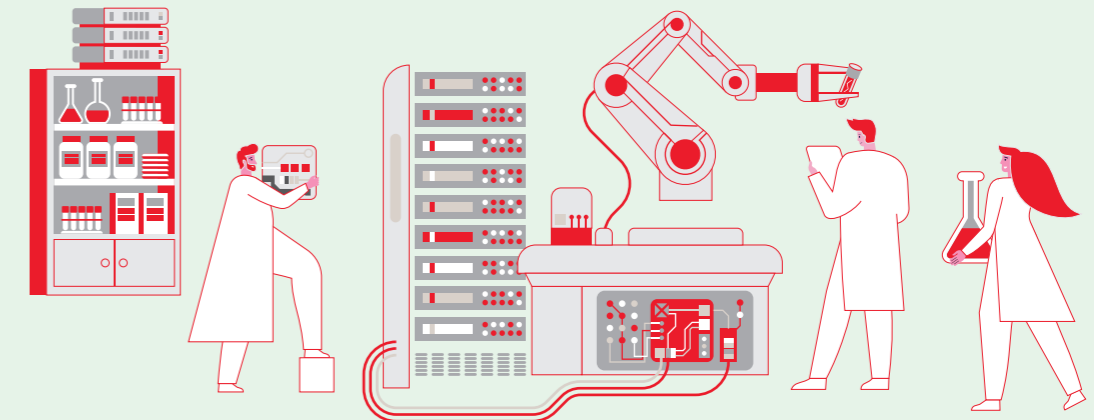
Your reports are kept strictly confidential and anonymous.

### Human rights policy development

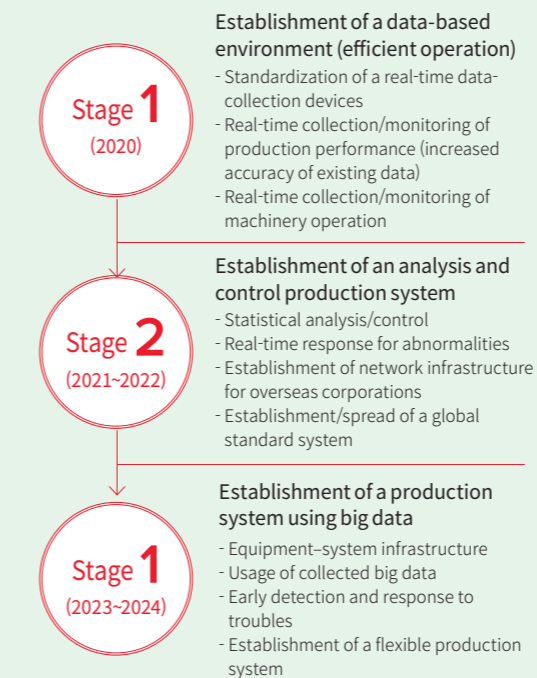
COSMAX established a human rights policy in 2021 for the protection of human rights in both headquarters and global operations. Based on the human rights and labor principles of international organizations related to human rights and labor, such as the United Nations and International Labour Organization, our human rights policy consists of matters on child labor, forced labor, discrimination, and freedom to association, which have also been translated into English and Chinese for distribution to relevant overseas operations. We also plan to recommend our business partners to comply with our human rights policy.

## Special | Creating a welcoming workplace for employees and robots

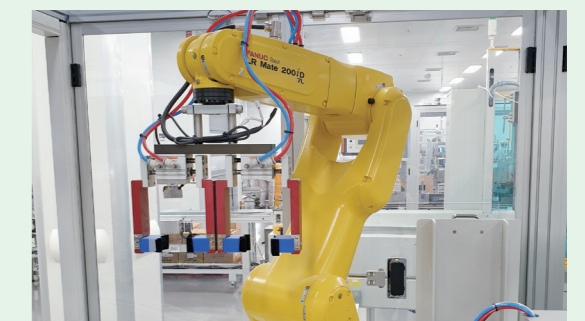
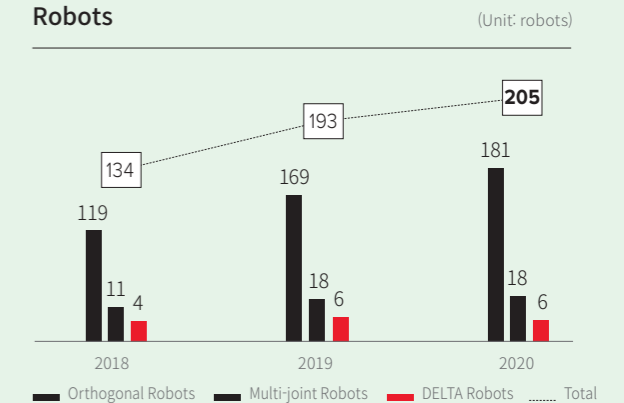
COSMAX is establishing an automated robotic system to respond to Industry 4.0 and the increasing demand for cosmetics. We established a roadmap with the goal of establishing a data-based environment, analysis and control production system, and a big-data based production system by 2024, and we will enhance the stability of the workplace as a whole through increasing productivity and effective personnel usage compared to the past with robot automation. Robots will be used for dangerous tasks to ensure the safety of employees and create a workplace where robots and humans can coexist, using robots accordingly while ensuring the employment security of our workers.



### Robot automation roadmap



### Robots



Robotic equipment

# Honest Corporate Culture



## Why does COSMAX value the importance of creating an honest corporate culture?

COSMAX's corporate philosophy emphasizes happiness and honesty, among other values. COSMAX's basic philosophy for continuous development as a honest company is keeping promises to not just clients but also the society with attitudes of trust, good faith and mutual respect.

## How does COSMAX respond to creating an honest corporate culture?

COSMAX is continuously managing and improving in the areas of governance, ethical management, risk management, and information protection to create a honest corporate culture. Particularly, we are actively responding to integrity education for employees and non-financial risk management for each issue, as well as actively responding to reports on non-ethical actions.

## Next Step

COSMAX plans to expand leadership's decisions on sustainability issues and prepare the ISO 27001 certification for the establishment of an information security system.

### Risks

- Decrease in brand value due to the occurrence of ESG risks
- Loss of trust from customers

### Opportunities

- Increased brand value
- Establishment of trust between stakeholders such as customers and partners, etc.
- Strengthening the foundations for sustainability



- 16.5 Substantially reduce corruption and bribery in all its forms.
- 16.6 Develop effective, accountable and transparent institutions at all levels.

## Information security

### Information security system

The importance of company data is increasing due to the expansion of IT infrastructure and Industry 4.0, and has become an essential factor for all industries. Information and data are considered to be factors of company competitiveness, and major damages can occur due to system failure occurring hacking that results in corporate and personal data breaches. We recognize the importance of information security, and are working hard to manage data from various perspectives.

### Information security management regulations to minimize loss of company value

There is a need to strengthen company information asset protection measures for prevention of internal breaches and external intrusion for tangible and intangible information assets that are required for maintaining business and development to minimize company value loss. Therefore, COSMAX uses a virtual private network (VPN) and intrusion prevention system (IPS) for managing facilities and equipment security management. Additionally, network monitoring is strengthened to manage the security of electronic documents.

### Information Security Management Committee

The Information Security Management Committee consists of the CEO, CPO, CISO, and the security team leaders of the support team and IT team. The committee carries out company-wide security management decisions. Additionally, security management education and promotion is carried out, where analysis and evaluation for company security related activities are acted out and the degree of discipline is decided.



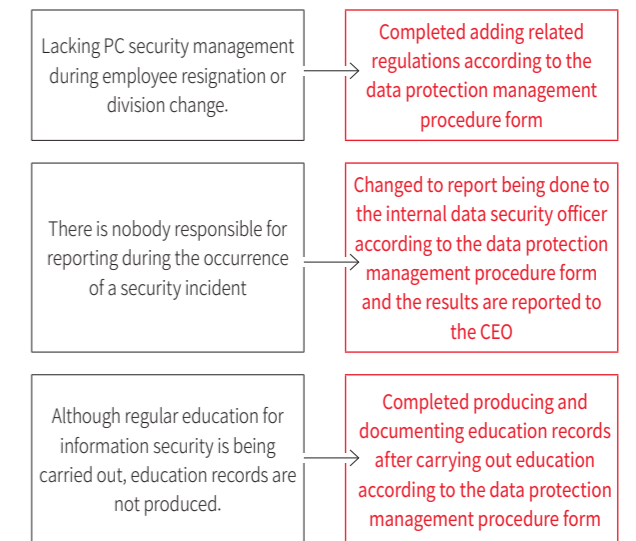
### New sensitive information security policy

COSMAX reestablished its definition on information and crucial information and created a new security policy for important information to prevent breaches of important information in 2021. By complying to security policies for important information, we are planning to thoroughly protect the intellectual property and operational secrets of the company.

### Internal information security screening

COSMAX inspects the suitability of all electronic systems such as internal networks and systems used for purchasing, production planning, manufacturing, quality and logistics. As a result of an internal audit for information security in 2020, no critical nonconformities were discovered which greatly impacts information security, and there were no unauthorized accesses from the outside or security threats.

### Internal information security review process



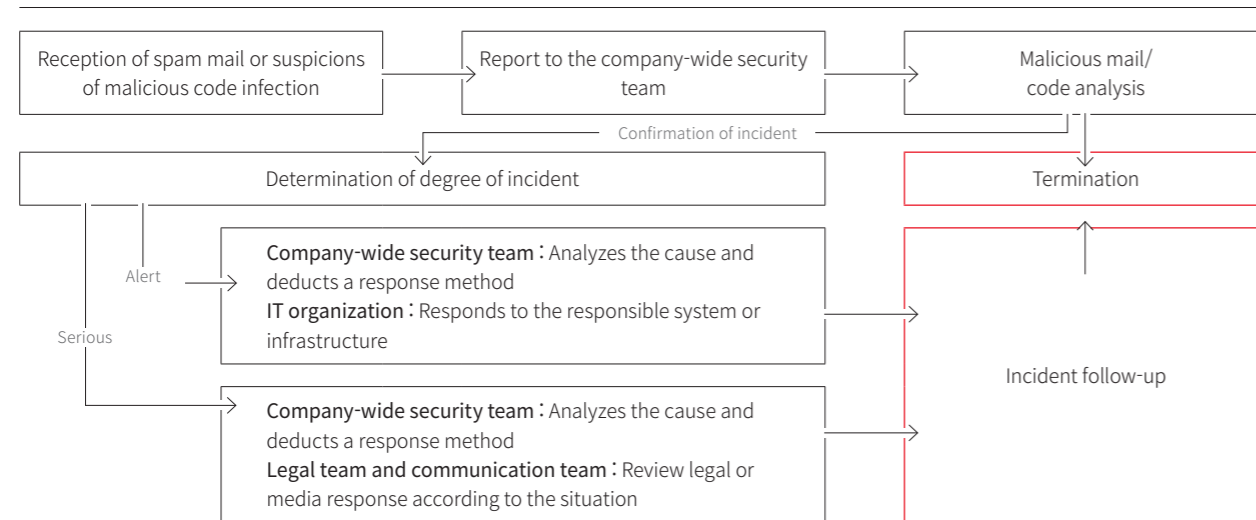
### Special | SCAN Audit



Following the target requests by our clients, COSMAX conducted an on-site and online security audit carried out by the Supplier Compliance Audit Network (SCAN) in the first half of 2020. As a result, we received a grade of Acceptable (86.5%).

### Data breach response process

COSMAX quickly responds according to the response process during the occurrence of a security breach, which is immediately reported to the internal data protection officer carrying out the investigation. Additionally, a system for reporting follow-up action and response results to the CEO is in place.



### Information security incidents and response

COSMAX defines information security incidents into four stages, and provides and establishes standards for each stage and its response methods.

	Standard	Response
<b>Attention</b>	- Employee's PC showing signs of security incid	- Review by the company-wide security team ※ Support provided by raising the level to Caution if required
<b>Caution</b>	- Infection of spam mail or malicious code in an employee's PC - Detection of external breaching attempts in an employee's PC	- Remote countermeasures taken by the company-wide security team ※ Inspection visit and preventive inspection for related departments if required
<b>Alert</b>	- More than 4 hours of work termination - More than 2 hours of production facility termination - Occurrence of low personal data breach - Occurrence of personal data theft	- Operation of a general situation room - Opening of an emergency working-level data protection committee - Dispatching of a company-wide security team
<b>Serious</b>	- More than 8 hours of work termination - More than 4 hours of production facility termination - Occurrence of high personal data breach - Media exposure due to nonconformity to related laws	- Operation of a computer emergency response team (CERT) <sup>1)</sup> - Operation of a general situation room <sup>2)</sup> - Opening of an emergency data protection committee - Dispatching of a company-wide security team

1) Computer emergency response team (CERT): Company-wide security team, IT organization, and includes the legal and communication team if required by CDO and key management.

2) General situation room: Company-wide security team and IT organization

#### Basic guidelines for information security

- ① Install security software (anti-virus and other internal security solutions).
- ② Update the operating systems (Windows Update) to the latest version.
- ③ Enable Windows Defender and firewall.
- ④ Carry out a strong password policy within internal system accounts (Usage of a combination of letters, numbers, and characters with complexity rules and regular changes).
- ⑤ Do not leave printed documents unattended.
- ⑥ Do not personally store work material.
- ⑦ Do not download material without a clear source.
- ⑧ Do no access websites aside from work related ones that are not trusted.
- ⑨ Save personal data that is encrypted and destroy after use.
- ⑩ Tidy up your surroundings after work and lock your desk and document storages.

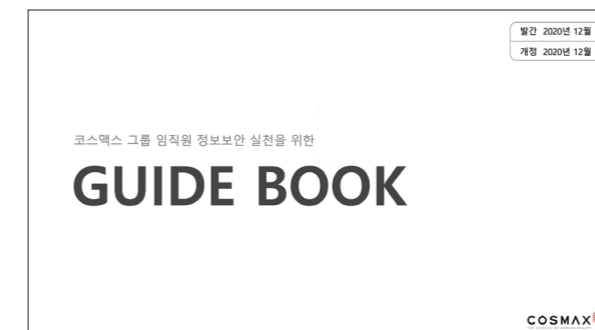
### Personal Information Protection

#### Personal data management

COSMAX appoints a personal data security officer to protect the personal data of employees, clients and stakeholders as well as designating and complying to telecommunication security management policies based on privacy-related regulations. Additionally, guide books are distributed along with periodic education so all employees may recognize the importance of privacy and data protection as well as applications to work.

#### Information security guide book

COSMAX produced a guide book to strengthen security measures of employees for the company's information assets and personal data. The guide book aids employees in managing personnel, PC, and online security.



Company-wide information security guide book

### Employee data protection training

COSMAX recognizes the importance of privacy and is carrying out data protection training for employees to increase awareness. The legally required education training, set by the Korea Occupational Safety and Health Agency, was carried out for a total of 983 employees with a completion rate of 99.9% in 2020.

**983** employees (as of 2020)  
Privacy and data protection training recipients



Data protection training at Hwaseong Factory

## Governance

### Organization and role of the BOD

COSMAX's BOD comprises three inside directors and one outside director. The BOD is transparently appointed through the general shareholders' meeting and evaluates and inspects achievements for each decision as the highest decision making organization of the company for the general shareholders' meeting, management, finance, directors, etc. The chairman, carries out the directors meeting with all directors including the CEO and discusses sustainability goals, strategies, GHG reduction plans and achievements. The chairman collects the opinions of the members of the BOD and makes decisions for the direction of the whole company.

### Management Committee

The Management Committee is entrusted with the authority of the BOD by the board's regulations and verifies the requirement and validity of various issues of the company and related companies to maximize investment return and contribute to corporate growth. The committee holds regular meetings once a month, and more frequently if required.

Credit rating **BBB+**  
(Korea Investors Service;  
as of May 2020)

Outside directors  
within the BOD  
**25%**

### Organization of the BOD

Category	Name	Position	Gender	Career	Experience	Term
Standing	 Kyungsoo Lee	Chairman	M	Department of Pharmacy, Seoul National University Sales Manager, Dong-A Pharmaceutical AE Manager, Oricom Executive Director Daewoong Pharmaceutical Current) Chairman, COSMAX	Established COSMAX Contributes to decision-making for various business matters through high understanding of the company and the management environment	Mar. 2014 ~
	 Byeongman Lee	CEO	M	Department of Chemical Engineering, Hongik University Logistics Team Leader, COSMAX China Director of Planning and Coordination, COSMAX BTI Current) CEO, COSMAX	Joined COSMAX Group in January 2005 Worked at COSMAX China Director of Planning and Coordination at COSMAX BTI VP of Marketing at COSMAX	Mar. 2020 ~
	 Sangbae Shim		M	Department of Industrial Engineering, Korea University VP of Production and R&D, AmorePacific CEO, AmorePacific Current) CEO, COSMAX	A professional in the whole cosmetics industry going from production, logistics, research, to organizational management	Mar. 2021 ~
Non-standing	 Geonju Lee	Outside Director	M	Department of Law, Seoul National University Prosecutor General, Daejeon District Prosecutors' Office Deputy Director, Judicial Research and Training Institute Partner Lawyer, Shin & Kim LLC Current) Inside Director, COSMAX	Legal expert	Mar. 2020 ~
standing	 Yongwon Bang	Auditor	M	Department of Business, Korea University Executive Director, Samjong KPMG Vice Chairman, Ernst & Young Current) Auditor, COSMAX	Accounting	Mar. 2020 ~

### Board of Directors

Regular BOD meetings are held once every quarter by principle, but is also held when it is deemed necessary by the Chairman, CEO, or when a request by more than 1 director or auditor is approved. In 2020, the BOD meeting was held 32 times and decided on a total of 37 matters, with an average participation rate of 100% of outside directors.

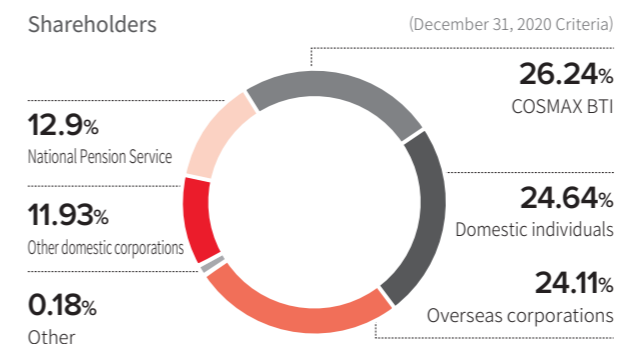
### BOD achievements

Category	2018	2019	2020
Meetings	28	27	32
Participation	87.1%	91.7%	90.5%
Resolutions	31	36	37

### Shareholders

COSMAX's shares consist of COSMAX BTI as the largest shareholder at 26.24%, overseas corporations at 24.11%, domestic individuals at 24.64%, National Pension Service at 11.93%, and others at 0.18%.

### Shareholders



### Decision-making process considering sustainability

A major interest of COSMAX management in 2020 was the introduction of renewable energy. COSMAX, as a strategic partner of global clients, recognizes the need to introduce renewable energy for achieving GHG reduction goals to tackle climate change risk. Therefore, the BOD discussed introduction of solar generation facilities and expansion methods, which was then reflected in the business investment plan for 2021 by the CEO's final decision.

Every year, we establish environmental safety and health (ESH) plans through a procedure of reporting to and approval by the BOD. The BOD discusses ESH-related issues and makes major decisions ranging from the previous year's ESH plan and performance to ESH budget, management policies, competent organizations and their roles.

### BOD performance and compensation (Unit: KRW 1 million)

Category	2018	2019	2020
Compensation <sup>1)</sup>	995	1,062	1,225
Persons	4	4	4
Per person average <sup>2)</sup>	249	266	306

1) Compensation: Based on total annual accumulation

2) Per person average: Total compensation divided by the average number of persons

## Ethical management

### Ethical management system and organization

COSMAX is creating an ethical management system for sustainable growth as a global cosmetic ODM company. Stable activities for carrying out ethical management such as designating ethical polices and systematic education will be continuously carried out. The BOD carries out the role of making decisions for compliance control standards and CEO supervision, and the CEO carries out the role of establishment, maintenance and operation of the compliance control systems. Additionally, the compliance support officer supervises the establishment and execution of compliance education and training programs for employees and the auditor supervises the establishment and operation of the compliance control systems.

#### Ethics code of conduct for employees

##### 1. Comply with laws and ethics

- 1.1. Respect the dignity and diversity of individuals
- 1.2. Fair competition according to laws and business ethics
- 1.3. Maintain transparency of accounting through accurate accounting records
- 1.4. Do not participate in politics and maintain neutrality

##### 2. Maintain a clean organizational culture

- 2.1. Strictly separate public and private matters in all work activities
- 2.2. Protect and respect the company's and others' intellectual property
- 2.3. Create a healthy organizational culture

##### 3. Respect customers, shareholders, and workers

- 3.1. Prioritize customer satisfaction
- 3.2. Strive for management based on shareholder value
- 3.3. Work for the enhancement of worker welfare

##### 4. Focus on environment, safety, and health

- 4.1. Strive for eco-friendly management
- 4.2. Comply with the safety and health of humanity

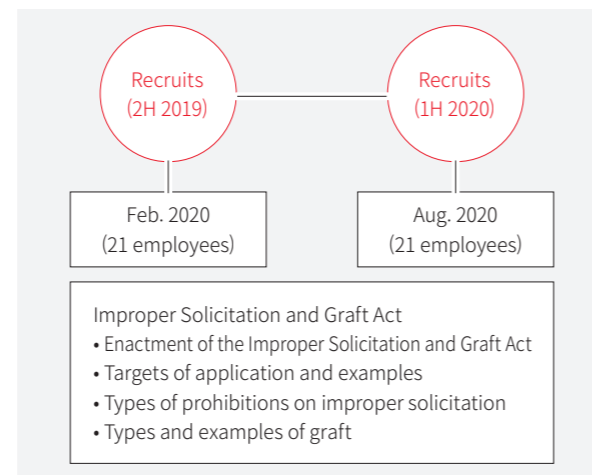
##### 5. Fulfill social responsibilities as a global company

- 5.1. Carry out basic responsibilities as a company in earnest
- 5.2. Respect the social and cultural details of the local region and carry out mutual growth
- 5.3. Establish a coexistence and mutual relationship with business partners

### Enhancing employee awareness for corporate culture of integrity

COSMAX will strive to create a clean corporate culture in order to fulfill its responsibilities as an honest company. We are creating the foundation for a culture of integrity by training executives and onboarding employees on the Improper Solicitation and Graft Act, Serious Accidents Punishment Act, Commercial Act, Fair Trade Act, and Financial Group Supervision Act. In addition, we will gradually expand the scope of trainees and diversify the programs.

#### Education program for new employees



#### Education program for executives



### Building a compliance system

COSMAX has streamlined its compliance department in line with recent legal changes to anti-graft and industrial accident regulations, such as the newly revised Improper Solicitation and Graft Act and legislative discussions regarding the Serious Accidents Punishment Act. Led by compliance officers, we have formed assistive divisions of legal affairs, international legal affairs and intellectual property affairs to monitor and support the overall compliance status of our management activities.

### Contributing to establishing a fair trade order

COSMAX strives to ultimately realize its philosophy founded on three commitments and fulfill corporate social responsibility by removing illegal factors in overall business areas and establishing a fair trade order. In this regard, we developed a separate legal management system that standardize the work process related to legal matters and manage work history. All contracts are managed through the legal management system and preemptively revised to prevent violations of laws related to fair economy, such as the Fair Trade Act and Commercial Act. We also seek advice from external law firms or lawyers of the in-house legal team to revise legal risks in our governance, investments, and overall business operations. We plan to develop the legal management system for even more stable management of legal risks, aiming for the establishment of a fair trade order.

Revision of contracts through the legal management system

**249** cases

Legal consultation through the legal management system

**70** cases

### IP protection and non-infringement of competitors' IP

COSMAX systemized the management of intellectual properties for accurate and efficient management. First, we conduct one to two sessions of education on intellectual property for new employees of the research lab every first and second half of the year to enhance awareness of our lab personnel. We also analyze domestic and international patents registered by key cosmetic companies monthly and share it with our whole company to minimize risks from patent infringement.

Furthermore, we set an alarm for notification when our cosmetic development includes ingredients of others' patents to ensure we do not infringe the intellectual property rights of competitors. For objective confirmation of being cleared from patent infringement risks, we are issued a Freedom-to-Operate Analysis from an external agent before launching our product.

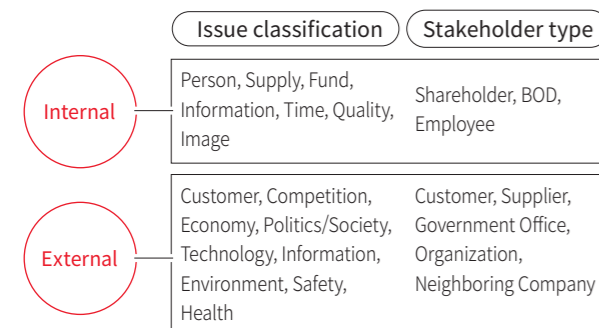
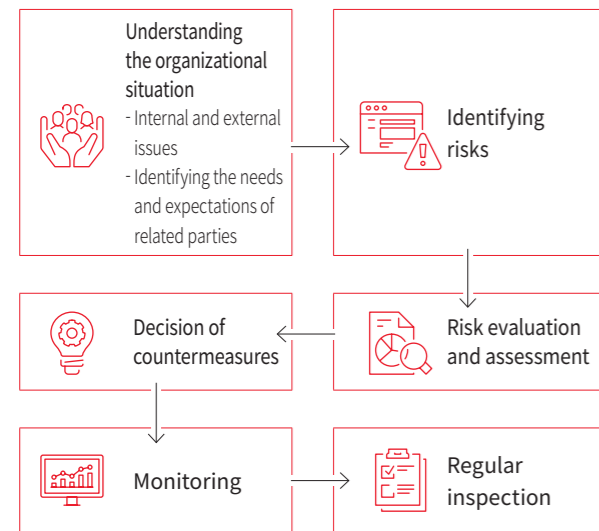
### Reporting non-ethical activities

COSMAX is operating a report system to create a clean corporate culture and eradicate non-ethical activities. Internal and external related persons who notice non-ethical activities of employees related to COSMAX's business activities can file a report via the company website. Upon the request of the reporter, their personal information can be kept confidential according to our duty of protecting whistleblowers.

## Risk management

COSMAX carries out a risk management process throughout the whole organization of management, quality, environment, safety and health through identifying and managing risks that may occur during the process of operating the organization. Managers and processing methods for each stage of the risk management process are documented in a risk evaluation table, and risks are systematically managed through detailed procedures for risk management for each issue, emergency responses, and continuous management plans.

### Risk management process and issue classification



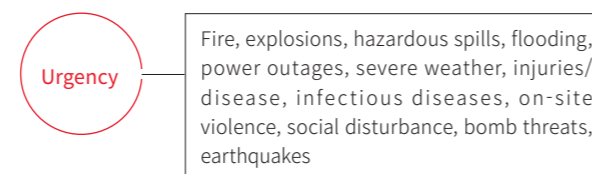
### Information security risk management

COSMAX is carrying out information security risk management for the suitability of internal information security systems, procedure maintenance and management, and education status inspection for employees once each year.

Inadequacies	Countermeasures
Absence of security officer in the data protection management procedure form	Revised so that the report is to the internal data protection officer according to the data protection management procedure form and the results are then reported to the CEO
Although training according to the data protection management procedure form is being carried out, training records are not produced	Completed producing and documenting training records
Absence of clear regulations for PC security management during employee resignation and change of duties	Completed adding related regulations according to the data protection management procedure form

### BCP, Business Continuity Plan

COSMAX is establishing and managing detailed measures by classifying business termination situations into urgent situation response, incident management, and operation recovery. As COSMAX is continuing manufacturing-based businesses, termination of factory operation is a major risk, and factors leading to this risk are under inspection.



### Production operation risk management

COSMAX will identify possible risks in production operations and analyze the cause, effect, and degree to search for countermeasures, and monitor its reflection. A risk evaluation is carried out once a year where risks are minimized and improvement measures are inspected and reflected.

(Low ● Medium ● High ●)

Risk	Potential causes of issue	Impact	Severity
Plan instability during absence of planner	Possibility of instability caused due to the absence of the planner without a substitute	Reduced productivity	●
Strengthening of production management standards of global clients	More items for attention during creation of plans and production due to the strengthening of standards by global clients	Claim occurrence	●
Delays	Occurrence of emergency response item due to inability to secure appropriate production lead time	Delayed delivery	●
Sluggish inventory	Reflection of overproduction compared to orders and no reflection of remnant production plans	Increased inventory	●

### Purchasing risk management

COSMAX monitors whether the right amount of raw/subsidiary materials have been ordered and whether they have been delivered at the right time and regularly manage the monthly inventory status. We also conduct annual risk assessments to prevent purchase risks and minimize overall risks.

(Low ● Medium ● High ●)

Risk	Potential causes of issue	Impact	Severity
Instability of responses from related departments during the absence of the purchasing officer	Client (orderer) purchasing officers are allocated individually not in principle and assistant form so there are possibilities of instability if the person responsible is absent	Reduced productivity Delayed delivery	●
Increase in product designs and text changes	Discontinuing raw/subsidiary materials due to change in client designs and policies of national agencies, such as the KFDA	Increase in product reproduction/ inventory	●
Handling product orders on short notice	Possibility of instability in supply-demand plans for raw/subsidiary materials due to orders on short notice	Delayed delivery	●
Sluggish or unusable inventory	Created when excess inventory compared to order amount occurs	Increased inventory	



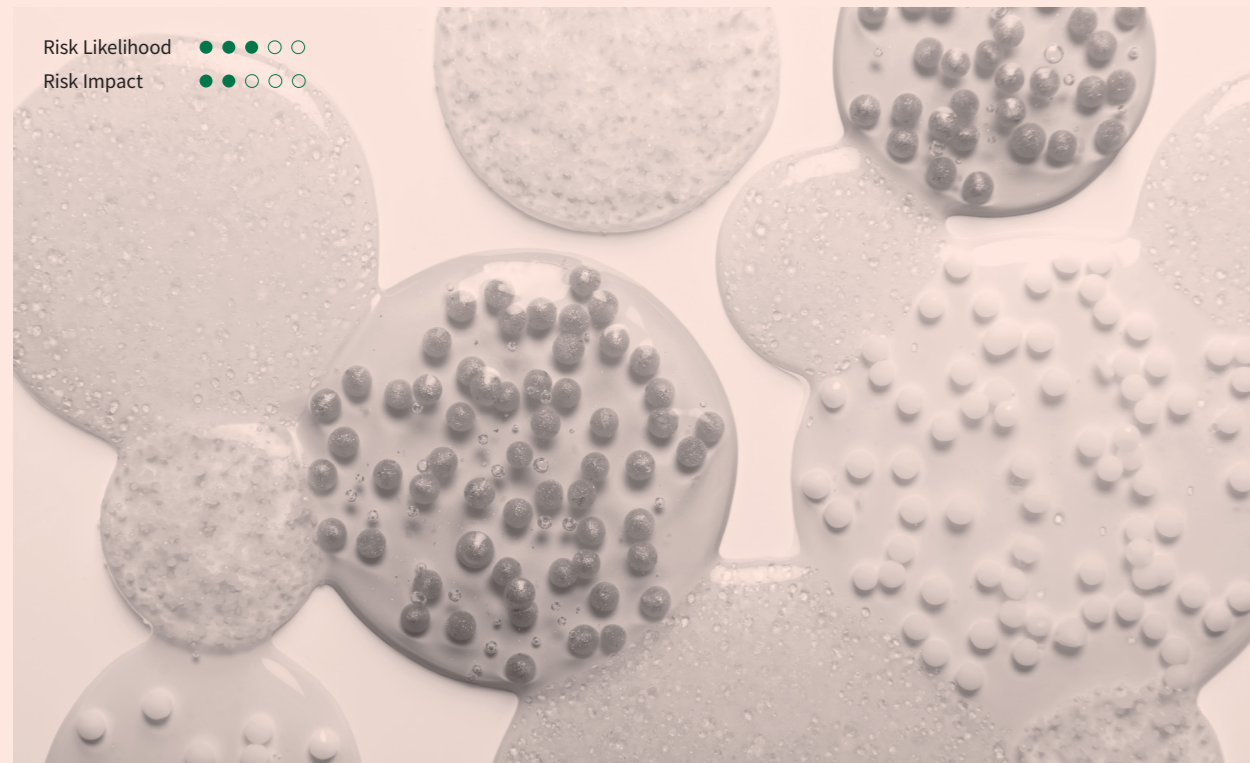
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# INNOVATIVE TECHNOLOGY

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<b>48</b>	Future Competitiveness
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<b>58</b>	Safe Workplace

# Future Competitiveness



## Why does COSMAX value the importance of digital transformation and technological innovation?

As economic activity through contactless channels increased due to COVID-19, COSMAX needed to switch to online communication methods with clients and customers in various countries, which required endless technological innovation for business continuity within the global cosmetics market.

## How does COSMAX respond to digital transformation and technological innovation?

COSMAX is putting in various efforts and continuing research for new products by equipping ourselves with a research system suitable to global standards to strengthen investment in the R&D sector and increase quality. Additionally, a digital business headquarters is created to actively respond to the constantly changing environment.

### Next Step

COSMAX plans to strengthen corporate competitiveness through IT system investments and big data establishment.

### Risks

- Fierce competition in the global marketplace
- Losses due to changes in the business environment

### Opportunities

- Pioneering new markets through online advancement
- Producing innovative products through R&D
- Increasing trade with client companies



- 8.2 Diversify, innovate and upgrade for economic productivity
- 9.5 Enhance research and upgrade industrial technologies

## COSMAX and digital transformation

Digital transformation credited to the advent of Industry 4.0 and the COVID-19 pandemic is an undeniable course of nature and will become COSMAX's future competitiveness. COSMAX created new opportunities and continued developing despite the ever changing market environment. We were able to expand our market share and secure new clients in the midst of the unprecedented crisis. Because the global cosmetics market became a single market connected online, we are planning on providing a new experience to consumers by establishing a business model using AI platform in the long-run.

### New digital transformation department

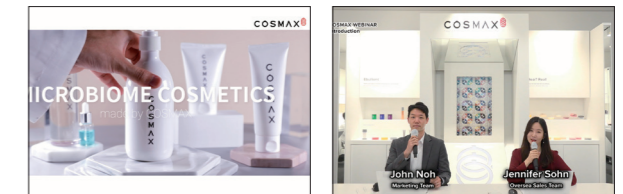
COSMAX created a dedicated digital business division by establishing digital transformation strategies and execution methods starting in December 2020. We are planning on securing future competitiveness by carrying out digital transformation in earnest starting with the creation of a dedicated division.



### Strengthening online customer communication

As a B2B company, COSMAX sells products by targeting global cosmetic brands. Online marketing became a must due to limitations of offline marketing with the continuation of the COVID-19 crisis. COSMAX is carrying out expanded tailored online presentations, online marketing activities, independent COSMAX webinars, online newsletters, etc. to strengthen online communications with customers.

Tailored online presentations	Targeting large global clients (100 times/year)
Online marketing activities	Participation in digital events and expansion of online advertising
COSMAX independent webinars	Live seminars using webinar platforms (2 times/year)
COSMAX newsletter	Introduction of new products and key core technologies to major clients



COSMAX webinar content



Online Newsletter

## Future competitiveness through technological innovation

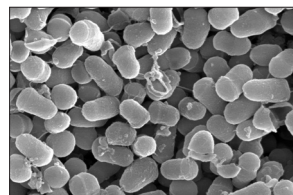
### Development of the world's first microbiome cosmetics

COSMAX predicted that various microorganisms carry out multiple roles while coexisting on human skin since 2011 and carried out research on microorganisms related to anti-aging. A resident microorganism under the codename Strain CX was discovered commonly on the skin of young women. We also discovered these microorganisms gradually disappear as people age, in turn, leading to the discovery that it directly impacts skin aging, for the first time in the world.

Based on these results, COSMAX released Strain COSMAX, the first anti-aging cosmetic using skin bacterial culture, for the first time in 2019. By applying a different cell aging mechanism compared to existing anti-aging cosmetics, we used microorganisms which actually exist on our skin to artificially prevent cell aging.

In February of this year, the research article which discovered the relation between microbiomes and skin aging with Gwangju Institute of Science and Technology (GIST) was published in Nature Communications Biology.

Furthermore, to achieve microbiome platform service, COSMAX established a microbiome platform research center with Dankook University. Using the infrastructure of the research institute, we are planning on carrying out microbiome analysis research collected from the skin of Koreans.



### Development of SensiFilter™

Currently, products in the market that are released as sensitive cosmetics mostly select ingredients from prescriptions, single ingredients, and etc. according to the trend of the market in a marketing perspective. It results in having no difference compared to normal products in non-comedogenic safety tests which evaluates skin irritation or pimple inductions.

However, COSMAX strengthened its standards within the ingredient selection stage with the goal of developing a true sensitive cosmetic product. We developed the SensiFilter™ system by blocking ingredients which were prohibited in major countries across continents, such as Korea, China and Europe, and only used verified ingredients. We, especially, introduced quantitative structure–activity relationships (QSAR) which can predict the allergic reaction and toxicity of ingredients by analyzing its physical and chemical structure for the first time in the Korean ODM industry. We also carry out a patch test which checks for irritation reactions when large amounts of the ingredient come in contact with the skin.



### Special | Presidential commendation for R&I capabilities

COSMAX received a presidential commendation during the 56th Invention Day ceremony for developing core cosmetics technology using microbiomes. We were able to prove the interrelation between skin microbiomes and aging for the first time in the world. We developed new materials using the newly discovered beneficial bacteria Strain-COSMAX, and released microbiome cosmetics in 2019.

COSMAX applied for 72 patents and registered 32 patents related to microbiomes and will keep strengthening global competitiveness by focusing on differential technological developments.



### Development of self-heating cosmetics through continuous innovation

COSMAX developed self-heating cosmetics which are effective for improving level of skin absorption. Because cold skin cannot efficiently absorb cosmetics, it produces a vicious cycle of becoming harder to manage. This is the reason for the common occurrence of skin illnesses during the cold winter months. Although various self-heating products to solve this problem are already out in the market, they have a limitation which comes in the form of giving strong irritation to the skin or lacking heating.

To solve the problems of conventional self-heating cosmetics, we applied Vanillyl Butyl Ether, which is commonly used in lip products into our cream form factor. Vanillyl Butyl Ether is an FDA-certified safe, non-toxic and hypoallergenic ingredient which boasts an immediate self-heating and thermal as well as long-lasting effects. Self-heating display effects immediately upon application which can facilitate skin absorption with hot massage and blood circulation effects. Self-heating cosmetics have the advantage of a wide range of usage as it can be applied to various products, such as facial, body and hair products. COSMAX completed patent registration for the specific composition of the cosmetic and demonstrated the body massage cream element through our clients. It is planned to be applied in various products including basic cosmetics, color cosmetics, mask packs, and others.

### Development of effective eco-friendly skin relief cream

COSMAX recently developed a skin relief solution with Red Blemish Cica Soothing Cream. Customers' needs for skin relief due to prolonged mask usage and humidity is increasing. The product includes a 300-times higher amount of "5-Cica Complex," which is a key ingredient of the Red Blemish line, compared to our previous Red Blemish Clear Soothing Cream, and helps care for the skin barrier as



it includes Centella asiatica biome.

Additionally, as value consumption considering the environment is expanding, we are expanding our vegan certified lineup to achieve beauty that is sustainable.

### Development of market-leading new technology for makeup foundation

COSMAX developed technology which overcomes the downsides of existing makeup foundations and greatly increases comfort and cover continuity. Existing foundations displayed clumping because they cannot process pigments in a small and uniform manner which resulted in rough usage and thicker makeup. We overcame these downsides and showcased a foundation technology which displays excellent cover without darkening with only small amounts of application.

This technology not only covers freckles and pigmentation, but also displays cover effect and excellent continuation which corrects the whole facial tone in a uniform manner, and human tests proved easy and fast application, adhesion, improvement of skin uniformity, improvement of coverage, improvement of moisturizing continuation, and protection from UV rays.

COSMAX named this "X-fine" technology and solved the problems of existing foundations in an innovative manner while greatly improving product power and stability. COSMAX's X-fine technology will upgrade the natural beauty which makeup aims to express and is receiving good reviews across the world from our overseas corporations in the USA, China, Indonesia, Thailand, and more.

We are planning to expand the application of this technology to our BB cream, CC cream, tone-up cushion, sunscreen and other products while securing our position as a leader within the global makeup market technology area.



# Safe Product Development & Eco-Friendly Packaging



## Why does COSMAX value the importance of eco-friendly product development?

Major environmental issue of increased carbon footprint and negative impact on the ecosystem are rising due to the use of non-biodegradable ingredients, such as hazardous substances and fine plastics. Additionally, reducing plastic and using eco-friendly packaging has become a trend applied to all industries and are becoming an obligation more so than a choice.

## How is COSMAX conducting eco-friendly product development?

COSMAX independently established the COSMAX ECO Project roadmap which sets and executes mid-to-long term goals that lead up to 2030. We are carrying out cooperation with global material companies for the discovery and application of eco-friendly ingredients, and are planning to expand recycling and reuse through developing single-material containers.

## Next Step

COSMAX will strive to secure global-level safety by protecting children's rights, the ocean and rain forests through selecting and expanding sustainable raw materials and product development.

### Risks

- Low client preference due to the downside of having a low external quality despite the high price point
- Lacking a portfolio for eco-friendly subsidiary materials

### Opportunities

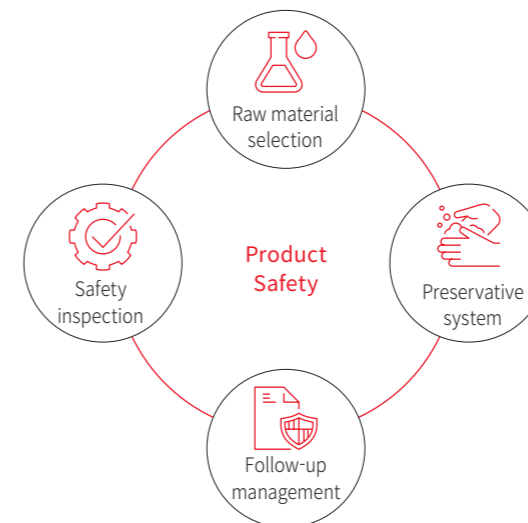
- Contributing to GHG reduction through successful development of eco-friendly products
- Preemptively securing the market through developing a comprehensive eco-friendly package

3.4	Reduce mortality from non-communicable diseases and promote mental health
12.2	Sustainable management and use of natural resources
12.5	Substantially reduce waste generation

## Strengthening product safety

### Product safety system

COSMAX considers the safety of consumers as the top priority and focuses on securing safety from the stages of ingredient selection all the way up to production. Regulations must be prioritized for securing safety. The regulations of each country exist to protect its culture and citizens. COSMAX not only abides to domestic regulations, but also the regulations of export countries by constantly reviewing the newest regulations. Additionally, specific ingredients used in cosmetics have a risk of causing irritation to specific people. As much as it is important to identify the factors for irritation, it is also important to identify the danger of potential irritations. For this, we are carrying out various tests, such as preservatives, microorganism usability, heavy metals and allergen analysis, and human application safety tests. We are striving to ensure the safety of our products through reviewing regulations and raw materials data, direct safety tests, amongst other ways, related to the whole process from ingredient usage to commercialization.



### Selection of safe raw materials

The safety of raw materials is an important factor in deciding the safety of the final product. Therefore, COSMAX selects suppliers who supply safe raw materials. The process from ingredient supply to commercialization is managed

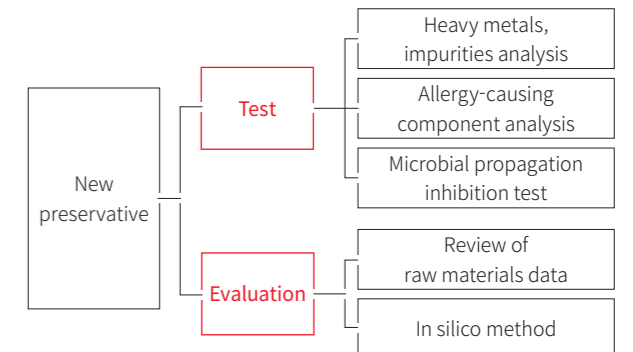
transparently and whether raw materials conform to the quality and safety standards are also checked. We check the raw materials' conformity to the regulations of each country, and thoroughly prepare data on the composition and impurities of the raw materials. This is all due to the promise between the raw material supplier or manufacturer and COSMAX, not to mention for the safety of consumers.

### Five standards for raw material selection

<b>Regulations</b>	Uses raw materials according to national regulations but also what we promised to our customers
<b>Safety</b>	Conformity verification as a cosmetic raw material
<b>Consumer preference</b>	Raw material selection according to consumer preference
<b>Differentiation through independent development</b>	COSMAX's unique materials
<b>Continuous supply</b>	Selection of supply company and raw materials for continuous product supply

### Independently developed preservation system

Considering the appropriateness of preservative usage to minimize irritation caused by the product is very important. COSMAX sets a standard for preservatives which has a direct relation to product safety and makes sure it is not abused. COSMAX's preservatives display high anti-bacterial effects along with low irritation. We are striving to prevent the overdose and side effects of preservatives through our independent preservative system.



### Full safety check during product development

COSMAX carries out full safety tests to secure product safety during the product developmental stage, and the results are planned to be used as part of a database for securing the safety of future cosmetics.

### Securing continuous safety through follow-up management

COSMAX periodically evaluates the safety of its products even after distribution. Safety evaluation figures can change according to the degree of regulation changes and the safety management of ingredients or products. Direct irritation or sensitivity of consumers may be used as data for the safety evaluation index. COSMAX continues to listen to customers' opinions regarding our products.

<p><b>Regulation review</b></p> <p>Review for compliance to standards set by the country and clients for the product</p>	<p><b>Stability test</b></p> <p>Operation of stable product suggestions and smooth document response process</p>	<p><b>In silico method</b></p> <p>Use of cutting-edge technology for evaluating safety</p>	<p><b>Preservatives test</b></p> <p>Product preservative test</p>
<p><b>Microorganism usability test</b></p> <p>Evaluation of microorganism contamination after usage</p>	<p><b>Protein and alkaloid analysis from plant extracts</b></p> <p>Analysis of proteins and alkaloids from plants which may cause side affects</p>	<p><b>Heavy metals analysis</b></p> <p>Test for confirming non-detection of hazardous heavy metals</p>	<p><b>Impurities / allergens analysis</b></p> <p>Test for confirming non-detection of hazardous impurities and allergens</p>
<p><b>Package Compatibility test</b></p> <p>Test for checking the safety for use between the contents and packaging</p>	<p><b>Package Compatibility test data analysis</b></p> <p>Test for predicting the possibility of chemical reactions and breach of hazardous materials between the contents and packaging</p>	<p><b>RIPT</b></p> <p>Test for evaluating level of irritation by applying ingredients or products to the skin</p>	<p><b>In vitro test</b></p> <p>Test for evaluating level of irritation using in vitro methods rather than animal testing</p>

### Special | Alternatives to Animal Testing

Since the revision of the Cosmetics Act in 2016, the import, distribution, and sales of cosmetics or raw materials that have gone through animal testings are prohibited. Instead, COSMAX is carrying out an ethical and accurate in vitro skin irritation test using 3D models. This is an internationally certified testing method registered in the Ministry of Food and Drug Safety which uses a 3D model created with similar physical, biological, and chemical characteristics to Korean cells. COSMAX will continue to research methods that will replace animal testing that will go beyond just reducing suffering of animals.



### Eco-friendly product development

#### Eco-friendly certifications

COSMAX prioritizes the safety of our customers and continuously strives to develop and produce safe products. We obtained all COSMOS ECOCERT (organic cosmetic certification) certifications for cosmetics manufacturing and quality management, along with MUI certification (one of the 3 global HALAL certifications), and vegan cosmetics production certification (France EVE certification), to prove that we are a company that boasts top quality which satisfies the requirements for each country. Through eco-friendly product certifications tailored for each market, COSMAX will keep demonstrating products that satisfy the various needs of global customers.



#### Natural cosmetics certification for children's hair products

COSMAX has obtained natural cosmetics certification for children's shampoo and conditioners from the Ministry of Food and Drug Safety (KOREA). For certification, a strict evaluation is carried out from the production of ingredients, product manufacturing, all the way up to packaging. Additionally, natural or natural origin based substances must consist of more than 95% of the product, and GMO ingredients may not be used. The natural kids shampoo developed by COSMAX only uses plant-based surfactants which include more than 98% natural-based substances, and the natural hair conditioner also include more than 98% ingredients of plant origin such as palm and canola seeds to minimize negative impact on the scalp and hair.



### Microplastics-free to solve environmental problems

Microplastics are plastics that are about 100 nm to 5 mm in size, and are used in products such as toothpaste, and cleansing products like scrubs. Due to their small size, they are not filtered in sewage facilities and freely outflow into the rivers and sea, which then impacts the ecosystem by slowly climbing up from plankton to fish, then back into humans through the food chain. To solve these environmental problems, COSMAX limited the use of microplastics in new ingredients, and preemptively banned the use of specific microplastics (PTFE, NYLON, PMMA). Additionally, COSMAX is developing a new prescription technology with the goal of becoming microplastics-free by 2023.



### Special | Development of Halal cosmetics using native Indonesian plants

COSMAX has developed cosmetic ingredients using indigenous Indonesian plants along with the Institut Teknologi Bandung (ITB). Through joint research, COSMAX took part in the commercialization process by applying the local plant ingredients to cosmetics while the Institut Teknologi Bandung focused on discovering ingredients for acne prevention, antioxidant, whitening effects, etc. using local plants such as banana flowers, tropical tea trees, and cinnamon. The developed ingredients are planned to be registered in the BPOM, and we wish Indonesia's natural ingredients and Korea's cosmetics technology may fuse together to become recognized globally.












## Special | Global certifications for sustainable management

COSMAX currently holds the most certifications in the cosmetics ODM industry. While obtaining various manufacturing and quality management certifications and working towards technological innovation, we fulfill the requirements for each country by being a leader in the market pioneering as a partner for the overseas expansion of our clients. Through certifications tailored for each market, COSMAX will keep demonstrating products that satisfy the various needs of global customers.

We obtained all cosmetic manufacturing and quality management certifications such as the CGMP certification in 1998, along with ISO 22716 (International cosmetic GMP), ISO 9001 (Quality management), ISO 14001 (Environmental management), ISO45001(Safety management), and COSMOS (Organic cosmetic certification), etc. Additionally, we are the only company to pass the OTC registration for the US FDA and Health Canada. Furthermore, we have obtained MUI certification, which is one of three major international HALAL certifications, along with the vegan cosmetic production certification by EVE to prove ourselves as a company with world-leading quality that satisfies the requirements of each country. Additionally, we are maintaining and managing the highest global quality standards through regular audits with global companies, such as L’Oreal, Johnson & Johnson, and Mary K.

### Certifications

Certification	Organization	Details
CGMP	 Ministry of Food and Drug Safety (MFDS)	Cosmetic Good Manufacturing Practice certification
ECOCERT	 ECOCERT	European organic cosmetics certification
FDA OTC	 U.S. FOOD & DRUG ADMINISTRATION	USA FDA OTC
MUI	 Halal Certification	HALAL cosmetics certification
Health Canada	 Health Canada	Canada OTC product and cosmetics certification
EVE VEGAN	 Expertise Vegane Europe	Vegan cosmetics certification
Natural cosmetics	 MFDS	Korean natural organic cosmetics certification
Certification	Organization	Details
ISO 9001	 Korea Management Registrar	Quality management certification
ISO 14001		Environmental management certification
ISO 45001		Safety management certification
ISO 22716		International Cosmetics Quality Certification
Fairtrade International	 Fairtrade International (FLO)	Fair trade product certification

## Eco-friendly packaging

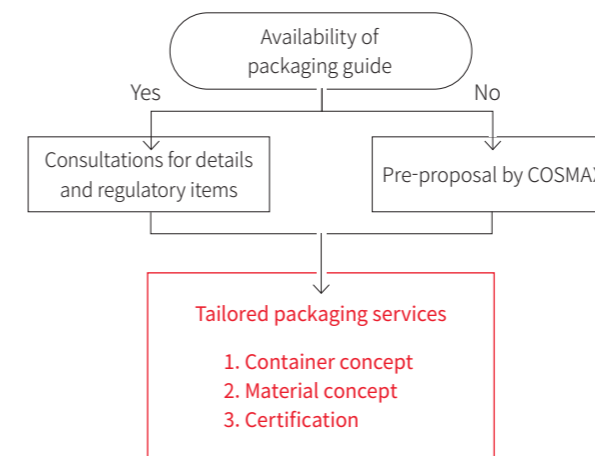
Concept	Activities
Discovery of new plastic materials (e.g. biodegradable, PCR recyclable)	We obtained information on eco-friendly ingredients and trends by discovering major material companies that recycle biodegradable and PCR materials at home and abroad. A total of 38 materials were discovered from 13 companies, and we are actively searching to cooperate with new material companies.
Usage of certified packaging material (FSC certification for secondary packaging material)	We continue to use Forest Stewardship Council (FSC) certified packaging to achieve sustainable development.
Easy recyclable structure (singular & simplified)	We are discovering partners in and out of Korea to develop easy recyclable packaging and to suggest new material and packaging structures to our clients. We discovered 58 types from 30 companies, and are continuously striving to create a unified packaging.
Removal of hazards (prohibition of restricted substances)	We updated the internal packaging guidelines 10 times to cater to the changing regulations of clients and countries. Additionally, we prohibited certain materials according to the newest regulations.

<sup>\*</sup>Forest Stewardship Council

### Tailored sustainable packaging services

COSMAX's various global clients all have a mid-to-long term roadmap for each packaging standards and detailed specifications, and therefore we must follow the regulations of the respective countries. Additionally, there are various combinations for sustainable packaging, so we provide services tailored to clients' standards. We are planning to actively use related certifications for securing the trust of our clients.

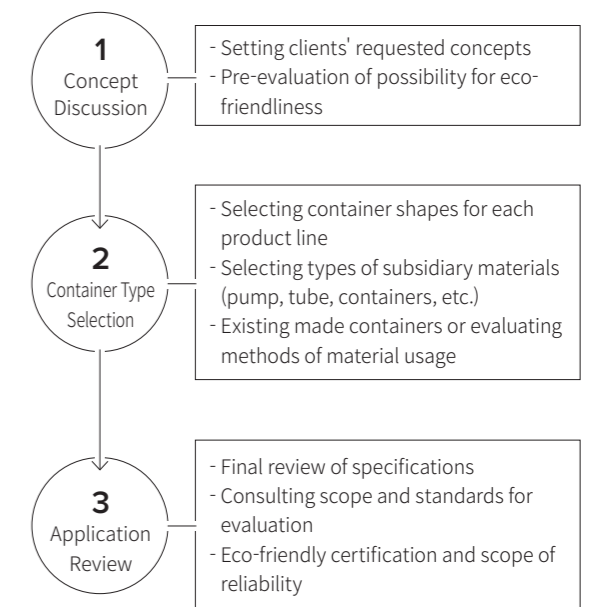
### Packaging services road map



### Eco-friendly container development guideline

COSMAX is securing safety for the development of eco-friendly packaging catered towards client demands through stages of concept decision, container type selection, and application review.

### Eco-friendly container development step



Eco-friendly packaging examples



Changed from PVC flocking type to PS



Usage of soybean oil printing + FSC certification



Change to PP when renewing existing PET  
"Excellent" recycling grade



Development of 3-piece cushion container(reduced to half from 6 pieces)



Refillable container  
Singular PCR PP material



Transparent PET + metal-free pump + wash-off label  
(less than 20% of adhesive surface container area)



Developing products with paper palettes



Developing an eco-friendly palette applying eco-design which combines PP+pulp components and a petal-shaped eco-design(in progress)



Made separate to an internal container (PP), external container (PET) in order to develop a recyclable cushion container mold



Development of a palette container using pulp mold (bamboo)

Special | Development of FSC-certified Packaging

COSMAX has developed packaging materials for cosmetics using recycled paper along with the eco-friendly FSC certification. We applied it to Kiehl's for the first time using 100% recycled paper from Hansol Paper. The usage of recycled paper displays lower print quality and adhesiveness due to the lack of additional coating, but we carried out supply through communication with Kiehl's.



# Safe Workplace



Risk Likelihood ●●●○○○  
Risk Impact ●●○○○○

## Why does COSMAX value the importance of a safe workplace?

Responsibilities of corporations are increasing due to tightened laws, such as the Occupational Safety and Health Act and the Serious Accidents Punishment Act. Because we handle various chemicals along with facilities and devices such as mixers, charging facilities, and conveyors, we will carry out responsible management prioritizing the safety of our employees.

## How does COSMAX respond to creating a safe workplace?

COSMAX is creating safety and health management systems that comply with domestic and international standards to respond to increasing social demands for safety and health so that employees can work in a safe environment. Additionally, we are focusing on spreading an action-based safety health culture by enhancing safety health awareness and discovering/improving major risks through risk evaluation.

## Next Step

COSMAX aims to manage and evaluate the occupational safety and health of not only its employees, but also all business partners to promote a mutual culture of safety and health.

### Risks

- Strengthening responsibilities and scope of safety health related regulations
- Increased need for safety risk management due to the increasing number of partners

### Opportunities

- Prevention of industrial hazards through strengthening safety health measures and investment
- Creating a safe workplace for our employees and partner companies

8.8 Protect labor rights and promote safe working environments  
11.b Implement policies for inclusion, resource efficiency and disaster risk reduction by 2020

## Strengthened safety and health systems

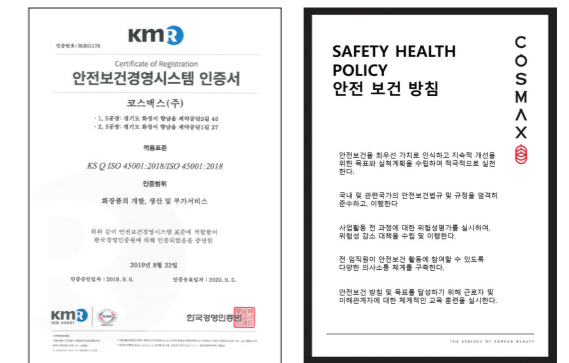
### Safety and health management strategies and policies

COSMAX, along with its clients, partners and stakeholders, all prioritize safety and health in light of increased legal responsibility of companies due to the laws such as the Occupational Safety and Health Act and the Serious Accidents Punishment Act. We actively carry out safety and health polices, and strive to create a safe culture through participation from all employees. By carrying out various projects with partner companies for increasing production volume and facilities, we recognize the various risks that may occur and carry out goal management for prevention of occupational accidents.



## Global standardization through safety and health management certification

COSMAX has acquired ISO 45001 certification for its occupational health and safety management system, and maintains its certification through annual surveillance audits by an external certification body.



ISO 45001 Certification      COSMAX Safety Health Policy

## Safe Workplace

### Raising awareness through safety education

COSMAX is carrying out various safety and health training programs every year to enhance the safety and health awareness of employees and partners.

Training	Target	Hours (per person)	Type	2018	2019	2020
Regular Safety Training	Office Workers	12 h / year	Online	100%	100%	100%
	Production Workers	24 h / year	Collective	100%	100%	100%
Employment (Special) Safety Training	Office Workers	8 h / year	Collective	100%	100%	100%
	Production Workers	16 h / year				
Managerial Training	Managers	16 h / year	Training Facility	34 (100%)	41 (100%)	54 (100%)
Urgent Care Training	COSMAX and Partners	2 h / year	Training Facility	111 (100%)	123 (100%)	-



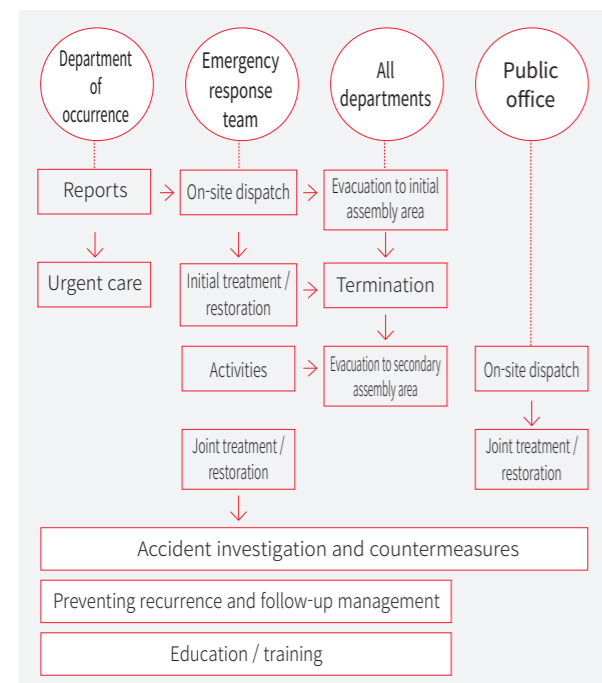
### Enhancing emergency response capability through training

COSMAX carries out simulation training for fires and/or natural disasters to strengthen response capabilities during crisis situations that may cause casualties and business paralysis.



### Emergency response process

Classification	Type
Safety accidents, fires and natural disasters	- Human/material accidents and fire - Accidents in the workplace and in nearby locations - Natural disasters (floods, typhoons, earthquakes, etc.)
Environmental / chemical substance accidents	- Influx of raw materials and waste water into drains - Accidents during waste transport - Chemical substance leak related accidents
Disease outbreaks and epidemics	- Disease outbreaks and (viral) epidemics



### Execution of Safety Work Permit Policy and Training

COSMAX is carrying out a safety work permit policy for the safety of the employees of COSMAX and our partners. When carrying out high-risk tasks, a work permit must be submitted for approval, where on-site examination is carried out before starting work to ensure the safety of employees of our partner companies.

### Evaluation and Reward for 5S & EHS

COSMAX has organizations comprising executives, team leaders and department heads for carrying out 5S and EHS activities to evaluate the state of each workplace's management of the 5S and EHS.

### Employee health enhancement activities

COSMAX is carrying out health checkup services that target employees in order to create a workplace where everyone can work healthily. Additionally, we are encouraging personal health management through health counseling. Furthermore, we placed a blood pressure gauge and AEDs on each floor so that we can care for emergency heart failure patients if such incidents occur.



### 100% sprinkler installation in factories and logistics centers

Although COSMAX's workplaces are not subject by national law to install sprinklers, we carried out facility investments to secure safety from fire hazards. We succeeded in installing in COSMAX factories 1, 2 and 3 as well as Pyeongtaek Factory and the logistics center, and are planning to install sprinkler facilities in all workplaces until 2021.



### Work environment monitoring

COSMAX is carrying out regular work environment monitoring on dust and noise in the workplace for the safety of workers. As a result, we received non-detection through our biannual measurements carried out for a total of 3 years, and will keep doing so for the health of our employees.

Classification	Identified	2018	2019	2020
Hwaseong Pyeongtaek Pangyo	13 target substances	Below exposure threshold	Below exposure threshold	Below exposure threshold

### Designation and provision of protective equipment

COSMAX is making protective gear mandatory in the workplace for the safety and health of workers as well as designating and providing protective equipment based off safety certification and adherence tests.



### Forklift safety equipment

Forklifts are frequently used to move products on the premises. COSMAX has introduced speed limiting devices, line beams and body recognition systems to respond to dangerous situations to ensure safety when using forklifts.

### Prepared with emergency eyewash and safety shower stations

A container with emergency protection equipment is placed in the production and research facilities so that safe collection of chemical substances during a leak can occur, and an emergency shower device is operated for quick emergency treatment upon contact with these substances.



### Industrial safety and health performance

Key indices	Unit	2018	2019	2020
Injuries	%	0	0.69	0.67
Illnesses	%	0	0	0
Fatalities	Persons	0	0	0

### Special | COVID-19 response activities

COSMAX is actively responding to the COVID-19 pandemic to protect the health and safety of all employees.

#### 1. Organize COVID-19 taskforce

#### 2. Daily prevention activities

- Personal hygiene: Mandatory masks on the premises, and placement of hand sanitizers in public locations
- Building entrance: Body temperature check 2 times a day for all employees, and no entry aside from designated locations for guests
- Reducing concentration: Requiring remote work for more than 30% of employees for each department, staggered lunch break and rest time, and increased commuter bus services to reduce crowding and concentration
- Overseas business trips: No business trips to high-risk countries
- Refraining from outdoor activities: COVID-19 protocol announced every Friday
- Target: Symptomatic persons and close contacts

#### 3. Full support for COVID-19 testing and paid leaves

#### 4. Professional monthly disinfection



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# MAKE PEOPLE BEAUTIFUL

- 
- 66 Reinforced Environment Management
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  - 74 Contribution to Local Community

# Reinforced Environmental Management



## Why does COSMAX value the importance of eco-friendly management?

As perception of eco-friendliness is improving worldwide, eco-friendly production, sales and management are accelerating in areas of climate change, carbon emissions, air and water pollution, water shortage, plastic waste, recycling, etc.

## How is COSMAX conducting eco-friendly product development?

As a responsible global company, COSMAX is continuing business under strict environmental protection principles and have newly established an environmental management policy in 2020 for eco-friendly management.

We have created an organization for environmental management by applying stricter regulations than that of the law to thoroughly manage pollutants and minimize the environmental impact throughout our business activities.

## Next Step

COSMAX has expanded its management capabilities to overseas businesses beyond Korea to actively carry out eco-friendly management for local and international communities.

## Risks

- Strengthening of environmental regulations at home and abroad
- Request for active participation and class upgrade on initiatives for publicizing environmental information from stakeholders

## Opportunities

- Creating a foundation for eco-friendly management and establishing an advanced environmental management system
- Enhancing corporate image and trust through transparent publication of environmental information



- 12.4 Responsible management of chemicals and waste
- 13.1 Strengthen resilience and adaptive capacity to climate-related disasters
- 14.1 Reduce marine pollution

## Environmental management and performance

### EMS Strategy and Policy

COSMAX not only carries out business under strict environmental protection principles as a responsible global company, but also plans to protect and improve the environment through its businesses. We have established eco-friendly management strategies and policies to fulfill our promise to the environment, and will continue to take action related to water, waste, air pollutants, harmful chemical substances, and climate change. Due to the characteristics of the cosmetics industry, we recognize the importance of managing harmful chemical substances, and environmental pollutants, and are carrying out a thorough response.



ISO 14001 certification



COSMAX EMS Policy

## Minimizing environmental impact

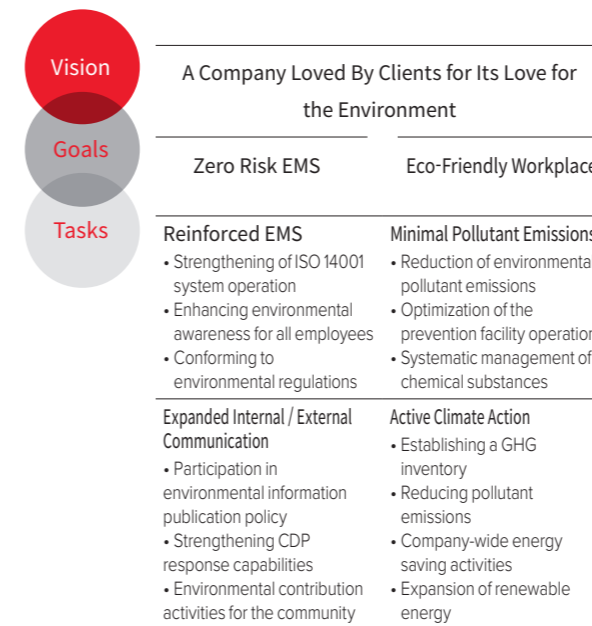
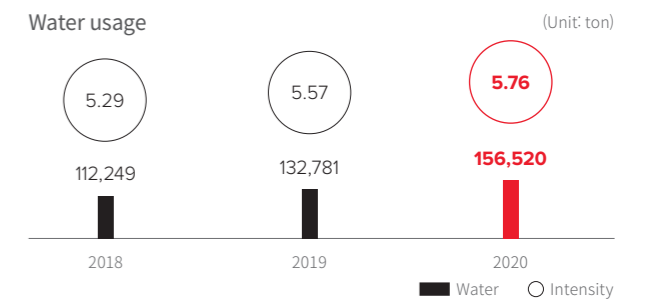
COSMAX is minimizing hazardous chemical substances, waste water, air pollutants, and waste occurring from production and managing the whole process, starting from procuring ingredients to disposal, for safety.

## Water management

Water resources are extremely important for COSMAX as a cosmetics company, and need to be managed in order to sustainably continue business activities. Most of the water is used in the water purification system within the cosmetics manufacturing facilities, along with the cafeteria, bathrooms, and other locations, and we are securing stable water quality through regular quality check ups.

## Water reduction

We are continuously carrying out water reduction activities such as using RO concentrated water for cooling the production mixer and vacuum pump. We saved 9,248 metric tons of water in 2020, and we enhanced the manufacturing efficiency while reducing cleaning water usage for the manufacturing mixer by introducing the CLEAN IN PLACE (CIP) system.



## Global standardization through EMS

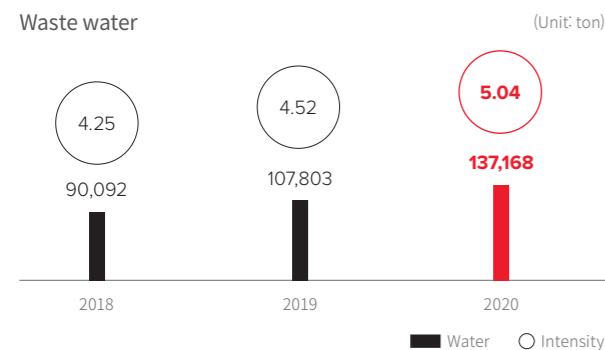
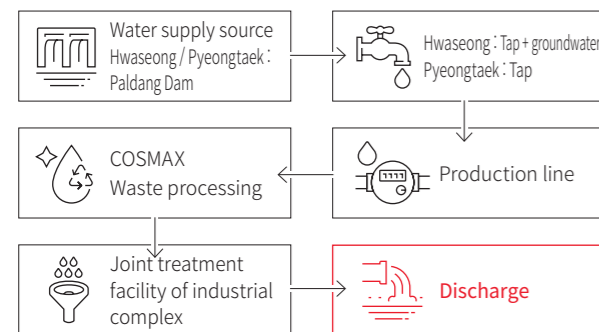
As a global ODM company, COSMAX is carrying out an advanced eco-friendly EMS. We have obtained ISO 14001 environmental management certification for domestic workplaces (i.e. Hwaseong, Pyeongtaek) and overseas workplaces by inspection from an external organization. In 2021, we continuously strive to fulfill environmental management in overseas workplaces by obtaining certifications for environmental management system establishment.

### Waste water management

COSMAX is operating waste water processing facilities in Hwaseong Factory and Pyeongtaek Factory to satisfy its stricter-than-legal internal standards.

We are carrying out waste water density analysis, and if high-density waste water influx is detected, we establish countermeasures to remove the waste water in relation to the production and carry out regular education on workers. COSMAX does not have business establishments in water supply reserves or ecological, landscape or biodiversity conservation areas, and waste water processed from independent facilities is then sent to waste water treatment facilities before being discharged to lessen the impact on public waters and marine environment while continuing to reduce contaminants through managing waste water and processing facilities.

#### Water Resources Schematic



### Air pollutant management

#### Air pollution and odor management

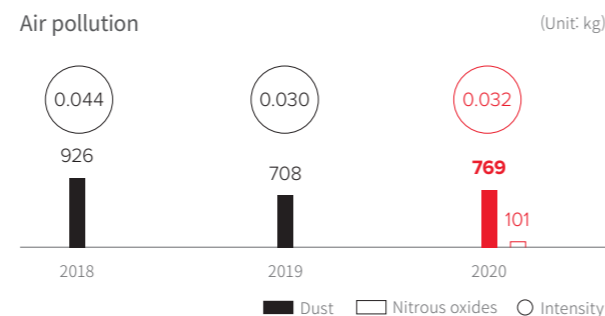
COSMAX will reduce the amount of fine dust, which had become a national issue, and is carrying out continuous investment for installation of air pollution prevention facilities and odor reduction facilities in order to comply with the Clean Air Conservation Act.

An independent standard within 30% of the legal limit for air pollutants are set, which is then regularly measured and monitored by external institutions to effectively manage air pollution and odor.

#### Reduction in air pollutant emissions

Improvement of aged facilities, replacement of regular filtration filters and activated carbon, adjustment of proper air ratio of boilers to reduce unnecessary heat loss and oxygen content in exhaust gas

Through optimized air pollution prevention facilities, such as reducing nitrogen oxides and fuel usage, we are putting in an effort to reduce air pollutants. Additionally, when introducing new equipment, a preliminary environment management impact evaluation is carried out to review air pollutants and gas output to apply optimal prevention facilities.



### Waste management

#### Waste related risks

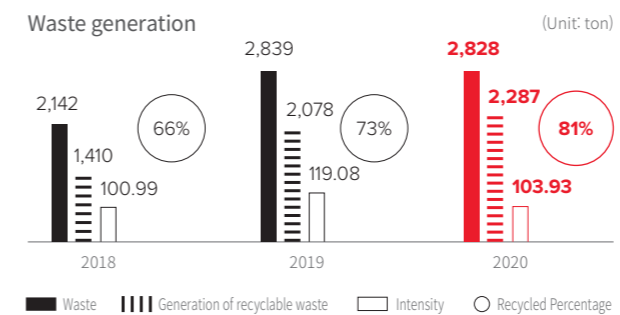
COSMAX is minimizing risks by establishing measures to improve waste reduction and disposal methods throughout the company due to the strengthening of waste-related laws such as waste disposal charge system, waste charge system, and resource circulation management.

#### Waste management

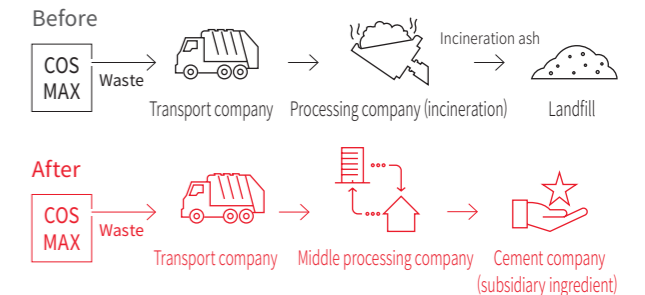
COSMAX is carrying out systematic management by clearly defining treatment methods for each type of waste in each workplace. We process by entrusting to a professional processing company, and an on-site inspection and evaluation for waste transportation and processing partners based on internal management standards are carried out to prevent environmental accidents. Additionally, by carrying out education and inspection activities targeting employees, we are continuing to change and improve awareness.

#### Waste reduction activities and increased recycling

Vinyls that were previously treated with synthetic resin and subsidiary materials (papers and some plastics) were recycled to reduce the amount of generated waste. Additionally, we are improving waste processing methods such as switching waste that was originally incinerated to recycling waste to render them as resources. A prime example is the case of reusing unusable cosmetic bulk as a subsidiary ingredient for cement companies through middle processing, and the introduction of processing methods for reusing waste water. Through this, we achieved a recycling rate of 81%, which is an 8% increase compared to 2019.



#### Cosmetic waste bulk processing process



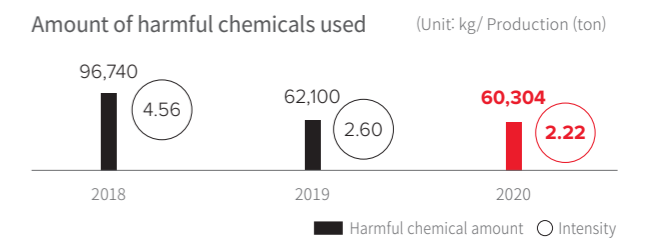
### Management of chemical substances

#### Chemical substance management system

COSMAX manages all chemical substances through the research quality management system. We confirm the risks and hazards of chemical substances to monitor its usage for each stage so it can be safely used in the field.

#### Management status for hazardous chemical substances

Hazardous chemical substances and dangerous items are managed through regular inspection, and each handling site is equipped with a material safety data sheet (MSDS), protective gear necessary for handling, and preventive equipment in the case of accidents involving leaks. Additionally, the storage facilities and manufacturing room are explosion-proof to secure safety against fire and explosions. Furthermore, we installed sprinklers in places besides just the handling facilities to prevent fire accidents. Legal regular inspection and installation inspection are carried out to receive approval for suitability in compliance with the tightened Toxic Chemicals Control Act. Sodium hydroxide, which had been used for pH adjustment in our wastewater treatment facilities, has been replaced with a non-hazardous substance to reduce the use of hazardous chemicals.



## Environmental training

### Employee environment awareness activities

COSMAX is carrying out education and training on waste, water, and chemical substances to enhance environmental management awareness and preventing environmental accidents to employees and contracted businesses. We are planning on strengthening education and increasing the number of targets.

#### Environmental education activities

Content	Participants	Term
Waste discharge procedure and recycling	202	1 time / half-year
Precautions when discharging waste water and accident examples	251	1 time / half-year
Training in preparation for chemical leaks	105	1 time / half-year
Training for managers and handlers of hazardous chemicals	91명	1 time / half-year



Waste education



Waste water education



Chemical substance education

## Response to climate change

### Climate change response system

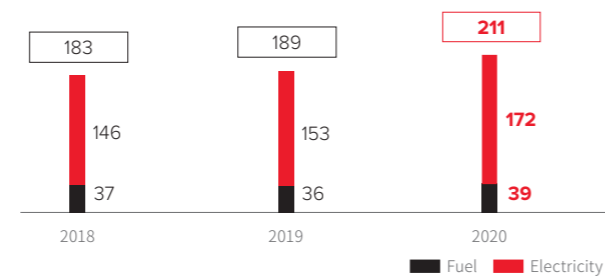
COSMAX actively participates in climate change response by recognizing the major impacts of climate change on its business activities. COSMAX inspects and reports to management the company's GHG emissions, mid-to-long term goal achievement rate, and energy reduction activities, and transparently publicizes its climate change response status and achievements as part of the CDP to effectively respond to the demands of clients.

### Energy usage and GHG emission management

#### Energy usage management

COSMAX sets annual energy usage goals and continuously carries out reduction tasks to achieve the goals. We monitor achievement rate compared to our goal every month. We notify excellent energy reduction examples and utility usage records through the internal EHS board to raise employees' awareness for reducing energy usage.

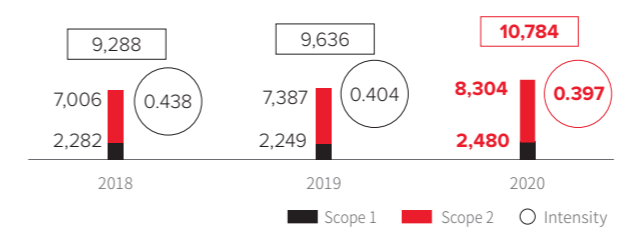
#### Energy consumption (Unit: TJ)



#### GHG emission management

COSMAX has established a GHG inventory in five workplaces across Korea even though it is not subject to GHG and energy management so as to systematically manage environmental and energy achievements, and calculate scope 1, 2 and 3 GHG emissions through a reputable external organization. We are planning to expand the scope of GHG verification to overseas workplaces.

#### Scope 1 & 2 GHG emissions (Unit: tCO<sub>2</sub>e)



#### Scope 3 GHG emissions (Unit: tCO<sub>2</sub>e)

Category	2018	2019	2020
Fuel and energy related activities	324	324	322
Waste generated in operations	119	144	122
Business travel	704	772	135
Employee commuting	27	13	16
Total	1,174	1,252	596

#### GHG emission reduction through High-efficiency LED lights

COSMAX is reducing GHG emissions through various energy reduction activities, such as upgrading to high efficiency equipment, optimizing utility equipment and introducing renewable energy.

COSMAX is continuously replacing normal fluorescent lights to high-efficiency LED lights within Hwaseong Factory. A total of 2,855 lights were replaced to expect a reduction of 290,922 kw of energy.

#### Optimization of utilities

COSMAX has reduced 127,993 kWh in energy usage by analyzing dissolved oxygen (DO) trends of two waste water treatment facility blowers and distributing operation accordingly. We reduced 45,920 kWh in energy usage by reducing compressor operation through adjusting the air injection cycles of 15 dust collector systems according to its dust characteristics.

Additionally, we reduced the energy used for operating the air handler and freezer by reducing its operation time, and applied a consent timer so air conditioners, water purifiers, and external lighting turns off automatically, therefore, reducing standby power.

### Company-wide GHG reduction campaign

COSMAX installed the Green Touch program developed by the Ministry of Environment by reducing energy when not using the computers. It was installed in a total of 723 computers with an expected energy usage reduction of 49,332 kWh, and 24,419 kg less CO<sub>2</sub> emissions, which has the same effect as planting 8,816 trees.

#### Special | Solar Power Plant Construction

In order to reduce greenhouse gas emissions, COSMAX has installed solar power facilities on the roof of its Pyeongtaek plant in the first half of 2021. Through the solar power generation, it is operating on a scale that can replace more than 13% of the total energy used in Pyeongtaek plants.

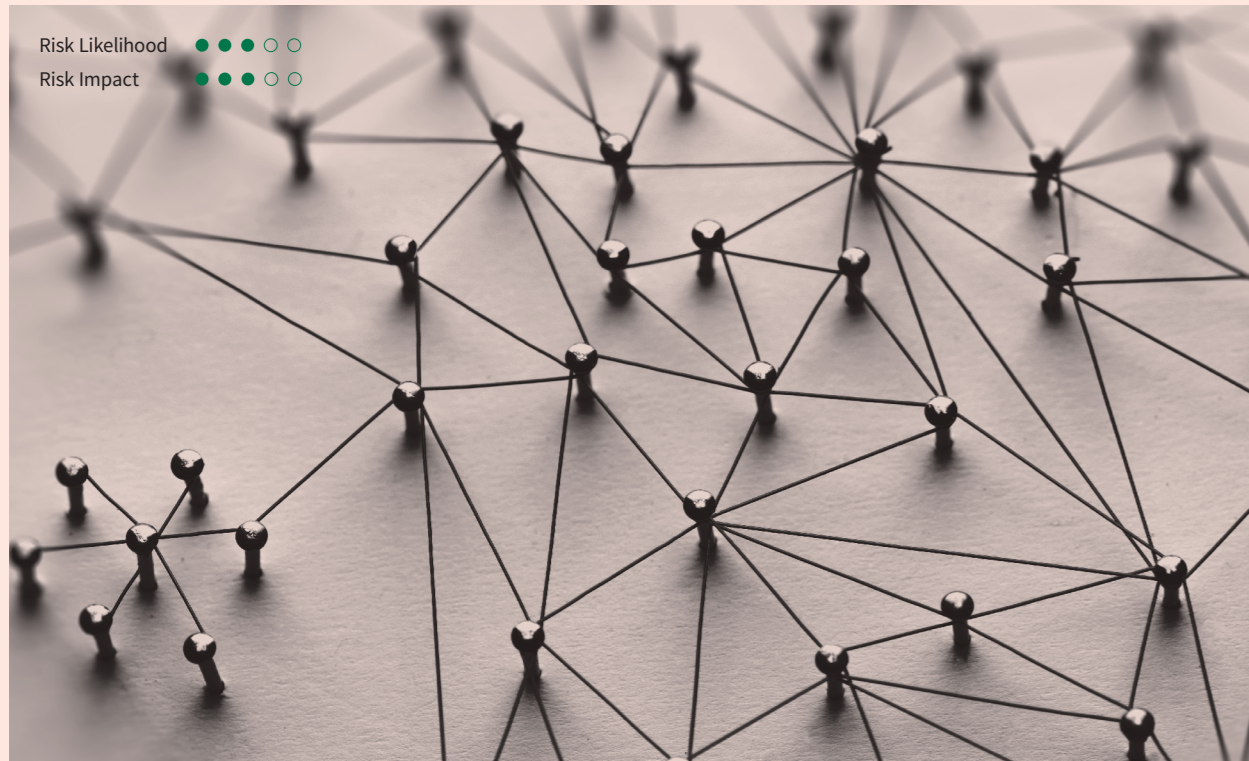
COSMAX is planning on replacing the energy required for production and other areas with solar energy by installing solar generation facilities in idle spaces, and solar generation facilities will be introduced to Pyeongtaek Factory 2, expected to be completed in 2022, to reduce GHG emissions while complying with the global demand for switching to green energy.

Workplace	Introduced	Expected Energy reduction (MWh/year)	Expected GHG reduction (tCO <sub>2</sub> e/year)
Pyeongtaek Factory	2021.05	525.6	241.5



Solar Power Plant in Pyeongtaek

# Sustainable Supply Chains



## Why does COSMAX value the importance of establishing a sustainable supply chains?

COSMAX believes that it must strengthen its competitiveness through harmonious development with key suppliers, especially in the midst of the increasing global market competition. As a global corporation cooperating with 1,300 companies in 30 countries, mutual relationships with our suppliers all across the value chain—from purchasing materials all the way to waste disposal—is important.

## How is COSMAX establishing a sustainable supply chains?

COSMAX purchases products from more than 800 suppliers, and is striving to coexist with various partners. Therefore, we established and comply with the four principles of the code of conduct for suppliers. We are creating a relationship of trust by fixing the difficulties of our partners through regular communication. Furthermore, we are supporting our suppliers in various methods such as finance, technology, and information to strengthen competitiveness.

## Next Step

Not only will we continue to carry out regular evaluations and improvements for sustainable growth of suppliers, we are planning to strengthen cooperation for joint package and raw material development.

### Risks

- Occurrence of legal infringements of partners
- Depreciation of company brand value
- Decreased product quality

### Opportunities

- Strengthening of partner safety management
- Establishing a mutual development relationship with partners
- Strengthening business stability
- Producing high quality products

8.3 Promote policies to support job creation and growing enterprises

12.7 Promote sustainable public procurement practices

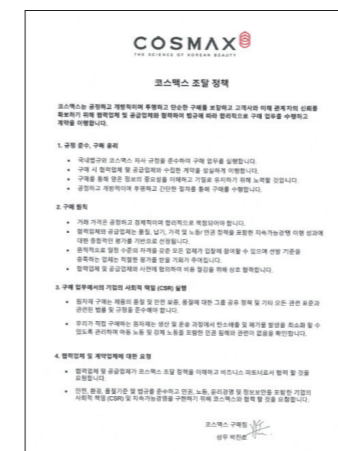
## Mutual development with suppliers

### Code of conduct for suppliers

COSMAX newly established a code of conduct for suppliers with the purpose of establishing a sustainable supply chain through enhancement of the sustainability of suppliers. The code of conduct for our suppliers consist of four principles which comprise demands related to sustainable and security management. The sustainable management demands include detailed guidelines on the environment, human rights and labor, ethics, and sustainable purchasing. We will continuously communicate with our suppliers so they can comply to the code of conduct and respect the values that COSMAX strives for.

**Code of Conduct for Suppliers**

1. Compliance with domestic laws on labor, human rights, safety, and environment
2. Creating a diverse work environment with respect and fairness
3. Legal, fair, and ethical business trade practices
4. Continuous improvement for sustainable management to protect the environment and local society



COSMAX Procurement Policy

### Strengthening of open communication with suppliers

COSMAX carries out two biannual meetings for open communication and development with suppliers. Changes in the cosmetics market and customer needs are shared, difficulties of partner companies are identified, and improvement measures are derived. Additionally, quality enhancement of other partners are facilitated by sharing excellent quality examples from partners.

#### Meeting

Period	Composition
1H 2018	Participants: 128 persons ① COSMAX: 34 employees ② Subsidiary material suppliers (63 companies): 94 persons including CEO and executives
2H 2018	Participants: 110 persons ① COSMAX: 34 employees ② Subsidiary material suppliers (46 companies): 76 persons including CEO and executives
1H 2019	Participants: 122 persons ① COSMAX: 32 employees ② Subsidiary material suppliers (51 companies): 90 persons including CEO and executives



Supplier meeting

## Supply chain CSR management

### Monitoring suppliers' GHG emission and environmental safety system

COSMAX is evaluating non-financial factors such as environment and safety as well as financial factors such as quality and credit to establish a long-term mutual relationship with suppliers. GHG emissions were inspected for eight partners in 2020 and monitoring was carried out for their environmental safety system. Status on improvement for inadequacies are planned to be managed.

ESG evaluation targeting suppliers. are planned to be expanded in 2021. The number of partners targeted for evaluation are planned to be greatly expanded from 8 to 15 companies, along with the items for evaluation to human rights and labor, environment, safety, information security, ethical management, and social contribution. Additionally, education will be carried out to increase understanding for ESG and its evaluation criteria targeting suppliers.

Transaction suppliers  
**880** companies

Purchasing amount from suppliers  
KRW **465** billion (as of 2020)

Code of conduct signees  
**71** companies

Goal  
**100** % of top 100 suppliers signed by 2022


Supplier Status (Unit: KRW 100 million)

Type	2018	2019	2020	
Raw materials	No. of suppliers	346	349	304
	Purchases	1,562	1,511	1,452
Package materials	No. of suppliers	613	594	575
	Purchases	2,936	2,819	2,808
Services	No. of suppliers	1	1	1
	Purchases	323	343	390

## Strengthening market competitiveness of suppliers

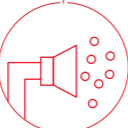
### Strengthening business stability of suppliers through joint development of packages and raw materials

COSMAX applied 350 cases of exclusive materials to products developed with laboratories and raw material manufacturers based on mutual development with suppliers. The exclusive material is 6.5% of the total materials used (based on the purchasing amount).



**Joint container development**

Airtight balm packages  
3D mesh sponge cushion container development  
Dome blusher injection plate development



**Joint raw material development**



Differentiated fine powder technology



Xfine™은 코스맥스만의 차별화된 분체 미세화 기술로, 미세 입자가 없고, 균일하게 분포를 형성하여 제이 입입을 얻어 매지네 피부케어 제품으로서의 우수성을 자랑합니다. 화장품의 선형 미세입자 입자 크기 분포를 관리하는 것은 제품 품질을 높일 수 있으며, 무거움 없이 가벼운 피부케어 및 장시간 효과를 줄여 내어 전민적인 베이스 케어의 효용을 한 단계 업그레이드합니다.

## Responsible raw material procurement

COSMAX understands the problem regarding the thoughtless cultivation and violation of human rights of its laborers that happens in palm plantations. Therefore, we are working towards expanding the purchase of RSPO-certified materials by adjusting the social demand while protecting the environment. A total of 38.7% RSPO certified palm oil was used from a total of 3,125t of palm oil usage in 2020, and palm oil ingredients will be classified based on RSPO certification and importance while working towards 100% RSPO certified palm oil usage.

	Palm Oil	Mica
Overview	Palm oil is a plant-based oil extracted from the fruit of palm trees, and is used extensively in cosmetics and other industries due to its high productivity and economic efficiency in limited areas of cultivation	Mica is a pigment used in the production of gold and silver, metallic pearls or glitters, and is frequently used in makeup products
Problems	Millions of hectares of rain forest are destroyed along with the violation of laborers' human rights due to thoughtless use	60% of mica used worldwide is extracted using child labor in vulnerable work environments in India
COSMAX Approach	We are using RSPO*-certified** ingredients which were designed so that palm oil could be produced while protecting the environment yet still responding to social demand	<ol style="list-style-type: none"> <li>1. Securing declaration of child labor abolishment from ingredient suppliers</li> <li>2. Prohibition of usage or prescribing ingredients made from child labor</li> <li>3. Actively using ingredients from suppliers that do not use child labor</li> </ol>
	<ul style="list-style-type: none"> <li>- 2020 total palm oil usage : 3,125 t</li> <li>- Certified palm oil usage : 1,210 t</li> <li>- RSPO palm oil usage : 38.7%</li> <li>- Next step : Classify palm oil ingredients according to their RSPO certification and importance, where RSPO certified ingredients are planned to be used in the future</li> </ul> 	 <ul style="list-style-type: none"> <li>- Total mica usage : 53 t (past year)</li> <li>- Percentage of certified mica: Ingredients that are 100% non-child labor certified are used in 274 of our products</li> </ul>

\*RSPO (Roundtable on Sustainable Palm Oil): A joint organization established by companies and environmental organizations to prevent environmental destruction that occurs from palm oil production

\*\*RSPO Supply Chain Certification: A certification for ensuring the reliable supply of RSPO ingredients

# Contribution to Local Community



Risk Likelihood ●●○○○

Risk Impact ●●○○○

## Why does COSMAX value the importance of contributing to local communities?

The development of communities positively impacts businesses, which is the foundation for creating a virtuous circle that leads to potential growth. Additionally, a company must be able to develop with related parties as a member of society beyond just producing profit.

## How is COSMAX contributing to communities?

COSMAX is carrying out social contribution activities in overseas local corporations centered on foreign workplaces. Various social contribution activities are discovered according to local characteristics and demands such as preventing the spread of COVID-19 and participating in the Million Trees campaign in corporations in Indonesia and China.

## Next Step

COSMAX plans to expand the breadth of activities that satisfy local communities' demands to seek win-win relationships with societies where its subsidiaries are located.

### Risks

- Increased demand for socially responsible activities of companies

### Opportunities

- Contributing to local community by solving problems in the community
- Creating business opportunities with cooperation with the community

3 GOOD HEALTH AND WELL-BEING

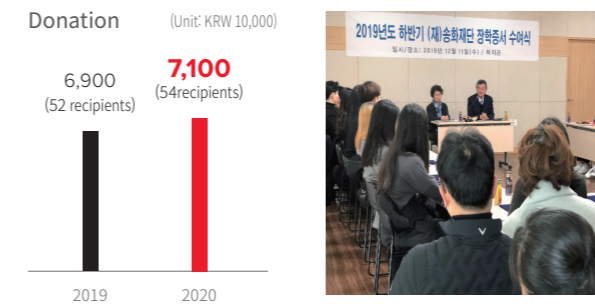
4 QUALITY EDUCATION

- 3.3 End the epidemics and communicable communicable diseases
- 4.3 Equal access to affordable technical, vocational and higher education

## Close-knit local contribution based on business characteristics

### Songhwa Foundation scholarship

COSMAX has been donating to the Songhwa Foundation since 2005, and has provided over KRW 700 million in scholarships to underprivileged students and research fellows, totaling 600 beneficiaries. Chairman Kyungsoo Lee is highly interested in supporting social contribution projects to foster future generations, and provides continuous scholarships so that students could keep up their studies.



### [COSMAX BIO] Agreement for commercialization of hydrangea

COSMAX Group is striving to contribute to local communities through contributions related to its businesses. COSMAX BIO decided to cooperate with Hadong-gun County to render native plants as resources. Hydrogenol extracted from wild hydrangea has the effects of improving skin health and reducing body fat, which also received separate approval from the Ministry of Food and Drug Safety last year as a composite cosmeceutical ingredient. We will continue to develop globally competitive products using hydrangea native to the clean nature of Hadong-gun County which will create jobs thus vitalizing the local economy.



### [COSMAX Group] Academia-government-industry cooperation agreement for local development

COSMAX Group is cooperating with local governments as well as academic fields relevant for mutual local development. We sign an agreement with Jecheon City Hall and Semyung University to vitalize the local economy and create jobs, where we will support the establishment of academic corporations and manufacturing factories and shares production related experiences. Additionally, we are planning to carry out independent brand development and join in on research surrounding natural ingredients. We will continue to create a virtuous cycle where companies and universities can develop together to vitalize the local economy.



### [COSMAX BIO] Participation in relay campaign to help floriculturists

COSMAX participated in a campaign to help flower cultivators who received disadvantages due to the cancellation of various events and gatherings such as entrance and graduation ceremonies due to the COVID-19 pandemic. We held an event which saw delivery of flowers to 20 employees celebrating their birthdays and/or anniversaries in Pangyo Office and Jecheon Factory in Chungcheongbuk-do Province.





## Contributing to the international community

### [COSMAX Indonesia] Joint development and distribution of hand sanitizers with partners

COSMAX Indonesia is located in eastern Jakarta, and is carrying out responsible activities to contribute to the community. Hand sanitizers were donated to local village offices, labor and environmental offices to overcome the COVID-19 pandemic, and 5,000 hand sanitizers were created through cooperation with Albea Indonesia to provide to various government offices and residents.



### [COSMAX Indonesia] Supporting COVID-19 group vaccinations

COSMAX Indonesia supports COVID-19 group vaccinations for employees and local residents through cooperation with the government of Jakarta, local police department, and health officials starting June 14, 2021 for a total of 10 days. We provided a location for group vaccinations as part of disease prevention efforts through cooperation with related organizations to achieve herd immunity along with the community. Group vaccinations were carried out for 200 COSMAX employees and 1,300 local residents, and we will continuously strive to prevent the spread of COVID-19.



### [COSMAX Indonesia] Additional support for flood prevention tube drilling machine

COSMAX Indonesia supported a drilling machine for flood prevention as part of contributing to the community in Eastern Jakarta. The government of Jakarta is putting in efforts to prevent floods nationwide, where various private companies including COSMAX Indonesia, are providing support for the drilling machines. We will continue to carry out support for vitalizing the economy of the eastern Jakarta region along with job training and establishing business infrastructure.



### [COSMAX China] Participation in the Million Trees program

COSMAX China is contributing to environmental protection by participating in tree planting activities that are a part of the “A Million Trees to A Greener China” program. Through this campaign, we donated 4,500 trees, worth a total of RMB 112,500. COSMAX China is planning to search and participate in various methods to contribute to the community.



# APPENDIX

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95	UN Global Compact
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# ESG Data

## Financial

	Unit	2018	2019	2020	
Revenue					
Consolidated		1,259,717	1,330,653	1,382,881	
Earnings before interest and taxes		52,338	53,995	66,641	
Earnings from continuous operations before deducting corporate tax	KRW	36,235	35,927	113	
Profit from continuous operations	1 million	21,063	18,320	-29,053	
Net income from controlling shareholders' equity interests		32,621	31,823	21,378	
Net profit of non-controlling shareholders		-11,559	-13,503	-50,432	
Net income per consolidated share	KRW	3,247	3,168	2,128	
Companies included for consolidation		12	15	16	
Credit evaluation	Company stock	Grade	-	-	BBB+
Sales for each business division (connected)					
Domestic		6,926	7,740	8,395	
Asia	KRW	4,941	5,290	5,071	
USA	100 million	1,635	1,454	1,664	
Consolidation adjustments		-905	-1,178	-1,301	
Business performance (revenue)					
Cosmetics	KRW	13,500	14,482	15,128	
Other	100 million	2	2	3	
Consolidation adjustments		-905	-1,178	-1,301	
R&D investment and certification					
R&D investment and certification	KRW	314	322	382	
R&D investment ratio compared to sales	%	4.62	4.36	4.99	
Professional R&D personnel	Persons	215	226	232	
Certifications	Accumulative patent registrations	Cases	120	250	273
Employees					
Total salary		-	-	67,634,211,125	
Salary	KRW	-	-	65,182,887,855	
Severance package		-	-	2,451,323,270	
suppliers					
Purchase of raw materials	KRW	1,562	1,511	1,451	
Purchase of supplies	100 million	2,936	2,819	2,808	
Services		323	343	390	
Social					
Donations and social contributions		1	5	3	
Investors					
Dividend	KRW	60	90	-	
National	100 million	12	104	498	
Corporate tax					
Creditor					
Interest		57	68	68	

## Governance

	Unit	2018	2019	2020
BOD				
Meetings held	Meetings	28	27	32
Discussed agendas	Cases	31	36	37
Director participation	%	87.1	91.7	90.5

## Environment

	Index	Unit	2018	2019	2020	
Energy usage	Electricity & heat	Consumption	Hwaseong #1	80	85	76
			Hwaseong #2	44	43	45
			Pyeongtaek	8	10	35
			Finished Goods Warehouse	0.03	0.67	0.89
			Pangyo	14	14	15
	Sum	146	153	172		
	Fuel	Consumption	Hwaseong #1	28	27	25
			Hwaseong #2	5	5	5
			Pyeongtaek	2	3	7
			Finished Goods Warehouse	-	-	-
Pangyo			2	1	2	
Sum	37	36	39			
Intensity	Total consumption	Total	TJ	183	189	211
	Intensity	Intensity	TJ/Products - Ton	0.0086	0.0079	0.0078
GHG emissions <sup>1)</sup>	Scope 1	Emission	Hwaseong #1	1,696	1,628	1,573
			Hwaseong #2	282	305	311
			Pyeongtaek	184	228	477
			Finished Goods Warehouse	-	-	-
			Pangyo	120	88	120
	Sum	2,282	2,249	2,480		
	Scope 2	Emission	Hwaseong #1	3,900	4,106	3,683
			Hwaseong #2	2,126	2,110	2,188
			Pyeongtaek	365	505	1,705
			Finished Goods Warehouse	1	33	43
Pangyo			614	633	684	
Sum	7,006	7,387	8,304			
Intensity	Total emission	Total	tCO <sub>2</sub> eq	9,288	9,636	10,784
	Intensity	Intensity	Ton/Products - Ton	0.438	0.404	0.397

1) Calculated based on ISO 14064-1, IPCC 2006, and the Korean government's Administrative Guideline for GHG & Energy Target Management System

Index			Unit	2018	2019	2020
GHG emissions <sup>1)</sup>	Scope 3	Emission	Fuel and energy-related activities	324	324	322
			Waste generated in operations	119	144	122
			Business travel	704	772	135
			Employee commuting	27	13	16
			Sum	1,174	1,252	596
Water usage	Tap water	Consumption	Hwaseong #1	71,811	89,378	67,926
			Hwaseong #2	15,761	18,294	17,367
			Pyeongtaek	4,525	6,584	50,459
			Finished Goods Warehouse	-	239	328
			Pangyo	1,129	1,479	1,686
	Sum	93,226	115,974	137,766		
	Groundwater	Consumption	Hwaseong #1	15,732	13,947	14,926
			Hwaseong #2	3,291	2,860	3,828
			Pyeongtaek	-	-	-
			Finished Goods Warehouse	-	-	-
Pangyo			-	-	-	
Sum	19,023	16,807	18,754			
Intensity	Total consumption	Total	Ton	112,249	132,781	156,520
	Intensity	Intensity	Ton/Products - Ton	5.29	5.57	5.76
Wastewater discharge	Discharge	Discharge	Hwaseong #1	68,265	82,506	68,865
			Hwaseong #2	16,447	17,516	17,806
			Pyeongtaek	4,525	6,584	49,352
			Finished Goods Warehouse	-	-	-
			Pangyo	-	-	-
Sum	89,237	106,606	136,023			
Wastewater discharge	Outsource	Outsource	Hwaseong #1	-	-	-
			Hwaseong #2	121	157	85
			Pyeongtaek	15	-	-
			Finished Goods Warehouse	-	-	-
			Pangyo	720	1,040	1,060
Sum	855	1,197	1,145			
Intensity	Total discharge	Total	Ton	90,092	107,803	137,168
	Intensity	Intensity	Ton/Products - Ton	4.25	4.52	5.04
Waste disposal	Ordinary industrial wastes	Output	Hwaseong #1	1,342	1,709	1,189
			Hwaseong #2	214	443	708
			Pyeongtaek	559	667	908
			Finished Goods Warehouse	-	-	-
			Pangyo	-	-	-
Sum	2,115	2,819	2,805			

Index			Unit	2018	2019	2020
waste disposal	Designated waste	Output	Hwaseong #1	11	3	5
			Hwaseong #2	12	12	12
			Pyeongtaek	-	-	2
			Finished Goods Warehouse	-	-	-
			Pangyo	4	5	4
Sum	27	20	23			
Intensity	Total output	Total	Ton	2,142	2,839	2,828
	Intensity	Intensity	kg/Products - Ton	100.99	119.08	103.93
Recycled	Output	Output	Hwaseong #1	627	965	1,054
			Hwaseong #2	214	442	446
			Pyeongtaek	559	667	780
			Finished Goods Warehouse	-	-	-
			Pangyo	-	-	-
Sum	1,400	2,074	2,280			
Ordinary industrial wastes	Incinerated	Output	Hwaseong #1	714	744	96
			Hwaseong #2	-	1	262
			Pyeongtaek	-	-	120
			Finished Goods Warehouse	-	-	-
			Pangyo	-	-	-
Sum	714	745	478			
Landfill	Output	Output	Hwaseong #1	-	-	39
			Hwaseong #2	-	-	-
			Pyeongtaek	-	-	8
			Finished Goods Warehouse	-	-	-
			Pangyo	-	-	-
Sum	-	-	47			
Sub-total			Ton	2,114	2,819	2,805
Designated waste	Recycled	Output	Hwaseong #1	9	3	4
			Hwaseong #2	1	1	1
			Pyeongtaek	-	-	2
			Finished Goods Warehouse	-	-	-
			Pangyo	-	-	-
Sum	10	4	7			
Incinerated	Output	Output	Hwaseong #1	-	0	1
			Hwaseong #2	11	11	11
			Pyeongtaek	-	-	-
			Finished Goods Warehouse	-	-	-
			Pangyo	4	5	4
Sum	15	16	16			

Index			Unit	2018	2019	2020	
Designated waste	Landfill	Output	Hwaseong #1		2	-	-
			Hwaseong #2		-	-	-
			Pyeongtaek	Ton	-	-	-
			Finished Goods Warehouse		-	-	-
			Pangyo		-	-	-
			Sum		2	-	-
Sub-total		Ton	27	20	23		
Total waste production	Output	Sum	Ton	2,142	2,839	2,828	
Recycled waste	Output	Sum	Ton	1,410	2,078	2,287	
Recycling ratio	Rate	%	Ton	66	73	81	
Air pollutant emissions	Nox <sup>1)</sup>	Output	Hwaseong #1		-	-	Not detected
			Hwaseong #2		-	-	101
			Pyeongtaek <sup>2)</sup>	kg	-	-	-
			Finished Goods Warehouse		-	-	-
			Pangyo		-	-	-
			Sum		0	0	101
Sox	Output	Hwaseong #1		Not detected	Not detected	Not detected	
		Hwaseong #2		Not detected	Not detected	Not detected	
		Pyeongtaek <sup>2)</sup>	kg	-	-	-	
		Finished Goods Warehouse		-	-	-	
		Pangyo		-	-	-	
		Sum		0	0	0	
Dust	Output	Hwaseong #1		411	399	361	
		Hwaseong #2		515	309	408	
		Pyeongtaek <sup>2)</sup>	kg	-	-	-	
		Finished Goods Warehouse		-	-	-	
		Pangyo		-	-	-	
		Sum		926	708	769	
Intensity	Total output	Total	kg	926	708	870	
	Intensity	Intensity	kg/Products - Ton	0.044	0.030	0.032	
Water pollutants	BOD	Output	Hwaseong #1		59,687	74,052	32,919
			Hwaseong #2		6,036	11,508	11,161
			Pyeongtaek	kg	691	1,387	10,414
			Finished Goods Warehouse		-	-	-
			Pangyo		-	-	-
			Sum		66,414	86,948	54,494

Index			Unit	2018	2019	2020	
Water pollutants	COD	Output	Hwaseong #1		36,978	56,702	14,638
			Hwaseong #2		4,868	7,669	3,668
			Pyeongtaek	kg	719	1,404	10,572
			Finished Goods Warehouse		-	-	-
			Pangyo		-	-	-
			Sum		42,566	65,774	28,878
SS	Output	Hwaseong #1		23,403	23,402	8,365	
		Hwaseong #2		1,513	2,396	4,060	
		Pyeongtaek	kg	672	1,037	7,776	
		Finished Goods Warehouse		-	-	-	
		Pangyo		-	-	-	
		Sum		25,588	26,835	20,201	
Intensity	Total output	Total	kg	134,568	179,557	103,572	
	Intensity	Intensity	kg/Products - Ton	6.34	7.53	3.81	
Harmful chemical usage	Usage	Hwaseong	kg	96,740	62,100	58,876	
		Pyeongtaek		0	0	1,428	
		Total consumption	kg	96,740	62,100	60,304	
		Intensity	Intensity	kg/Products - Ton	4.56	2.60	2.22

1) Factory #1 and #2 exempted from measuring nitrogen oxide in 2018 and 2019

2) Pyeongtaek is not subject to submitting data on the actual emission quantity as the total amount of air pollutants generated by the four workplaces is more than 2 tons but less than 10 tons.

## Social


Index		Unit	2018	2019	2020	
Employees	Total employees	Persons	970	1027	1063	
	Employees with disabilities		0	2	4	
	Persons with disabilities among total employees	%	0.00	0.19	0.38	
Employment type	Employees	Persons	970	1,027	1063	
	Full-time	Persons	962	1,022	1060	
Details of employee status	Part-time	Persons	8	5	3	
	Gender	Male		514	538	564
		Full-time		506	534	562
	Part-time	Female	Persons	8	4	2
		Full-time		456	488	499
	Part-time			456	487	498
				-	1	1

Index		Unit	2018	2019	2020
Details of employee status	Age	Under 30	485	479	452
		Ages 30-50	453	510	563
		Older than 51	32	38	48
	Region (Nationality)	Korea	968	1,026	1061
		Canada	2	1	1
		China	-	1	1
	Employee diversity	Persons of national merit	-	6	6
		Foreigners	2	2	2
		Discharged military officers	9	10	9
		Persons with disabilities	-	1	3
Details of executive status	Gender	Male	37	40	45
		Female	4	5	5
		Sum	41	45	50
	Region (Nationality)	Domestic (Korea)	41	45	50
	International	-	-	0	
New employment and job changes	New employees	Male	167	84	102
		Female	111	81	57
		Sum	278	165	159
	Age	Under 30	-	-	121
		Ages 30-50	-	-	37
		Older than 51	-	-	1
		Sum	-	-	34
	Residential area	Seoul	-	-	159
		Incheon	-	-	2
		Gyeonggi-do	-	-	115
		Chungcheongbuk-do	-	-	2
		Chungcheongnam-do	-	-	3
		Sejong-si	-	-	1
		Busan	-	-	1
		International	-	-	1
		Sum	-	-	159
		Percentage of new employees	%	34	19
	Retirees	Male	123	92	91
		Female	90	50	47
Sum		213	142	138	
Retirement ratio	%	22	14	13	

Index		Unit	2018	2019	2020	
Employees entitled to parental leave	Female	Persons	-	-	38	
	Male	Persons	-	-	120	
On parental leave	Female	Persons	12	10	19	
	Male	Persons	-	2	0	
Employees working for +1 year upon returning from parental leave	Female	Persons	8	12	10	
	Male	Persons	-	0	2	
Targets for returning from parental leave		Persons	14	12	13	
Persons returning from parental leave		Persons	14	12	13	
+1 year employee retention rate		%	73	86	100	
Parental leave return rate		%	100	100	100	
Workers target for collective agreement	Labor union participation rate		%	0.41	0.39	0.38
	Total labor union members		Persons	4	4	4
Regular performance evaluation rate	Gender ratio	Male	%	-	-	44
		Female	%	-	-	56
Employment ratio	Full-time	%	-	-	100	
		Part-time	%	-	-	-
Employee training	Training hours in total		Hours	-	-	22,285
	Trainees in total		Persons	-	-	1,289
	Training hours per employee		Hours	-	-	17.3
	Training fee per employee		KRW 1,000	-	-	151.9
Employee grievance settlement	Reception of employee grievances		Cases	23	35	22
	Online reporting system (internal employee report)		Cases	2	4	2
	Average response time		Days	30	30	30
Sexual harassment prevention	Sexual harassment prevention training	Average training hours per employee	Hours	1	1	1
Ethics and legal training	Employees	Trainees	Persons	-	-	42
Deaths from work-related accidents or diseases		Persons	0	0	0	
Safety and health	Injuries		%	0	0.69	0.67



# GRI Standards Index





## Universal Standards






Core Option	Topic	Disclosure	Page/Content	Verification	SDGs
<b>GRI 102: General Disclosures</b>					
Organizational Profile	102-1	Name of the organization	8	●	
	102-2	Activities, brands, products, and services	10~13	●	
	102-3	Location of headquarters	8	●	
	102-4	Location of operations	9	●	
	102-5	Ownership and legal form	41	●	
	102-6	Markets served	10~13	●	
	102-7	Scale of the organization	8	●	
	102-8	Information on employees and other workers	85~86	●	
	102-9	Supply chain	72~75	●	
	102-10	Significant changes to the organization and its supply chain	N/A	●	
	102-11	Precautionary Principle or approach	44~45	●	
	102-12	External initiatives	95	●	
	102-13	Membership of associations	100	●	
Strategy	102-14	Statement from senior decision-maker	4~5	●	
	102-15	Key impacts, risks, and opportunities	14~17, 44~45	●	
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	42~43	●	
	102-18	Governance structure		●	
Governance	102-22	Composition of the highest governance body and its committees		●	
	102-23	Chair of the highest governance body	40~41	●	
	102-33	Communicating critical concerns		●	
	102-34	Nature and total number of critical concerns		●	
	102-40	List of stakeholder groups	14	●	
Stakeholder Engagement	102-41	Collective bargaining agreements	87	●	
	102-42	Identifying and selecting stakeholders	14~15	●	
	102-43	Approach to stakeholder engagement	14~15, 23~27	●	
	102-44	Key topics and concerns raised	14~17	●	

Core Option	Topic	Disclosure	Page/Content	Verification	SDGs
Reporting Practice	102-45	Entities included in the consolidated financial statements	78	●	
	102-46	Defining report content and topic boundaries	15	●	
	102-47	List of material topics	15	●	
	102-48	Restatements of information	N/A	●	
	102-49	Changes in reporting	15	●	
	102-50	Reporting period	About this Report	●	
	102-51	Date of most recent report	About this Report	●	
	102-52	Reporting cycle	About this Report	●	
	102-53	Contact point for questions regarding the report	About this Report	●	
	102-54	Claims of reporting in accordance with the GRI Standards	About this Report	●	
	102-55	GRI content index	88~92	●	
	102-56	External assurance	98~99	●	

## Topic-specific Standards









Core Option	Topic	Disclosure	Page/Content	Verification	SDGs
<b>Topic 1: Eco-Friendly Raw Materials</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	
	103-2	Management approach and its components	52	●	
	103-3	Evaluation of the management approach		●	
-	-	Proportion and use of RSPO certified palm oil	75	●	
-	-	Use of mica and mica-applied products	75	●	
<b>Topic 2: Water Resource Management</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	
	103-2	Management approach and its components	16~17	●	
	103-3	Evaluation of the management approach		●	
Water and Effluents	303-1	Interactions with water as a shared resource	67, 82	●	
	303-2	Management of water discharge-related impacts	68, 82	●	
	303-3	Water withdrawal	82	●	
	303-4	Water discharge	82	●	
	303-5	Water consumption	82	●	

Core Option	Topic	Disclosure	Page/Content	Verification	SDGs
<b>Topic 3: Waste Reduction</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	
	103-2	Management approach and its components	16~17	●	
	103-3	Evaluation of the management approach		●	
Waste	306-1	Waste generation and significant waste-related impacts		●	
	306-2	Management of significant waste-related impacts	69, 83	●	
	306-3	Waste generated		●	
<b>Topic 4: Eco-Friendly Packaging Development</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	
	103-2	Management approach and its components	16~17, 52	●	
	103-3	Evaluation of the management approach		●	
Waste	306-2	Management of significant waste-related impacts	69, 83	●	
<b>Topic 5: Product Stability Enhancement</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	
	103-2	Management approach and its components	16~17,52	●	
	103-3	Evaluation of the management approach		●	
Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	53-56	●	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	91	●	
<b>Topic 6: Infectious Disease Preparedness</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	 
	103-2	Management approach and its components	16~17	●	
	103-3	Evaluation of the management approach		●	
-	-	Recipients of COVID-19 vaccination in COSMAX Indonesia	78	●	

Core Option	Topic	Disclosure	Page/Content	Verification	SDGs
<b>Topic 7: Information Security and Breach Prevention</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	
	103-2	Management approach and its components	16~17	●	
	103-3	Evaluation of the management approach		●	
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Violation of customer privacy and loss of customer data not possible due to non-collection of customers' personal data.	●	
-	-	Data protection trainees	39	●	
<b>Topic 8: Employee Training</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	
	103-2	Management approach and its components	30	●	
	103-3	Evaluation of the management approach		●	
Employment	401-1	New employee hires and employee turnover	86	●	  
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	33	●	
	401-3	Parental leave	33, 87	●	
Training and Education	404-1	Average hours of training per year per employee	87	●	
	404-2	Programs for upgrading employee skills and transition assistance programs	32	●	
	404-3	Percentage of employees receiving regular performance and career development reviews	87	●	
<b>Topic 9: Supporting Partners' Development and Growth</b>					
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary		●	 
	103-2	Management approach and its components	72	●	
	103-3	Evaluation of the management approach		●	
Procurement Practices	204-1	Proportion of spending on local suppliers	74	●	
-	-	Suppliers that signed the code of conduct	74	●	

\* Significant organizational change: Pyeongtaek Factory was established in 2019 and began operations in 2020. Moreover, there was a major change in the establishment of SNU-COSMAX TIC in 2020, and there were no major changes in the supply chain.  
\* There are no fines or sanctions for violating environmental laws and regulations.  
\* List of entities included in the consolidated financial statements: [COSMAX / Business Report / Mar. 18, 2021 (fss.or.kr)]  
\* COSMAX does not have cases of non-compliance with product safety laws or voluntary regulations.

# TCFD Index

Miscellaneous Topics		Page/Content	Verification	SDGs
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	42	●
Environmental				
	302-1	Energy consumption within the organization		
	302-2	Energy consumption outside of the organization		
Energy	302-3	Energy intensity	70~71, 81	● 
	302-4	Reduction of energy consumption		
	302-5	Reductions in energy requirements of products and services		
	305-1	Direct (Scope 1) GHG emissions		
	305-2	Energy indirect (Scope 2) GHG emissions		
	305-3	Other indirect (Scope 3) GHG emissions		
Emissions	305-4	GHG emissions intensity	70~71, 81~82	● 
	305-5	Reduction of GHG emissions		
	305-6	Emissions of ozone-depleting substances (ODS)		
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	91	●
Social				
Occupational Health and Safety	403-2	Hazard identification, risk assessment, and incident investigation	87	● 
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	33	● 
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	36	● 
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	36	● 
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	76~78	●  

TCFT Proposal	Page	CDP Index
Governance	24	CC1.1b CC1.2a
Strategy	24	CC2.3a CC2.4a CC2.5 CC2.6 CC3.1d
Risk management	24	CC2.2b CC2.2d CC2.2
Indices and reduction goals	24	CC4.2 CC6.1 CC6.3 CC6.5 CC4.1 CC4.1a



# SASB Index

## Sustainability Disclosure Topics & Accounting Metrics

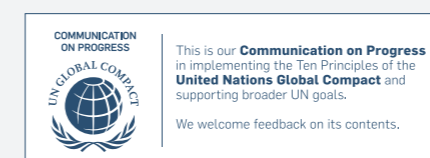
Category	Index	Code	Page	Remarks
Water management	(1) Total extracted water, (2) Total consumed water, percentage in each areas of high standard water stress	CG-HP-140a.1	67~68	
	Discussions on strategies or practices for easing explanations and risks related to water management	CG-HP-140a.2		
Product, environmental, safety and health performance	Discussions on identifying chemical substances concerning new substances and its management processes	CG-HP-250a.3	52-54	
Packaging cycle management	(1) Total packaging weight, (2) Reuse or / Percentage of recyclable materials and (3) Recyclability, reusability and / or Biodegradability	CG-HP-410a.1	-	Due to our B2B business structure, it is difficult to manage the total packaging weight. In most cases, packages designated or developed by customers are simply stored and filled with formulation through our company, which makes it difficult to share and manage container information developed/received by customers for security reasons or respectively.
	Discussion on strategies to reduce the impact of packaging on the environment across its life cycle	CG-HP-410a.2	22-23, 52, 57-59	
Environment and social impact related to palm oil supply	Amount of certified palm oil through RSPO (%) (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	CG-HP-430a.1	75	

# UN Global Compact

UNGC is an international agreement suggested by Kofi Annan, the Secretary-General of the United Nations, in 2000 to emphasize the execution of social responsibilities of companies, and consists of 10 principles including human rights, labor, environment, and anti-corruption. COSMAX supports the 10 principles of UNGC and strives to comply to these principles throughout our management.

## The Ten Principles of the UN Global Compact

Category	Details	Page
Human Rights	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and	34
	Principle 2 make sure that they are not complicit in human rights abuses.	33-34
Labor	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	34
	Principle 4 the elimination of all forms of forced and compulsory labor;	34
	Principle 5 the effective abolition of child labor; and	34
	Principle 6 the elimination of discrimination in respect of employment and occupation.	33
Environment	Principle 7 Businesses should support a precautionary approach to environmental challenges;	66-67
	Principle 8 undertake initiatives to promote greater environmental responsibility; and	67-71
	Principle 9 encourage the development and diffusion of environmentally friendly technologies.	71
Anti-Corruption	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	42-43



# GHG Verification

## VERIFICATION STATEMENT GREENHOUSE GAS (GHG) INVENTORY

No.: AS\_PRJN-181794-2020-AST-KOR



### Introduction

DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by COSMAX CO., LTD. ("COSMAX") to verify the COSMAX's Greenhouse Gas Inventory Report ("the report") from the calendar year 2017 to 2019, based upon a limited level of assurance. COSMAX is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol: 2004 and 2006 IPCC Guidelines for National Greenhouse Gas Inventories, and the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of COSMAX 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) and Energy indirect emissions (Scope 2 emissions) within the COSMAX's domestic boundary;

- Organizational boundary: Plant #1, Plant #2, Distribution Center, Warehouse, R&I Center
- Operational boundary: Scope 1 (Stationary and Mobile emissions) and Scope 2 (Emissions from Consumption of Electricity and Steam)

### Verification Approach

The verification has been conducted by DNV GL from 31st March through 23rd April 2020 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2006. We planned and performed our work so as to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a verification opinion with 5% materiality level, concerning the completeness of the

emission inventory as well as the reported emission figures in the unit of ton CO<sub>2</sub> equivalent. As part of the verification process

- We have reviewed and verified the COSMAX's GHG inventory Report
- 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 COSMAX from the year 2017 to 2019 below.

Greenhouse Gas Emissions of COSMAX during Yr. 2017~2019 (Unit: ton CO<sub>2</sub>e)

COSMAX	Direct emissions (Scope 1)	Indirect emissions (Scope 2)	Total emissions
2017	2,175	5,949	8,124
2018	2,282	7,006	9,288
2019	2,249	7,387	9,636

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the report with ± 1 tCO<sub>2</sub>.

※ Total emissions = Scope 1 + Scope 2

23rd April 2020

**Lee , Jang Sup Country Manager**  
DNV GL Business Assurance Korea

## VERIFICATION STATEMENT GREENHOUSE GAS (GHG) INVENTORY

No.: AS\_PRJN-181794-2020-AST-KOR



### Introduction

DNV Business Assurance Korea Ltd. ("DNV") was commissioned by COSMAX, INC. ("COSMAX") to verify the COSMAX's Greenhouse Gas Inventory Report ("the report") from the calendar year 2016 to 2020, based upon a limited level of assurance. COSMAX is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol: 2004, WRI/WBCSD's "Corporate Value Chain (Scope 3) Accounting and Reporting Standard", 2006 IPCC Guidelines for National Greenhouse Gas Inventories, and the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of COSMAX 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) and Energy indirect emissions (Scope 2 emissions) in 2016 and 2020 and other indirect emissions (Scope 3 emissions) from the calendar year 2016~2020 within the COSMAX's domestic boundary

- Organizational boundary: Plant #1, Plant #2, Pyeongtaek plant, Warehouse, R&I Center E-dong
- Operational boundary: Scope 1 (Stationary and Mobile emissions), Scope 2 (Emissions from Consumption of Electricity and Steam) and Scope 3 (Fuel- and energy-related activities (not included in scope 1 or scope 2), Waste generated in operations, Business travel, Employee commuting)

### Verification Approach

The verification has been conducted by DNV from 26th March through 18th April 2021 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 the unit of ton CO<sub>2</sub> equivalent. As part of the verification process

- We have reviewed and verified the COSMAX's GHG inventory Report
- 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'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 COSMAX from the year 2016 to 2020 below.

Greenhouse Gas Emissions of COSMAX during Yr. 2016~2020 (Unit: ton CO<sub>2</sub>e, GJ)

COS MAX	Direct emissions (Scope 1)	Indirect emissions (Scope 2)	Other Indirect emissions (Scope 3)	Total emissions	Energy Consumption
2016	2,104	5,390	1,039	8,533	145,515
2017	NA	NA	967		158,210
2018	NA	NA	1,174		182,478
2019	NA	NA	1,252		189,445
2020	2,480	8,304	596	11,380	211,481

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the report with ± 1 tCO<sub>2</sub>.

※ Total emissions = Scope 1 + Scope 2 + Scope 3

18th April 2021

**Lee , Jang Sup Country Manager**  
DNV GL Business Assurance Korea

# Third-party Verification Statement

To: The Stakeholders of Cosmax Co., Ltd.



**Introduction** BSI Group Korea (hereinafter "the Assurer") was asked to verify Cosmax Co., Ltd.'s 'Cosmax Sustainability Report 2021' (hereinafter "the Report"). This assurance statement applies only to the relevant information contained in the scope of the assurance. Cosmax Co., Ltd. is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to Cosmax by applying the verification methodology and to provide this information to all stakeholders of Cosmax.

**Assurance Standards and Levels** This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report was prepared in accordance with the Core Option of GRI Standards, the international standards guidelines of sustainability reports. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS and the Type 2 assurance that verified the quality and reliability of the information disclosed in the report. The Type 2 assurance was applied to the following disclosure of the GRI Specific Topic Standards:

- Economic: 204-1, 205-2
- Environmental: 302-1~5, 303-1~5, 305-1~4, 305-7, 306-1~3, 307-1
- Social: 401-1~3, 403-2, 404-1, 404-3, 413-1, 416-1~2, 418-1

**Scope of Assurance** The scope of assurance applied to this report is as follows;

- Based on the period from January 1st to December 31st, 2020 included in the report
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- Appropriateness and consistency of processes and systems for data collection, analysis and review
- The following items were not included in this assurance
  - Financial information, UN Global Compact, SASB Index, TCFD Index in the report
  - Other related additional information such as the website presented in the report

**Methodology** As part of its independent assurance, the assurer has used the methodology developed to collect relevant evidence to comply with the verification criteria and to reduce errors in the reporting, and has performed the following activities;

- To determine verification priorities, review of materiality issue analysis process and verification of the results
- System review for sustainability strategy process and implementation
- Review the evidence to support the material issues through interviews with senior managers with responsibility for them
- Verification of data generation, collection and reporting for each performance index

**Assurance Opinion** On the basis of our methodology and the activities described above, it is our opinion that

- The information and data included in the Cosmax Sustainability Report 2021 are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
- The report was prepared according to the Core option of the GRI Standards.
- The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

**AA1000 AP (2018)**

**Inclusivity: Stakeholder Engagement and Opinion**

Cosmax defined suppliers, business partners, customers, government, investors and employees, and operates communication channels for each group for stakeholder engagement. They conducted a survey on internal and external stakeholders and collected various opinions and expectations of stakeholders based on the response

results and reflect the derived material issues in decision-making on sustainability management.

**Materiality: Identification and reporting of material sustainability topics**

Cosmax organized the issue pool by internal and external stakeholder survey, media analysis and ESG standard analysis. Cosmax conducted a materiality assessment that comprehensively considered stakeholder interest and business impact, and selected nine material topics, and reported activities and performance in detail in the Sustainability Report for each topic.

**Responsiveness: Responding to material sustainability topics and related impacts**

Cosmax reflected the expectations of stakeholders on material topics derived through the materiality assessment and reflected them in key promotion strategies and targets to respond. In addition, they checked and reported the implementation performance of response activities and targets for each material topic.

**Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders**

Cosmax implemented the process to identify and evaluate the impact on organizations and stakeholders related to material topics. In order to understand the impact of business activities in economic, social and environmental aspects, they established indicators and aggregated and disclosed qualitative and quantitative performance.

**Key areas for ongoing development**

- Each section of the report describes the positive aspects and expresses efforts to further develop them. However, at the same time, identifying issues with poor performance and specifying specific plans for resolving them will help improve the balance of reporting.
- In order to identify material issues, it is necessary to include a wider range of sustainability themes in the pool, and when selecting material topics, it is necessary to increase the proportion of external stakeholders so that issues with high social interest can be selected.

**Statement of independence and competence**

The assurer is an independent professional institution that specializes in quality, health, safety, social and environmental management with almost 120 years history in providing independent assurance services. No member of the assurance team has a business relationship with Cosmax. The assurer have conducted this verification independently, and there has been no conflict of interest. All assurers who participated in the assurance have qualifications as AA1000AS assurer, have a lot of assurance experience, and understand the BSI Group's assurance standard methodology.

**GRI Standards**

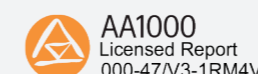
The assurer confirmed that this report was prepared in accordance with the GRI Standards Core Option and the disclosures related to the following Universal Standards and Topic-specific Standards Indicators based on the data provided by Cosmax.

**[Universal Standards]**

Organizational Profile 102-1~13/ Strategy 102-14~15/ Ethics and Integrity 102-16/ Governance 102-18, 102-22~23, 102-33~34/ Stakeholder Engagement 102-40~44/ Reporting practice 102-45~56/ Management Approach 103-1~3

**[Topic-specific Standards]**

- Economic: 204-1, 205-2
- Environmental: 302-1~5, 303-1~5, 305-1~7, 306-1~3, 307-1
- Social: 401-1~3, 403-2, 404-1~3, 405-1, 408-1, 409-1, 413-1, 416-1~2, 418-1



July 27, 2021

K. S. Song / BSI Group Korea, Managing Director

# Awards & Associations

## Awards (2018–2020)

Year	Award	Recipient	Institution
2018	UN Global Business Awards	CEO Kyungsoo Lee	UN Joint Academic Society
2018	Commendation of the Minister of Trade, Industry and Energy	COSMAX Indonesia	Ministry of Trade, Industry and Energy

## Associations and membership status

UN Global Compact	CDP(Carbon Disclosure Project)	Korea Cosmetic Association
Hwaseong Chamber of Commerce and Industry	SME Policy Committee	Korea Enterprises Federation
Federation of Middle Market Enterprises of Korea	Korea Cosmetic Industry Committee	Korea Listed Companies Association
World Class 300 Committee	Korea Institute for Advancement of Technology	The Korean Society of Food, Drug and Cosmetics Regulatory Sciences
Korea Color Industry Specialist Association	Chemical Materials Information Bank	

## COSMAX SUSTAINABILITY REPORT 2021

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