

Creating  
a Beautiful life

2015  
AMOREPACIFIC Group  
Sustainability Report



# 2015

## AMOREPACIFIC Group Sustainability Report

### 70 Years of Journey

# 1

Brand Portfolio	06
Beautiful Journey over the Last 70 Years	16
Key Performances from 2015	18
Towards a More Beautiful Future	19

### Corporate Overview

# 2

CEO Message	24
AP WAY	26
Corporate Vision	27
Sustainability Management System	28
Worldwide Business	30
Financial Performance	32
Governance Structure	35
Risk Management	37
Ethical Management	39

## Creating a Beautiful Life

### 2015 Highlight

# 3

Materiality Analysis	42
Global Growth	44
Leading Innovation and Digitalization in Beauty	49
Sustainable Products and Value-Based Consumption	55
Mutual Growth with partners	59
Social Contribution and Local Community Engagement	64

### Sustainability Performance

# 4

AMOREPACIFIC	70
innisfree	99
ETUDE	103
eSpor	105
AMOS professional	107
AESTURA	110
O'sulloc farm	112

### Appendix

# 5

Independent Assurance Report	115
Verification Statement GHG Inventory	117
GRI G4 Index	119
About This Report	123



1

## 70 Years of Journey

- Brand Portfolio
- Beautiful Journey over the Last 70 Years
- Key Performances from 2015
- Towards a More Beautiful Future

Beauty

Making the World

More Beautiful

---

Our 70 years of history is a history of Korea's cosmetic industry.

Since its establishment in 1945, the AMOREPACIFIC group is a global leader presenting a new beauty paradigm of our time through continuous commitment to innovation and focus on research and development. AMOREPACIFIC Group's each brand is the fruit of our endless innovations and commitment to sharing more beautiful values with our customers and stakeholders.

We are continuing our efforts to transform the world through beauty.

## Brand Portfolio

We have carried out a global brand strategy, engaging in earnest with customers around the world. AMOREPACIFIC brands are increasingly recognized as representative of Asian beauty and are derived from its time-honored Asian wisdom and philosophy.



## Sulwhasoo

Holistic Beauty from Asian Wisdom

Inspired by Asian philosophy which values harmony and balance of body and mind, Sulwhasoo blends time-honored Asian medicinal herbs and modern technology to offer holistic skincare. Based upon scientific research on skin aging processes combined with rare and indigenous natural herbal ingredients, we offer ultimate skin solutions that treat the skin from deep inside. Our products comfort your body and mind through relaxing scents and rich texture, and optimize skin care effects through Asian beauty rituals. Experience holistic beauty drawn from Asian wisdom with Sulwhasoo.

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



# LANEIGE

Unleash the Sparkling Beauty in You

LANEIGE pursues sparkling beauty. Beyond clear, radiant, and glowing skin, we also seek to unleash that dazzling charm within you. The key behind lively and beautiful skin that can defy time is none other than "moisture." Transforming water, the source of life, into dynamic moisture energy - LANEIGE is the key to clear, supple skin. As the premium beauty brand for young women, we seek to give beautiful transformation not only to your skin but also to your life.

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



# Mamonde

Presenting Blooming Beauty of Flowers to You!

Through advanced research on flowers in search of the root of true beauty, Mamonde re-invents beauty from the amazing power and energy that derives from flowers. Blooming beauty of flowers are integrated into all of our products. As a leading Global Masstige Brand with strong presence in China and ASEAN countries, our products deliver beauty to customers around the world.

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

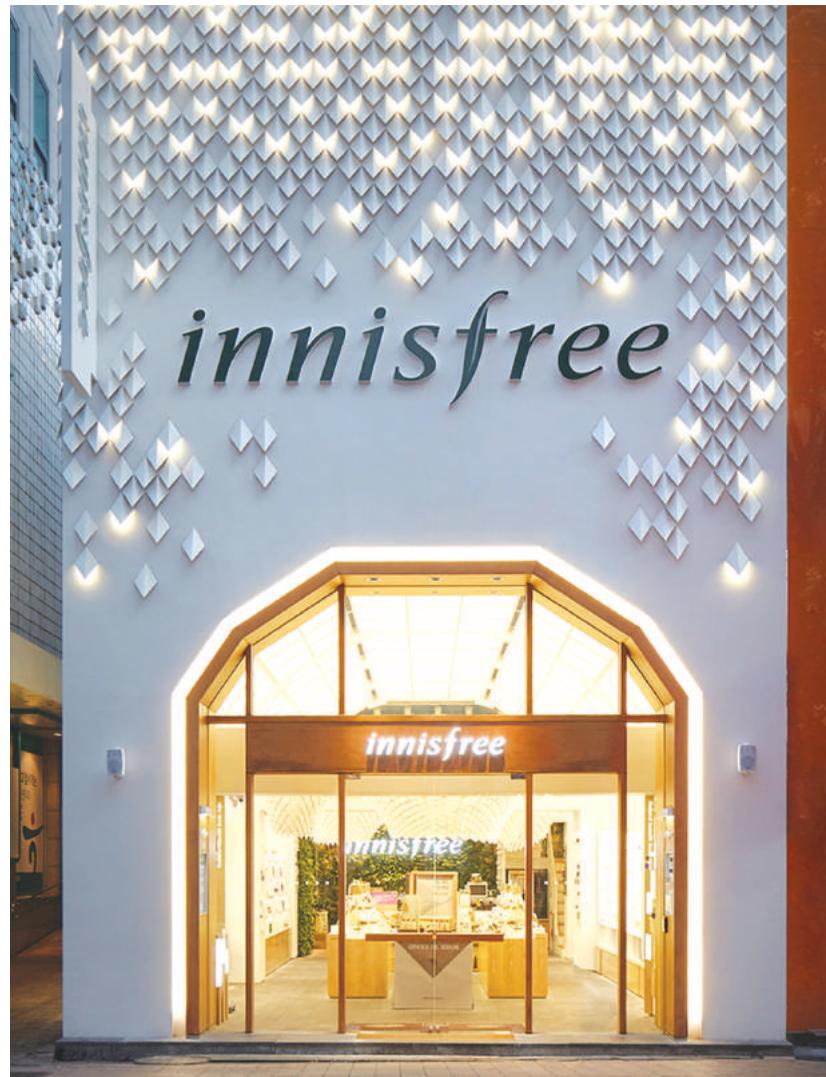


# innisfree

Natural Benefit from Jeju, Innisfree

innisfree - 'an island that relaxes the skin' - is a naturalist brand committed to providing our customers with healthy beauty inspired by Jeju Island's pristine and innocent nature. As a leading eco-friendly green cosmetic brand, we are pursuing a beautiful dream delivering natural wellness and optimum skin.

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



# ETUDE

Fun Makeup Experience Bringing a Princess Fantasy into Reality

As the first specialized makeup brand in Korea, ETUDE is committed to helping women discover their own inner beauty by offering a magical experience of becoming alluring princesses. Honoring perky and adventurous women who enjoy new challenges and are unafraid of changes for a happier and brighter life, ETUDE has been spreading a fun makeup culture and Korean beauty make-up brand through Asia.

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



# HERA

## Exceptional beauty from Seoul

Beauty evolves. HERA is an icon for the confident, attractive, and sophisticated woman who seeks challenge and change and actively expresses her beauty through vibrant passion. As a beauty messenger creating and leading the Asian trend, she spreads the beauty and values of Korean women to the world.

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



# IOPE

## Leading the way to beautiful skin through BIO SCIENCE

IOPE, an advanced BIOSCIENCE skincare, combines the most effective ingredients with leading, cutting-edge biotechnology. Skincare concerns are carefully identified and targeted through powerful and scientifically-proven skincare solutions, achieving a more visibly youthful-looking skin complexion.

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



## Global Premium Haircare Brand Made of Oriental Herbal Science

RYO is a premium hair care brand that successfully delivers the value of real results by incorporating fundamental care to your hair and scalp through the carefully selected herbal ingredients and the oriental principles that originate from Korea.

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



# primera

## Sprout energy for the prime moments of skin vitality

Combining two words, prime and era, Primera vitalizes the skin by maximizing its nourishment through sprout energy and realizes new possibilities, opportunities, and hopes by delivering positive energy in an environment and community where we co-exist.

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



## Inner Beauty Solutions for Your Healthy and Beautiful Look

Based upon scientific research and analysis of contemporary lifestyles on body and mind, VITALBEAUTIE brings a better quality in life tailed to individual lifestyles. We offer holistic solutions to improve your beauty and health by analyzing diet, nutrition, and exercise patterns.

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



# AMORE PACIFIC

## Artisan Beauty Brand that delivers the mystery of botanicals found by the discerning eyes of Asians with Phyto-Fluidics™

The flagship brand of AMOREPACIFIC Corp. Representing the company's history and philosophy in beauty, Amorepacific specializes in antiaging skin care products which provide fast action through carefully selected Asian botanicals and advanced delivery technology.

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



**ANNICK GOUTAL**  
PARIS

French High Perfumery  
House Inspired by Emotion

www.annickgoutal.com



**Lolita Parfums**  
Paris **Lempicka**

Alluring Perfume Brand  
Completing Your Beauty

www.lolitalempicka.co.kr



**mise en scène**  
미장센

A Hair Care and Styling Brand  
Leading Hair Trends

www.miseenscene.com



**HAPPY BATH**  
natural

Natural Body Care Brand  
Pleasing the Senses

www.happybath.com



**HANYUL**  
한율

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

www.hanyul.co.kr



**eSPOIR**

Professional  
Makeup Brand

www.espoir.com



**HARBANG**  
HARBANG BIO | 一境

Premium Body Care  
Based on Korean  
Herbal Therapy

www.illi.co.kr



**메디안**  
MEDIAN

Oral care with a formulation  
perfect for your teeth!

www.median433.co.kr



**ARITAUM**

Fast Beauty Icon!  
A reasonable and sensational  
beauty brand reflecting the  
hottest trends - ARITAUM

www.aritaum.com



**ODYSSEY**

An emotional fragrance  
brand for men seeking  
new sensations

www.odysseymen.com



**OSULLOC**  
JEJU TEA GARDEN SINCE 1979

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

www.osulloc.com



**AMOS**  
PROFESSIONAL

Hair Professional  
Salon Brand

www.amosprofessional.com



**LIRIKOS**

Prestige Marine Brand  
Conveying Sincerity of  
pristine and vibrant vitality  
of marine being

www.lirikos.co.kr



**VERITE**

True changes in the skin

www.verite.co.kr



**makeON**

Prestige beauty device brand  
changing skin care routine

www.makeonbeauty.co.kr



**AESTURA**

Medical beauty cosmetics  
leveraging extensive  
dermatology research and  
technologies

www.aestura.com



# Beautiful Journey of 70 Years

Searching for Spring Water Which Never Goes Dry	Looking for the Road to Beauty	Writing the History of Success	Preparing for Innovation	Changing Us By Opening Us	Growing Together with Customers	For a Great Future	
<p>Founding of Pacific Chemical 1945</p>  <p>Establishment of the Industry's First Research Lab 1954</p> <p>Installing of Asia's First Air Exchanger Spoon 1958</p>	 <p>Publication of Korea's First Monthly Beauty Magazine 'Hwajanggye' 1958</p> <p>Opening of Korea's First Beauty Counseling Center 1961</p> <p>Completion of the Factory Construction in Yeongdeungpo (Korea's Largest Automated Cosmetic Manufacturing Facility) 1962</p>	 <p>Launch of Korea's First Makeup Campaign - Oh, My Love 1971</p> <p>Establishment of the Pacific Scholarship and Cultural Foundation 1973</p> <p>Launch of a New Slogan - Beautifying Humanity, Beautifying Society 1974</p> <p>Establishment of the Pacific R&amp;D Center 1978</p>	<p>Becoming the world's first cosmetic company with its own tea farm 1979</p>  <p>Opening of the Museum of Cosmetics History 1979</p> <p>Opening of the Pacific Museum of Tea 1981</p> <p>Establishment of the Pacific Welfare Foundation 1982</p>	<p>Announcement of the Group's Management Philosophy Service to Mankind, Respect for Humanity and Future Creation 1992</p>  <p>Total Commitment Initiative (Quality, Service, Environment) 1993</p>	 <p>Establishment of the Korea Breast Cancer Foundation 2000</p>  <p>Opening of O'sulloc Museum 2001</p>	 <p>Declaration of Our Calling - APWAY 2006-2008</p> <p>Registration in the UN Global Compact (UNGC) 2007</p> <p>Announcement of the AMOREPACIFIC Group's Sustainable Management Commitment 2009</p> <p>Incorporation into the Dow Jones Sustainability Index(DJSI) World 2010</p> <p>From Mother's Kitchen to the World's - Completion of AMOREPACIFIC Beauty Campus 2012</p>	<p>70 Years of Beauty Creation</p>  <p>Good to Great</p>
 <p>Our Founder (Mr. Sung-hwan Suh)'s Visit to the European Cosmetic Markets 1960</p> <p>Korea's First to Export Cosmetic Products - Oscar Cosmetics 1964</p>	<p>Opening of Our Tokyo Branch 1971</p> <p>Opening of Our New York Branch 1972</p>	<p>Completion of Daejun Factory 1980</p>  <p>Opening of Amore No.1, a beauty center 1984</p> <p>Designated as the Official Product of the 1986 Seoul Asian Olympics 1985</p> <p>Designated as the Official Product of the 1988 Seoul Olympics 1987</p> <p>Development of Makeup Simulation System 1987</p>	 <p>Opening of the French Subsidiary 1990</p> <p>Opening of the China Branch Office 1992</p>	 <p>Launch of Lolita Lempicka 1997</p> <p>Opening of the China Shanghai Subsidiary 2000</p> <p>Completion of Shanghai Factory 2002</p>	 <p>Acquisition of French Beauty Brand - ANNICK GOUTAL 2011</p> <p>Opening of Beauty Campus in Shanghai, China 2014</p>	 <p>Local to Global</p>	
<p>Launch of AMOREPACIFIC's First Independent Brand - Melody Cream 1948</p>  <p>Launch of Korea's First Plant Based Product - 'ABC Pomade' 1951</p>	 <p>Launch of the World's First ABC Ginseng Cream 1966</p> <p>Beginning of AMORE Brand / Introduction of Door-To-Door Sales system 1964</p>	 <p>Launch of the Korea's First Luxury Medicinal Herbal Cosmetic Product - Jinsaengsammi 1973</p>	 <p>Launch of the World's First Green Tea Cosmetic Product - Miro (Maze in English) 1989</p>	<p>Launch of Mamonde Brand 1991</p> <p>Launch of LANEIGE Brand 1994</p> <p>Launch of ETUDE-HERA Brand 1995</p> <p>Launch of IOPE Brand 1996</p>	 <p>Launch of IOPE Retinol 2500 1997</p> <p>Launch of Sulwhasoo Brand 1997</p> <p>Launch of AmorePacific 2002</p>	 <p>Launch of IOPE Air Cushion 2008</p> <p>Opening of ARITAUM 2008</p> <p>Opening of the R&amp;D Centre - MIZIUM (Combination of Beauty and Museum) 2010</p>	 <p>Product to Brand Company</p>

1945~

1990~

## Key Performances from 2015

In an effort to present a more beautiful future to our customers and stakeholders, the group has delivered major accomplishments every year. Celebrating our 70th anniversary throughout the year, we ended 2015 with meaningful accomplishments. Below are the key accomplishments and awards we enjoyed in 2015.

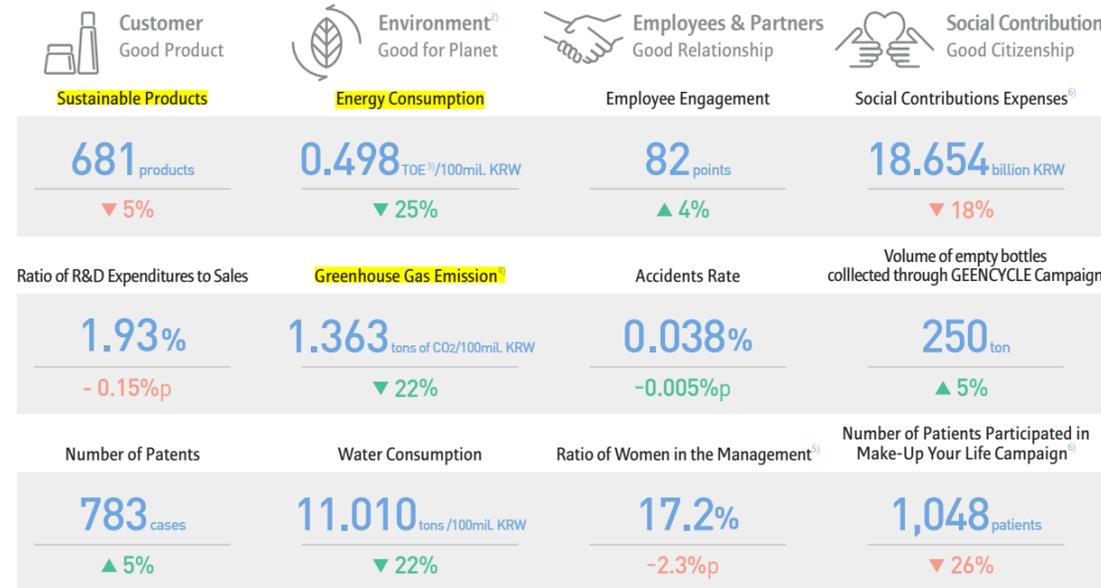


AMOREPACIFIC  
70 Years of Beauty Creation

Beautiful Journey of 70 Years



### Major Performance in 2015



2) The above environment impact assessment excludes our operations in France, Jangwon (renamed as O'sulloc farm), Pacific Package  
3) Tonne of Oil Equivalent (TOE): a unit of energy defined as the amount of energy released by burning one tonne of crude oil.  
4) CO<sub>2</sub> emission calculation methods are based upon the IPCC 2006 guideline  
5) Criteria for female senior leadership were updated in July 2015. As a result of title and seniority changes, female senior leadership includes only those who hold positions more senior than team leaders. Previously, female senior leadership counted manager-level leaders.  
6) Social contribution activities decreased as a result of MERS pandemic in 2015

### Major Awards and Recognitions



## Towards a More Beautiful Future

AMOREPACIFIC Group invested significant resources and energies to become a leading, sustainable company remembered for many generations. In addition to continued implementation of our robust long-term strategy, we engaged a range of stakeholders to co-create a more beautiful and sustainable future. Throughout 2015, the group undertook a range of activities to celebrate our 70th Anniversary, and two of our signature events - Dialogue for the Future with Media Professionals and A Forum for a More Beautiful Future - played a particularly important role in seeking the views of our stakeholders. These events brought experts and media representatives together to explore new ideas that we can improve upon for a more sustainable and beautiful future.

### 70th Anniversary Press Conference

To celebrate the 70th anniversary, we brought over 160 journalists and media representatives from Korea and abroad together to introduce our company's 2020 Vision and Strategy, designed to help us pursue our ambition to become a great global brand company as the Asian beauty creator.

#### Key Discussion Points

### 1 Announcing AMOREPACIFIC's 2020 Vision – Great Global Brand Company

The event presented the group's 2020 vision to become a great, global-brand company, sharing the wisdom of Asian beauty embedded in our products and services.

<b>Target Met in Sales and Operating Profits</b>	With our five champion global brands, we achieved KRW 12 billion in sales and a 15% year-over-year increase in profit. Furthermore, over 50% of our growth comes from our overseas business operations.
<b>Focusing on business activities in global megacities with over 10 million people</b>	In countries where our products are already introduced, a focus will be on enhancing our brand power. In Vietnam, Indonesia, and the Philippines, our major efforts will be on expanding our market shares in key megacities. Through increased business activities in Canada, we will work on strengthening our brand awareness and expanding our market shares in the North American market.
<b>Increased Emphasis on R&amp;D Capability</b>	By expanding investment in R&D, we focused on strengthening our distinctive brand value with innovative products and services that cannot easily copy.

### 2 Sharing AMOREPACIFIC Group's commitment to becoming a leading socially responsible and sustainable company

creating our own unique beauty through non-compromising, top-quality products taking the lead on corporate citizenship activities and offering a great workplace, fostering collaboration and innovation.

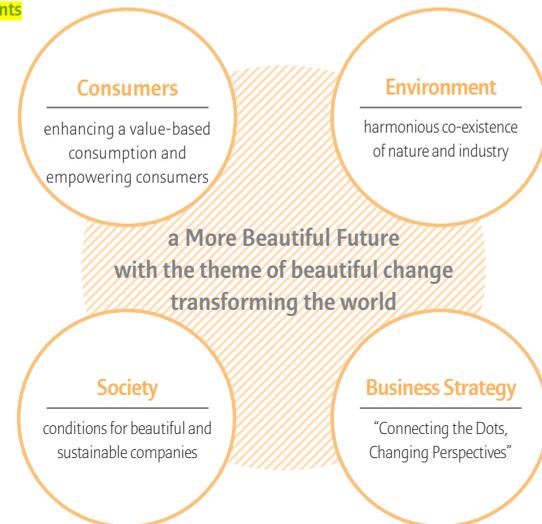
Forum for a More Beautiful Future

On November 19, 2015, we convened the Forum for a More Beautiful Future with the theme of beautiful change transforming the world. We invited experts representing topics including consumer advocacy, environmental sustainability, and social issues, and explored key ideas that will help the group become a sustainable company and bring long-term value creation.



Attendees	Facilitator	Participants
Eun Namkung, Professor, Myung-ji University		Consumer field: Yun-mi Cho, Co-representative of Green Consumer Network in Korea Environment field: San-ha Kim, Director of Biodiversity Foundation Social field: Eon-oh Lee, Head of the Right Business management Lab Busienss Strategy field: Yong-hu Park, Perspective Designer

Key Discussion Points



<b>Consumers</b>	In response to the growing number of <b>value-based consumers</b> , there is a need for a company-wide bold vision and strategies that put much more emphasis on <b>enhanced transparency and accountability</b> as a global brand.
<b>Environment</b>	Human beauty is not mutually exclusive with the natural state of the <b>ecosystem</b> , and the group must continue its effort to preserve nature.
<b>Society</b>	As harmony and co-existence are increasingly becoming a key business paradigm, <b>corporate sustainability</b> must be based upon the vision of <b>happiness and satisfaction for all members of society</b> , and the company needs courage to pursue this vision.
<b>Business Strategy</b>	Based upon a deep understanding of the company's core value and its surrounding business environments, there needs to be an effort to connect the dots amidst changing contexts. Instead of focusing on benchmarking, an emphasis should be on "future-marking" to lead innovation and new trends.

2015 Communication with Stakeholders

Since 2011, we have been engaging in "strategic Communication with stakeholders" to integrate their various viewpoints into our core business activities. We have been convening one or two workshops per year with experts from the field for stakeholder consultation, and in 2015, our workshop, attended by leaders from NGOs and academia, focused on "Safe Cosmetics Development and Transparent Communications".

**Theme** Development of Safe Products and Transparent Communications

**Date** September 14, 2015

Attendees

Jae-cheon Ryu(KIST professor), Ja-hye Kim(President of Consumers Korea), Jung-hwa Kang(President of Consumers Union of Korea), Soyoung Lee-Ahn (Policy Director of Korean Women's Environmental Network), Yun-mi Jo(Co-President of Green Consumer Network), and Myung-kyu Lee (Vice President, Korea Cosmetic Association)

Key Discussion Points



<b>Strengthening Customer Safety or Developing Safe Cosmetics</b>	Given its significant impacts on society as a global brand, the AMOREPACIFIC's priority should be to integrate a stronger safety process throughout all corporate activities to further enhance consumer trust. Safe product standards must be based on customer demand and should be vetted through third-party verification to enhance credibility.
<b>Transparent communication on cosmetic information</b>	Public disclosure should focus on consumers' easy access and understanding of the information. Towards this, smartphone access and online-based customized information sharing mechanisms can be further strengthened. Integrating social and environmental concerns into safety processes will contribute to building a strong brand.

Communications with Stakeholders

By establishing effective communication channels for dialogue with various stakeholders related to corporate activities, we continued our efforts to improve communications. Based upon our communication with stakeholders, the group analyzed the latest issues that various stakeholders cared about and set out key priority issues we would focus on to advance our corporate sustainability activities. These issues have been fully integrated into a range of corporate activities.

Target	Communications Channel	Notable Opinions	Activities in Response
<b>Customers</b>	• Customer consultation service satisfaction surveys and CGAP • Beauty-Sumer activities • Corporate and brand websites and Social Networks	• Reinforce customer services • Reinforce product safety • Expand the sustainable products	• <b>Improved customer complaints and shared cases through CGAP exhibition</b> • <b>Established a technology roadmap and executed relating tasks to develop sustainable products</b>
<b>Employees</b>	• Employee satisfaction surveys • Regular labor-management consultation meetings • AMOREPACIFIC People(In-house online community)	• Spread a positive corporate culture • Provide more opportunities for the build-up of employees' individual competency • Strengthen SHE management	• <b>Conducted the Gratitude Campaign</b> • <b>Promoted the Career Market</b> • <b>Reinforced the SHE management</b>
<b>Business Partners</b>	• General assembly for win-win relationships (for each business channel) • Seminars on win-win practices • Online purchasing portal	• Reinforce management support • Create a culture that encourages mutual communication and active participation	• <b>Collaboration research projects with partners</b> • <b>Supports financial aid for partners</b> • <b>Operating regular communication channel</b>
<b>Local Communities</b>	• Corporate and brand social responsibility activities • Social contribution portal • Cultural Mecenat activities	• Assist women in gaining healthy beauty • Assist low-income women in entering the workforce • Provide support to the vulnerable population	• <b>Conducted the "makeup your life" Campaign</b> • <b>Conducted the Pink Ribbon Campaign</b> • <b>Supported the Heemang store</b>
<b>Governments</b>	• Visit relevant government agencies for meetings • Korea Cosmetic Association (KCA) activities	• Manufacture and sell safe, high-quality products in compliance with regulations • Provide cooperation and support for regulatory improvement for industrial development	• <b>Monitored and observed the relevant laws and regulations</b> • <b>Suggested ideas for improvement through the committee activities of relevant organizations</b> • <b>Supported government policy research</b>
<b>External Experts</b>	• Communication with external stakeholders (academic and consumer organizations) • Forum for a More Beautiful Future	• Provide accurate information and encourage sustainable consumption • Together with customers, environment, and society, pursuing authentic beauty	• <b>Built an assessment process for developing new product</b>
<b>Shareholders</b>	• General Shareholders meeting • IR Analyst Day	• Present management performance results and business outlook • Expand corporate access	• <b>Shared the mid and long-term business directions</b> • <b>Provided performance results and IR data</b> • <b>Held the Analyst Day event</b> • <b>Attended global conferences</b>

# 2

## Corporate Overview

- CEO Message
- AP WAY
- Corporate Vision
- **Sustainability Management System**
- Worldwide Business
- Financial Performance
- Governance Structure
- Risk Management
- **Ethical Management**

Towards the Vision of  
a Great Global Brand Company  
Enriching the Quality of Life  
through Beauty

---

Over the past 70 years, AMOREPACIFIC Group has pursued an ambitious, bold vision to transform the world through beauty. Reflecting Asian wisdom and philosophy about nature and human beings, our products have successfully attracted Asian women. Now, we are moving onto the wider global stage to meet customers all around the world. As a Great Global Brand company, we thrive on being a trusted beauty creator, enriching the fullness of life and expanding the endless potential that beauty creates in our lives.

## CEO Message

70 Years of a journey to transform  
the world through beauty. Watch us.  
Our global ambition has just begun.



AMOREPACIFIC Group has been pursuing the path of beauty for the last 70 years to respond to customers' high expectations of our products and services. Answering our vocation to be "Asian beauty creators", we have made every effort to transform the world through beauty by sharing with customers and stakeholders those unique beauty products that our company is best at creating.

In 2015, despite a global economic slowdown and an outbreak of the Middle East Respiratory Syndrome (MERS) which affected social and corporate activities in Korea, we continued to emphasize innovation, retail sales, and global expansion. As a result, we were able to celebrate our 70th anniversary closer than ever to reaching our dream of becoming a great global brand company. AMOREPACIFIC Group has journeyed through a pond, a stream, and a river and is now at the confluence, from which we will set sail upon the great ocean. Our great journey across the ocean cannot be made alone and done hastily. Rather, we shall travel hand-in-hand with others to endure and complete our far-reaching journey.

That is why we are committed to fulfilling our responsibilities as an ethical corporate citizen. Throughout the year, AMOREPACIFIC Group has undertaken the following activities for our employees, customers, stakeholders, the environment, and society.

First, we are implementing rigorous strategies designed to reduce our social and environmental footprint throughout the entire lifecycle of our products, from research and development to the end-user stage. As beauty maestros, we will continue to maximize the customers' value and experience by continuing to launch highly competitive, innovative products reflecting the diverse preferences of our customers around the world, and we will offer differentiated shopping experiences through digital innovation and mobile applications.

Second, in line with our commitment to protecting the planet, we are undertaking a range of activities to preserve nature and reduce the environmental effects of our corporate activities. Specifically, in response to global environmental priorities such as climate change and water scarcity, we will emphasize reducing our greenhouse-gas emissions, optimizing water use, and systematically improving our environmental safety measures. To contribute to biodiversity, we will engage in activities to restore rare, indigenous plant species.

Third, we are further strengthening our win-win partnership with employees and business partners from the start to the end of our supply chain. We have heightened our education and training standards to foster global talent and enhance the global professional competencies of our employees and management. We have rolled out programs to help create a great global company that respects work-life balance. In addition, to ensure win-win growth with our business partners, we have expanded financial and educational support and have prepared a foundation upon which to promote open communication and active participation.

Fourth, as responsible corporate citizens, we are supporting various programs that enrich the lives of women and community groups. In particular, our corporate social-responsibility activities focused on women, natural ecosystems, and culture aim to integrate our emphasis on healthy beauty with creating shared values with businesses and society worldwide.

Finally, as global citizens, we support the 10 principles of the United Nations Global Compact regarding human rights, labor, the environment, and anti-corruption, and we are putting every effort into fully integrating these principles into our corporate strategies and operations.

Our sustainable business practices reflect our commitment and grand vision to bring about a happier today and a more beautiful tomorrow for our customers and stakeholders. We have just begun the 70th year of our journey to transform the world through beauty. We thank you all for showing your support during our journey, and we count on your continued interest and engagement.

April, 2016

Kyung-bae Suh, Chairman & CEO of AMOREPACIFIC Group

## AP WAY

AP WAY is the overarching principles of our corporate ethics, embracing our ambitious vision of changing the world with beauty.

The AP WAY consists of our company's vocation, core values, and credo.

### Our Vocation

The ultimate goal of AMOREPACIFIC Group is to create a 'True Beauty' that embraces a perfect harmony of inner and outer beauty, thereby accomplishing our humanity's everlasting dream of living a beautiful and healthy life.

### Our Values

AMOREPACIFIC Group take five 'core values' as the standards of righteous behaviors and ethical decision-making.

<b>Openness</b>		I'm not the only one who is right. Others are just as right as I am.
<b>Integrity</b>		I am willing to treat anything with a genuine heart, as if it were mine or my family's.
<b>Innovation</b>		I change myself by opening up myself.
<b>Proximity</b>		I will always stay close to our customers, both mentally and physically.
<b>Challenge</b>		I strive to fight against my status quo.

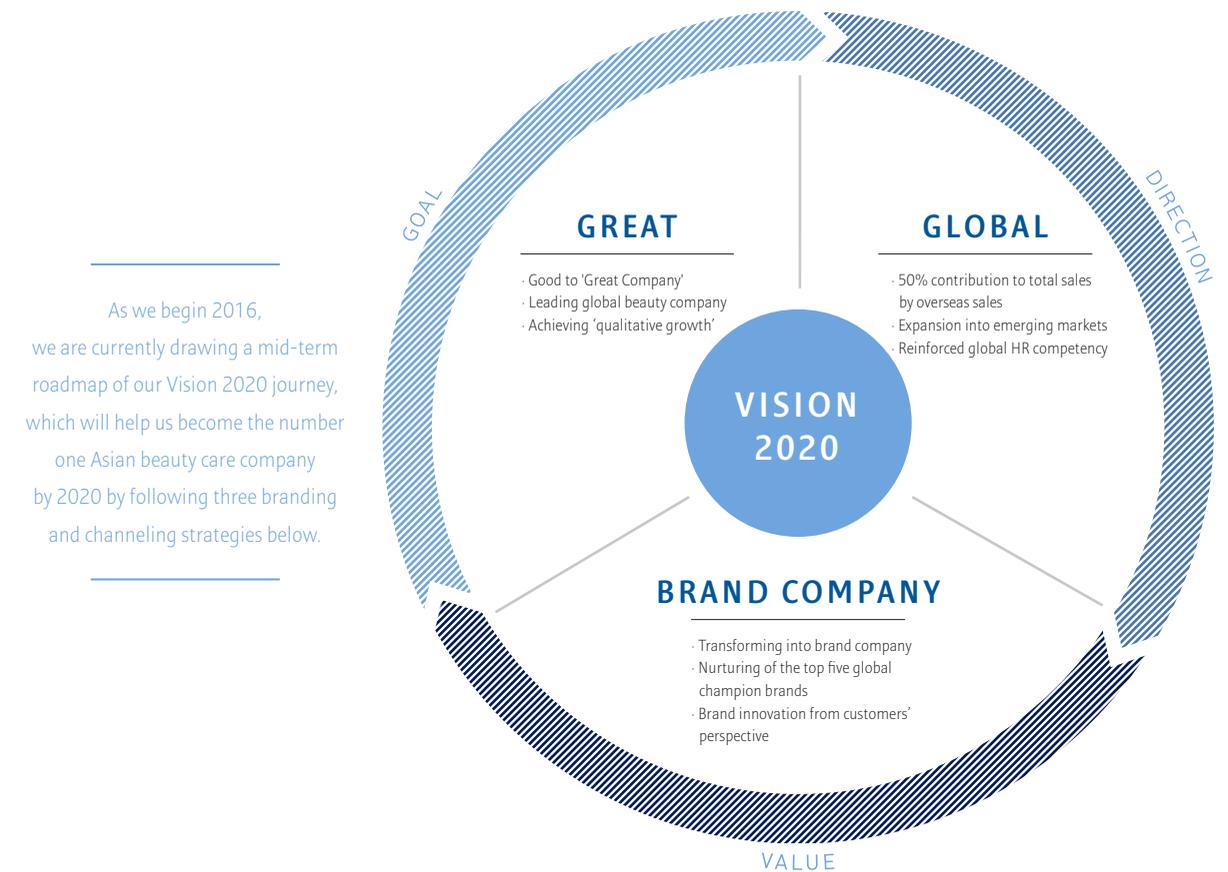
### Our Credo

Our credo is the song that we sing together as we live by our vocation and walk the way with our values. Through our credo, we determine 'Why' we work, 'What' we work for and, 'How' we work. We sing our credo altogether to encourage each other that we, as the Asian Beauty Creator, can change the world with beauty.

## Corporate Vision

Vision 2020  
Being a Great  
Global Brand Company

In 2013, we set forth our Vision 2020 of becoming a 'Great Global Brand Company' and three strategic directions towards the vision. Based on the three directions, we dedicate our efforts to rise as a global company that changes the world into a more beautiful and healthier place. Accordingly, to create a platform for sustainable growth, AMOREPACIFIC Group is consistently trying to develop its future growth engines through global expansion, technological innovation and development of products that satisfy customer needs. We also wish to be considered a company who is fully committed to serving its corporate social responsibility by minimizing the environmental impact and engaging in stakeholder-centered management practices.



As we begin 2016, we are currently drawing a mid-term roadmap of our Vision 2020 journey, which will help us become the number one Asian beauty care company by 2020 by following three branding and channeling strategies below.

GREAT	GLOBAL	BRAND
Supporting key innovation drivers that will significantly affect overall company growth, and establishing the foundation for qualitative growth by innovating a profit-management structure	Focusing on expanding our business activities from a domestic market to global markets	Focusing global champion brand portfolios on premium and masstige markets
Innovating an overall cost structure by optimizing the profit-management system, especially cost, selling and administrative costs, and investment		Creating high value in traditional marketing channels and accelerating new channels
		Becoming the largest channel by 2020 through an evolved Omni customer experience and accelerated global digital growth

## Sustainability Management System

Sustainable Business Practices Vision and Strategy

AMOREPACIFIC group seeks to create a beautiful world in which nature, people, and businesses co-exist in harmony. Through our sustainability-management activities under the **four strategic directions**, customers, environment, employees and business partners, and social contribution, we aim to fulfill our **corporate social responsibilities** and achieve business growth at the same time. Each year, we identify and implement new activities and related targets in each priority area and disclose our performance results publicly in a transparent manner. **In 2015**, we implemented **26 corporate sustainability-management activities** while strengthening our sustainable business practices through organic collaboration among all departments involved. This report - AMOREPACIFIC Group Corporate Sustainability Report - attempts to provide reliable information to all stakeholders interested in the corporate-sustainability activities of our company and affiliates. Through these efforts, we communicate our corporate-sustainability values to a range of stakeholders.



### Strategic directions

Good Product	Good for Planet	Good Relationship	Good Citizenship
Customer	Environment	Employees & Partners	Social Contribution
<ul style="list-style-type: none"> <li>Reinforcing product safety</li> <li>Creating growth opportunities through sustainable research and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Minimizing environmental impact throughout the entire value chain to improve economic and ecological efficiency (<b>eco-efficiency</b>)</li> </ul>	<ul style="list-style-type: none"> <li>Pursuing HR development and balance between work and personal life</li> <li>Establishing fair and long-term partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Fulfilling social responsibility as a corporate citizen through strategic social contribution activities</li> </ul>

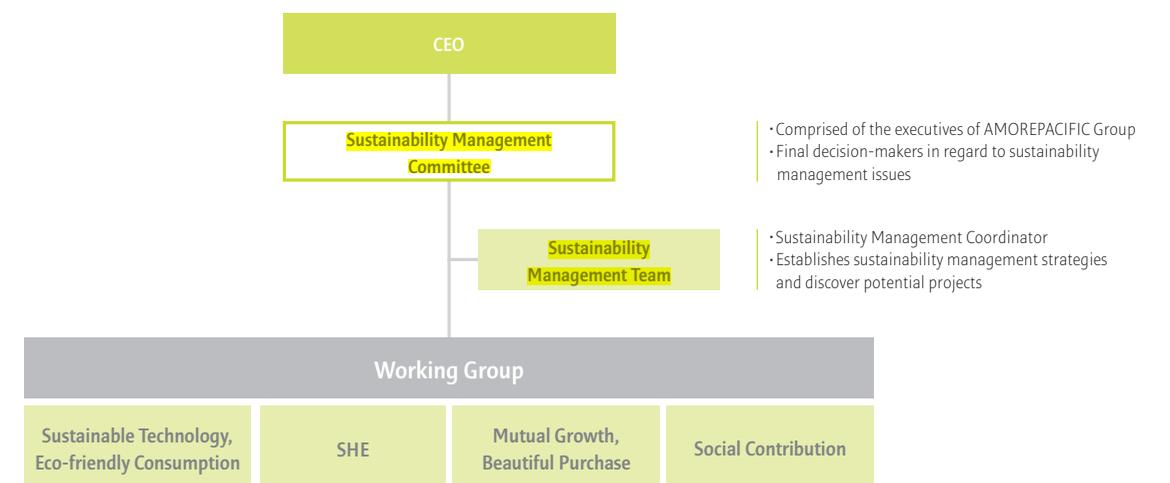
### Major activities in 2015

Enhancement of corporate capacity to produce sustainable products	Reinforcement of SHE management	Reinforcement of external partnerships	Creating shared value
<ul style="list-style-type: none"> <li>Established <b>sustainable technology</b> roadmap</li> <li>Developed <b>sustainable packaging</b></li> </ul>	<ul style="list-style-type: none"> <li>Established SHE<sup>1)</sup> systems at production plants and non-manufacturing establishments</li> </ul>	<ul style="list-style-type: none"> <li>Reinforced <b>win-win</b> relationships with production and business partners</li> </ul>	<ul style="list-style-type: none"> <li>Re-established the corporate social contribution system</li> <li>Set the direction for the social contribution strategies of the brands</li> </ul>

1) SHE: Safe, Health, Environment

### Sustainable Management Committee Organizational Structure

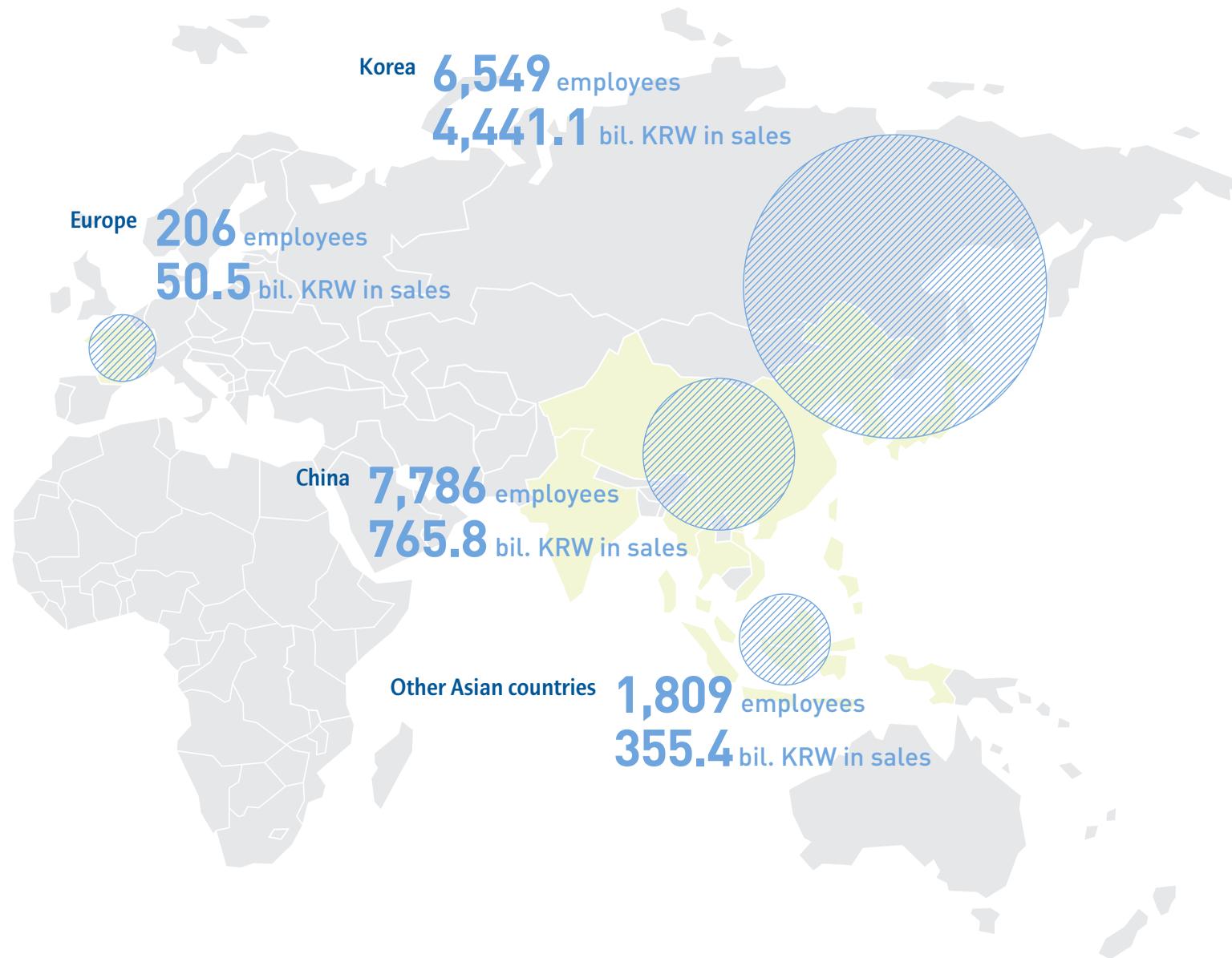
The Sustainability Management Committee, which is our top decision-making body, is responsible for strategic decisions on sustainability management and for reviewing our key activities. In 2015, the committee convened three meetings. As part of efforts to enhance the effectiveness of sustainability management, the committee measured the performance of the initiatives under each strategic area using an evaluation index. Executives received monetary rewards according to the performance results.



• Operation of working groups: Sustainable Technology, Eco-friendly Consumption, SHE, Mutual Growth, Beautiful Purchase, and Social Contribution  
 • Implement sustainability management and derive projects for each job position

## Worldwide Business

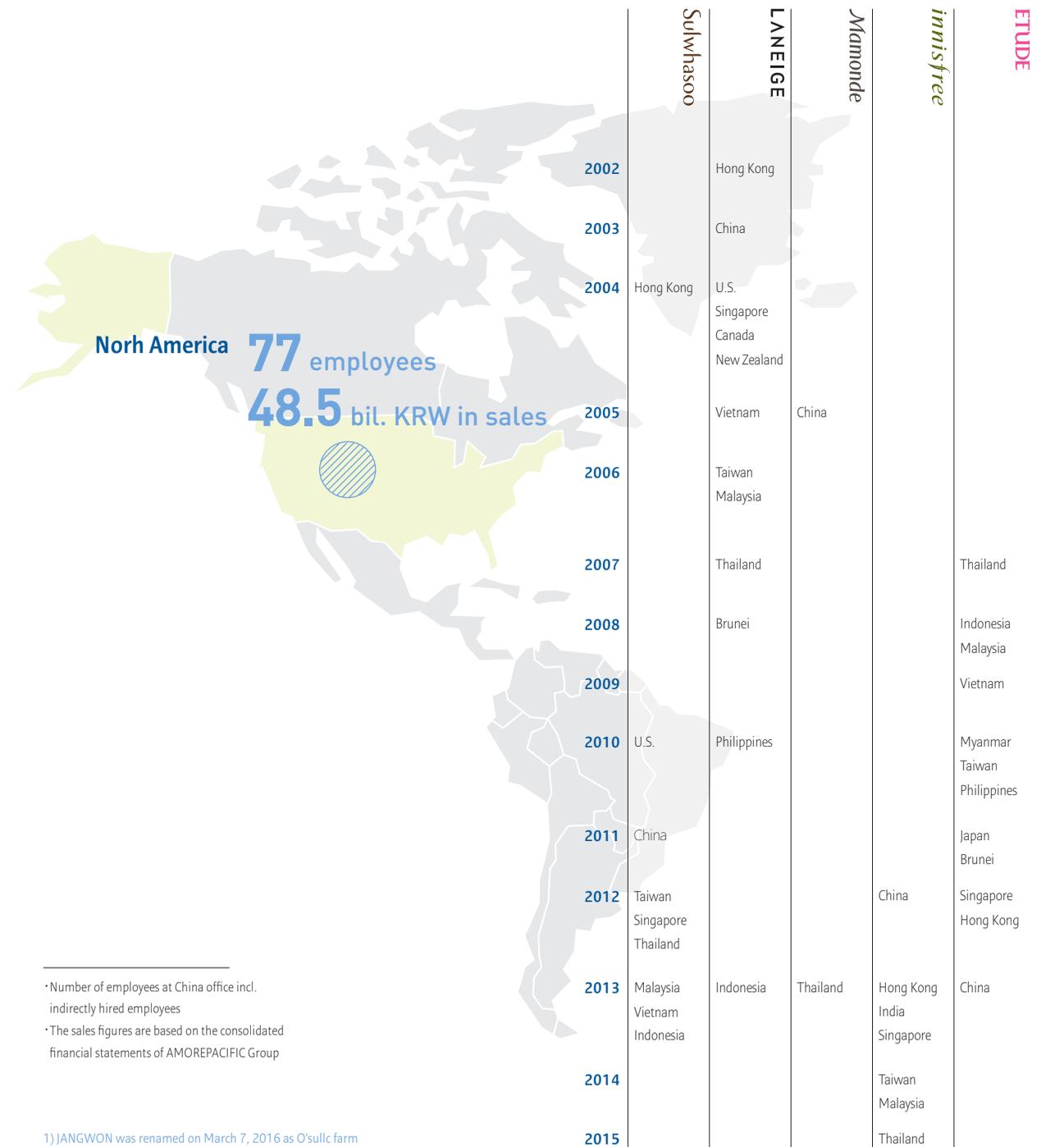
Employees (Number of Persons)  
Sales (Billion KRW)



## Changing the World with Beauty

Founded in 1945 as Pacific Chemical Company, AMOREPACIFIC Group, together with its subsidiary companies -AMOREPACIFIC, innisfree, ETUDE, AMOS professional, AESTURA, O'sulloc farm and etc. - are sincerely committed to spreading the value of Asian Beauty worldwide through our diverse global brand portfolio of beauty products. The company aspires to be a leading global beauty brand that contributes to the beauty and health of our customers worldwide by promoting the value of natural beauty derived from the traditional Asian philosophy and wisdom.

### History of Global Expansion by Brand



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

1) JANGWON was renamed on March 7, 2016 as O'sulloc farm

## Financial Performance

### Key Financial Performance Figures

#### AMOREPACIFIC GROUP SALES

**5,661.2** bil. KRW

▲ **20.1%**  
year-over-year growth

#### AMOREPACIFIC GROUP OPERATING PROFITS

**913.6** bil. KRW

▲ **38.6%**  
year-over-year growth

#### AMOREPACIFIC SALES

**4,766.7** bil. KRW

▲ **23.0%**  
year-over-year growth

#### AMOREPACIFIC OPERATING PROFITS

**772.9** bil. KRW

▲ **37.1%**  
year-over-year growth

#### Domestic Business Activities

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

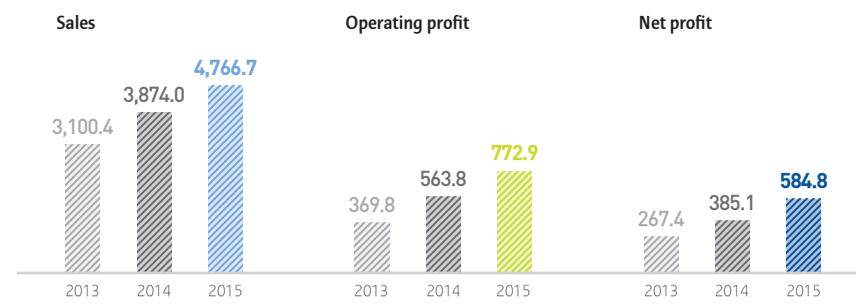
2) Calculated based on the consolidated financial statements of AMOREPACIFIC.

In 2015, the Korean economy experienced some difficulties resulting from a decrease in consumer spending caused by an outbreak of MERS (Middle East Respiratory Syndrome). Nonetheless, thanks to our differentiated products and services, we are pleased to report solid growth in 2015. We recorded 5,661.2 billion KRW in sales (20.1 percent year-over-year growth) and 913.6 billion KRW in operating profits (38.6 percent year-over-year growth). Our domestic business continued its growth with stronger brand equity and channel competitiveness. Travel retail channel negatively affected by the outbreak of MERS was recovered later in the year as a result of increased spending of foreign tourists visiting Korea, and we achieved qualitative growth in door-to-door sales as a result of an emphasis on innovation and counseling capacity building. Our overseas sales portion grew to 21.6 percent as a result of a strengthened brand portfolio and increased customer access. We are pleased with our strong performance especially in China and other Asian markets.

AMOREPACIFIC Group (Unit: billion KRW)<sup>1)</sup>



AMOREPACIFIC (Unit: billion KRW)<sup>2)</sup>



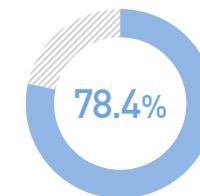
In 2015, despite an economic downturn and decreased customer spending, the luxury and premium cosmetic market experienced increased demand and sales growth in both skincare and makeup products. In addition, door-to-door segment regained strength and department stores recovered from the negative growth trend. With customers of all ages wanting to enjoy diverse brands and experience purchasing through various channels, differentiated branding and having diversified sales channels became even more important. As we have successfully adapted to market trends, our domestic business recorded 4,411 billion KRW in sales, which represents 14.4 percent year-over-year growth.

#### AMOREPACIFIC Group Domestic Sales

**4,441.1** bil. KRW

▲ **14.4%**  
year-over-year growth

#### Percentage of AMOREPACIFIC Group's Domestic Sales



### AmorePacific

#### 1) Luxury Businesses (door-to-door sales, department stores, travel retail)

Sulwhasoo and HERA increased brand visibility and appeal through product upgrades and improved digital-marketing content. Also, brand competitiveness increased as a result of new products in male cosmetics and lip products. Primera and VB (VITALBEAUTIE) generated new customer demand by launching innovative items in the baby-product and health-food categories, respectively. The door-to-door channel continued its growth as a result of products meeting customer needs, systematic service through smart-phone applications, and enhanced beauty-counselor capacity. In department stores, we strengthened our competitiveness through offering differentiated brand experiences through highly attentive service. For travel retail, in the third quarter, we experienced a slight decrease in growth rates due to the MERS outbreak, but then experienced strong recovery later in the year on the back of increased number of foreign tourists visited Korea. We also expanded our travel retail business in other countries to set a foundation for sustained growth.

#### 2) Premium Businesses (ARITAUM, digital, discount stores)

IOPE opened a cushion pop-up store, offering our customers the opportunity to experience various cushion products. LANEIGE reinforced its young-premium image by collaborating with a fashion brand while Mamonde enhanced its brand identity through SNS communication and its flower-garden campaign. ARITAUM expanded O2O service through mobile platforms and offered a new shopping experience that is highly convenient for customers through the Omni channel pilot store. The digital channel provided a foundation for qualitative growth. In home shopping, we strove to increase brand competitiveness by increasing the number of categories of products. In e-commerce, we focused on systematic improvement to strengthen transparency of distribution orders, diversification of online sales platforms and functionality enhancement.

#### 3) Personal Care Products and Green Tea (Mass Cosmetic & O'sulloc) Businesses

Our mass cosmetic business maintained solid growth in sales of functional products across all categories, ranging from hair and body care to oral care. We diversified our channel portfolio by launching exclusive products for convenience stores, travel retail, and wholesale markets, resulting in increased revenue portion from these new channels. By increasing premium products and widening sales channels we enhanced our brand awareness and strengthened our product leadership.

We withdrew our green tea products from all hypermarket distribution channels. Instead, we focused on positioning O'sulloc as a premium product by enhancing brand experience and expanding high-value product lines. We are particularly pleased with our achievement in winning first, second, and third places in the 2015 North American Tea Championship's Pan Fried Tea category, which enabled us to spread the excellence in quality of Korean teas.

### innisfree

innisfree accomplished strong sales growth based on differentiated brand power. In addition to existing popular line products, successful launches of new products including Jeju Mineral Line and Ginger Oil Line have led to stable sales growth and increased market share in domestic brand stores. In China and other Asian markets, innisfree experienced increased brand awareness, which has led to growth in exports and travel retail sales.

**ETUDE**

To increase brand attraction, ETUDE has expanded investment in store renovations, major product-line upgrades and digital communications. To strengthen brand competitiveness, we reorganized existing distribution channels, which led to a decrease in stores, and as a result sales and profits decreased.

**eSpor**

After being spun off and becoming an independent affiliate, eSpor focused on positioning itself as a professional makeup brand. By opening new stores, it increased customer access, and it undertook a range of activities through digital media communications to increase brand awareness. As a result, it experienced solid growth accompanied by improved profit.

**AESTURA**

Since AESTURA sold its pharmaceutical business unit, it has concentrated on its medical beauty businesses to position it as a specialized medical beauty company. The increased sales of its main products such as CLEVIEL and ARTEFILL and ATOBARRIER helped the company grow.

**Overseas Business Performance**

We diversified our brand portfolio by enhancing five global champion brands and introducing our next global brands and strengthened marketing activities. As a result, we experienced solid growth, which resulted in overseas sales of 1,220.1 billion KRW, which represents 47.2 percent year-over-year growth.

**Asian Markets**

In China, we experienced strong profitable growth. In particular, innisfree and Sulwhasoo delivered strong store sales growth, thanks to the increased demand for its hit products. Through differentiated marketing contents, LANEIGE positioned itself firmly as a leading K-beauty brand and continued its growth trend. Mamonde improved brand awareness through store renewal and expanded commercial advertising and increased its store productivity. IOPE and RYO made a significant effort to enter the premium cosmetic market and hair-care product market, respectively. In other Asian countries, our brands experienced strong growth. innisfree opened new stores in existing ASEAN markets, and to strengthen its brand awareness, it opened its first store in Thailand. In Japan, as a result of reorganizing a distribution channel, we experienced a decrease in sales. However, we paved the way for qualitative growth with increased sales of ETUDE through online and existing stores.

**North America and Europe Markets**

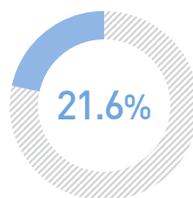
In the U.S., as a result of increased sales in all distribution channels, we achieved high sales and improved profitability. Through increased awareness as a luxury brand, AMOREPACIFIC launched a store in Bloomingdale's. ARITAUM shops continually grew, by increasing sales of major brands and successfully launching new products. LANEIGE achieved solid qualitative growth by expanding its distribution channels and entering new market. In France, overall sales decreased as a result of the weakened domestic market and Euro exchange rate.

**AMOREPACIFIC Group's Overseas Sales**

**1,220.1 bil. KRW**

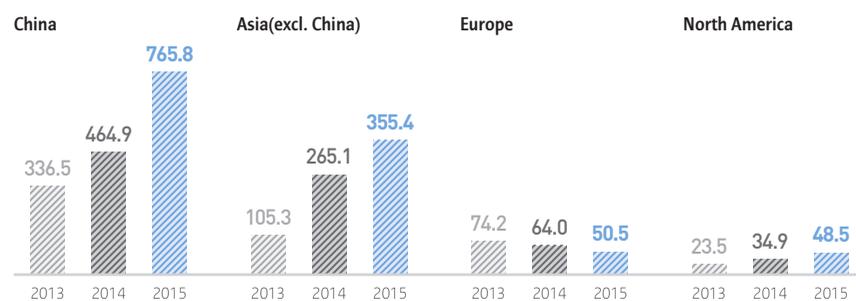
**▲ 47.2%**  
year-over-year growth

**Percentage of AMOREPACIFIC Group's Overseas Sales**



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

**AMOREPACIFIC Group Global Sales by Region (Unit: billion KRW)<sup>1)</sup>**



**Governance Structure**

**Transparent Governance Structure**

To ensure a transparent governance structure and concentrate our core capacity in the fields of beauty and health, we are operating a deliberative corporate-governance structure in our holding company and a responsible management system for each business. Based on this system, we continually reinforce our competency and expertise of beauty and healthcare businesses which include cosmetics, personal care and healthcare products. In addition, we enhance our corporate value by promoting our stock value and dispersing management risks through improvement of our corporate-governance structure, thereby continually increasing stakeholder benefit.

**Board of Directors**

To ensure efficient management, the AMOREPACIFIC Group Board of Directors (BOD) deliberates on key management issues. In 2015, a total of 6 Board meetings were convened. Public announcements made through the Financial Supervisory Service and the Korea Exchange informed stakeholders of the important decisions made at these meetings.

**BOD Composition and Authority**

The BOD has authority as the top decision-making body for our organization. As of the end of March 2016, the BOD comprises of 6 registered members, including 3 executive directors and 3 non-executive directors (NEDs). Each director on the Board is obligated to faithfully exercise their duties and fulfill their responsibilities as a good manager based on the Commercial Act of Korea and the company's Articles of Incorporation, striving to promote the interests of shareholders and other stakeholders. Each of the executive and NEDs was nominated by the Board from among those with abundant expertise and experience in their respective fields and was approved by the shareholders at a general shareholders' meeting before appointment as a director. The Board guarantees the independence of NEDs, which allows active presentation of opinions during all Board meeting discussions, so as to contribute to the decision-making process.

**AMOREPACIFIC Group**

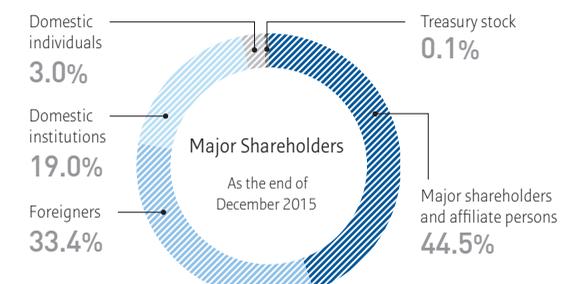
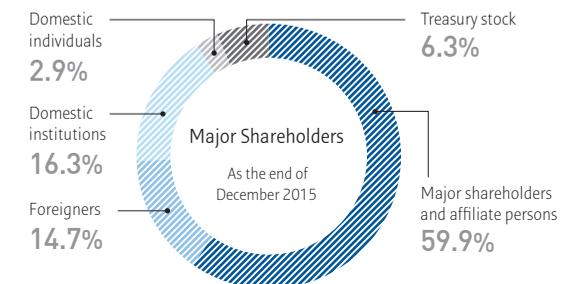
**Board of Directors** As of March 2016

Category	Name	Position/Affiliation	Major responsibility
Executive directors	Kyung-bae Suh	CEO, Chairman of BOD	Supervision of management
	Dong-hyun Bae	President	Supervision of management
	Seung-hwan Kim	Executive Vice President	Supervision of management Strategies
Non-executive directors	Dong-youb Shin	Professor of Business Administration, Yonsei University	Overall business management
	Woo-young Lee	Former president of PACIFIC PHARMA	Overall business management
	Ok-sub Lee	Vice President of Bioland Co., Ltd	Overall business management

**AMOREPACIFIC**

**Board of Directors** As of March 2016

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



Top Management



From left

- 1 Kyung-bae Suh Chairman & CEO, AMOREPACIFIC Group  
Dong-hyun Bae President, AMOREPACIFIC Group  
Sang-bae Shim President, AMOREPACIFIC  
Young-chul Son Auditor General, AMOREPACIFIC Group
- 2 Jae-cheon Yoo Executive Vice President, Luxury BU, AMOREPACIFIC  
Young-soo Kim Executive Vice President Premium BU, AMOREPACIFIC  
Chan-hoi Kim Executive Vice President Mass BU, AMOREPACIFIC  
Jae-wan Shim Executive Vice President, New Growth BU, AMOREPACIFIC
- 3 Min-jeon Rhee Executive Vice President, Marketing Strategies Unit, AMOREPACIFIC  
Byeong-do Kang Executive Vice President, SCM Unit, AMOREPACIFIC  
Sang-hoon Han Executive Vice President, R&D Unit, AMOREPACIFIC  
Sang-mok Lee Executive Vice President Corporate Support Unit, AMOREPACIFIC
- 4 Seung-hwan Kim Executive Vice President, Strategy Unit, AMOREPACIFIC Group  
Hyung-kwon Jung Executive Vice President, HR Unit, AMOREPACIFIC Group  
Jung-ho Kim Executive Vice President, PR Unit, AMOREPACIFIC Group  
Sae-hong Ahn CEO of innisfree
- 5 Guem-joo Kwon CEO of ETUDE  
Ji-youn Lee CEO of eSpor  
Dong-hee Hwang CEO of AMOS Professional  
Woon-sup Lim CEO of AESTURA  
Jin-ho Lee CEO of O'sulloc farm

## Risk Management

### Establishing a Comprehensive and Preemptive Risk Mitigation and Management System

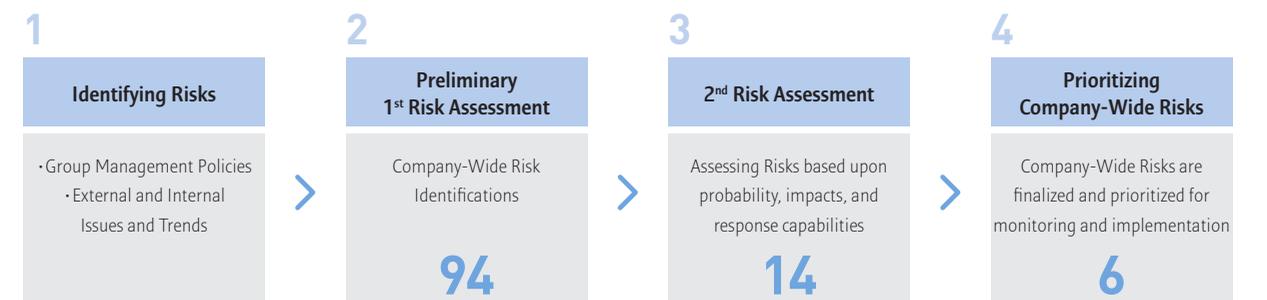
AMOREPACIFIC Group established an effective risk-management system designed to promptly respond to various kinds of changes in management environment caused by unexpected economic or political circumstances as well as expansion of global business and increasing complexity within the organization. The Risk-Management Committee, primarily comprising the members of top management, sets out mitigation strategies to manage key risks effectively. Group risks are managed by subcommittees for each type of risk and project, and their statuses are monitored regularly.

#### Risk Management Organizational Structure



### Risk Classification Process

After analyzing internal and external business environments that affect our business activities, the company categorized 94 major risks by their importance and severity. In particular, the top 14 risks, which fall into 6 categories, are being mitigated and monitored by the group's Risk-Management Committee.



Key Activities for Risk Mitigation

Category	Context & Impact	Key Risk Mitigation/Management Activities
1 China Risks	<ul style="list-style-type: none"> <li>Difficulties in responding to rapid changes of economic, social and regulatory circumstances in China</li> </ul>	<ul style="list-style-type: none"> <li>Regular monitoring of relevant risks by CRMC</li> <li>Quarterly Chinese Intelligence Session to rapidly respond to changing contexts</li> </ul>
2 PR Risks	<ul style="list-style-type: none"> <li>Increased public attention to the company, partly due to the recent surge in the company's share value</li> <li>Increased PR scope due to the company's fast business growth</li> <li>Higher risk for the spread of negative news due to the rise of SNS channels</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening crisis communication strategies, including proactive monitoring and timely responses</li> <li>Committees focusing on various topics both in Korea and overseas markets in relation to PR activities</li> </ul>
3 Product Management Risks	<ul style="list-style-type: none"> <li>Controversy related to certain products' expiration date</li> <li>Increased awareness of harmful ingredients such as phthalates and increased interest in paraben-free products</li> </ul>	<ul style="list-style-type: none"> <li>Review of absolute quality control and product management standards</li> <li>Timely response mechanism to respond to any issues related to product quality control, including raw materials, products, and packaging</li> </ul>
4 Intellectual Property Violation Risks	<ul style="list-style-type: none"> <li>Increasing fake products and unauthorized use of labels and brand images in the global market are damaging the image of the Group</li> </ul>	<ul style="list-style-type: none"> <li>Intellectual Property Risk Mitigation Strategies in key overseas markets including China</li> <li>Monitoring the circulation/distribution of fake products in collaboration with IP organizations both in Korea and overseas markets</li> </ul>
5 Global SHE Risks	<ul style="list-style-type: none"> <li>Increased importance of managing SHE standards in overseas operation/manufacturing sites as a result of expanded global activities</li> </ul>	<ul style="list-style-type: none"> <li>Conduct a rigorous SHE audit of our Chinese operation sites, and implementing recommendations</li> <li>Improve the group's emergency response strategies, including public health crisis and terrorism</li> <li>SHE Committee to proactively monitor and respond related risks</li> </ul>
6 Mutual Growth Risks	<ul style="list-style-type: none"> <li>Mutually beneficial win-win growth through partnerships</li> <li>Prevention of unfair business activities with sales partners</li> </ul>	<ul style="list-style-type: none"> <li>Voluntary compliance with fair business activities and undertaking activities supporting mutual growth</li> <li>Regular communications and internal training</li> </ul>

Ethical Management

**2015 Ethical Management Activities**  
 Since announcement of the Ethical Management Policy in 2003, the group has continuously maintained ethical practices to deliver on its promises and promote ethical corporate culture throughout the corporate ecosystem. Our corporate ethics are based on honesty, one of the five core values of the AP WAY. As the code of conduct for all group members, the AP Way provides intellectual and behavioral guidance on our journey of beauty.

**Campaigns and Education and Training**  
 We have undertaken a range of campaigns and educational activities, outlined below, to ensure that management practices throughout the company are ethical.



**Employee Ethics Pledge**  
 All employees are required to sign an ethics pledge online annually as part of our efforts to raise awareness of ethics based on our value of honesty. Beginning in 2014, employees of our offices in China, Hong Kong, and the U.S. joined this effort. We aim to abide by local laws and social norms and to fulfill our social responsibilities while contributing to creating a beautiful and healthy society.

**Business Partners Ethical Management**  
 Our company convened a workshop in December 2015 on ethical management using design content provided by business partners. In this workshop, we shared our ethical code of conduct and case studies and learned about challenges that small companies face when implementing ethical-management practices.

**Ethics-Management Website**  
 ethics.amorepacific.com  
 Since 2014, we have a website (ethics.amorepacific.com) dedicated to ethical management, which offers guidance on ethical dilemmas. In addition, through a mobile homepage and hotlines, we provide an easy, confidential way for our employees, business partners, and stakeholders to raise concerns and report wrongdoing.

2015 Ethical Management Report Statistics (Number of Reported Case)	Business Partners	Suppliers	Staff, Management	Customers	Others	Total
	11	9	9	7	8	44

# 3

## 2015 Highlight

- Materiality Analysis
- Global Growth
- Leading Innovation and Digitalization in Beauty
- Sustainable Products and Value Based Consumption
- Mutual Growth with partners
- Social Contribution and Local Community Engagement

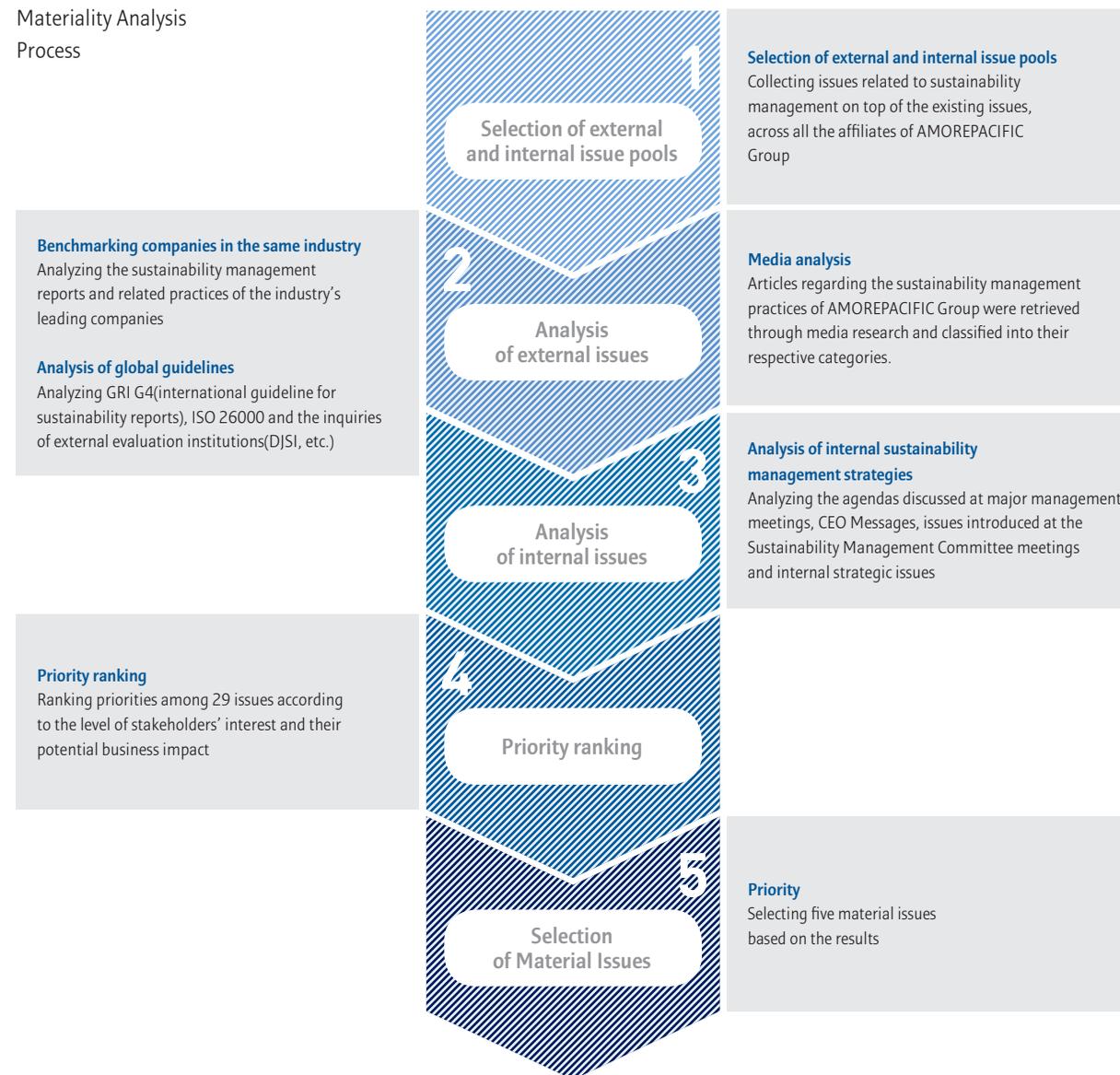
Faster Alone but, Further Together  
Let's Work Together to move further  
Toward a Sustainable Tomorrow

---

AMOREPACIFIC Group never wants to start this journey alone. We want all of our customers, employees and partners to be involved in this journey so that we can go further together. We are committed to building a sustainable society with all of our partners. That is why we identified key material issues based on stakeholder interest. AMOREPACIFIC Group selected 5 material issues affecting sustainability management based on their business impacts and our stakeholders' interest. We will undertake multi-faceted management activities focusing on these 5 material issues, including Global Growth, Leading Innovation and Digitalization in Beauty, Sustainable Products and Value-Based Consumption, Mutual Growth with partners, Social Contribution and Local Community Engagement.

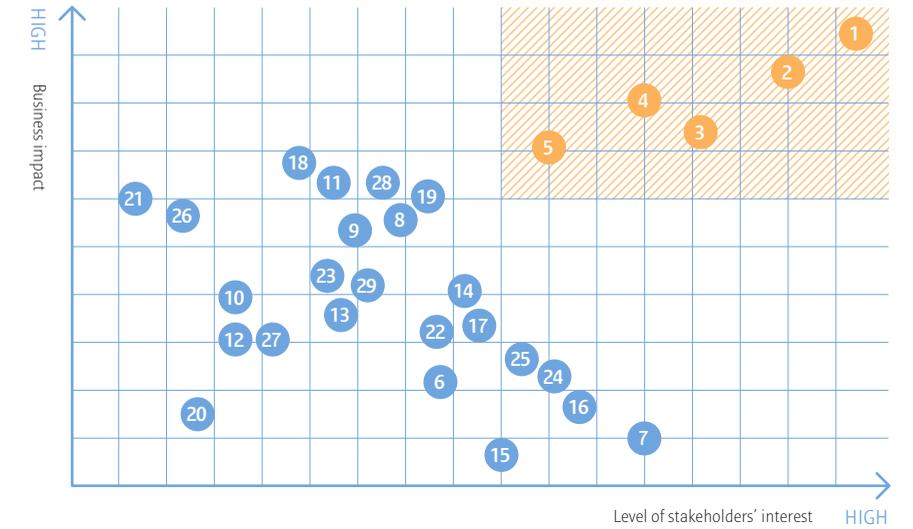
## Materiality Analysis

### Materiality Analysis Process



We selected key materiality issues based on stakeholder interests and business impacts, and we reported our progress against these criteria. We are undertaking a 5-step process to identify highly relevant material issues, including issue identification, external business trends analysis, internal business trends analysis, prioritizations, and selecting priority topics that are most materially relevant to our businesses. The outcomes of this exercise are integrated into all of our business activities and shared internally and externally.

### Results of the Materiality Analysis



#### Issues

- 1 Digital Era Response and R&D Innovation
- 2 Global Growth
- 3 Mutual Growth with Partners
- 4 Development of Sustainable Products
- 5 Mutual Growth with Local Communities
- 6 Transparency of Corporate Governance
- 7 Ethical Management
- 8 Risk Management
- 9 Expansion of Communication with Stakeholders
- 10 Full Integration of Sustainable Management throughout Companies
- 11 Brand Management
- 12 Green Marketing (Green Communication)
- 13 Sustainable Water Stewardship
- 14 Sustainable Packaging Innovation
- 15 Climate Change Mitigation and Adaptation
- 16 Enhancing SHE Management
- 17 Protecting Biodiversity
- 18 Customer Satisfaction Activities
- 19 Human Capital Development
- 20 Labour and Management Relations
- 21 Work-Life Balance
- 22 Protection of Privacy Information
- 23 Alternative Methods to Animal Testing
- 24 Human Rights Management
- 25 Employees Diversity
- 26 Expansion of Corporate Culture – AP Culture
- 27 Economic Value Creation
- 28 Expansion of Sustainable Consumption
- 29 Responsible Marketing

#### Five Material Issues



After identifying 29 issues based upon our internal materiality analysis process, we ranked each of them according to their impacts on our business and interest of our stakeholders. In this report, we decided to focus on the following five themes more in depth: Global Growth, Leading Innovation and Digitalization in Beauty, Sustainable Products and Value-Based Consumption, Mutual Growth with partners, Social Contribution and Local Community Engagement.

### Our Approach

AMOREPACIFIC Group is leading the Asian cosmetics market by introducing its unique and ingenious products that embrace the beauty of Asia. Our goal is to step up our presence beyond the Asia and become a global beauty company.

### Our Strategy

AMOREPACIFIC Group announced our vision of "Great Global Brand Company" in 2013, and shared our ambition of becoming the No. 1 cosmetic company in Asia and ranking in the top 4 in the world by 2020. To fulfil our vision, we are actively introducing diverse brands and innovative products, and expanding our presence in new markets.

### Our Achievements

- Sulwhasoo, 1 trillion KRW in sales
- LANEIGE, now purchasable at Sephora in Canada
- Mamonde, increase of sales by 12 per cent in the Chinese markets compared to the previous year
- innisfree, branches out into Thailand
- ETUDE, opens the first road shop in Japan

### Our Plan

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

## Global Growth

1

## Accelerating Global Growth Through 5 Global Champion Brands

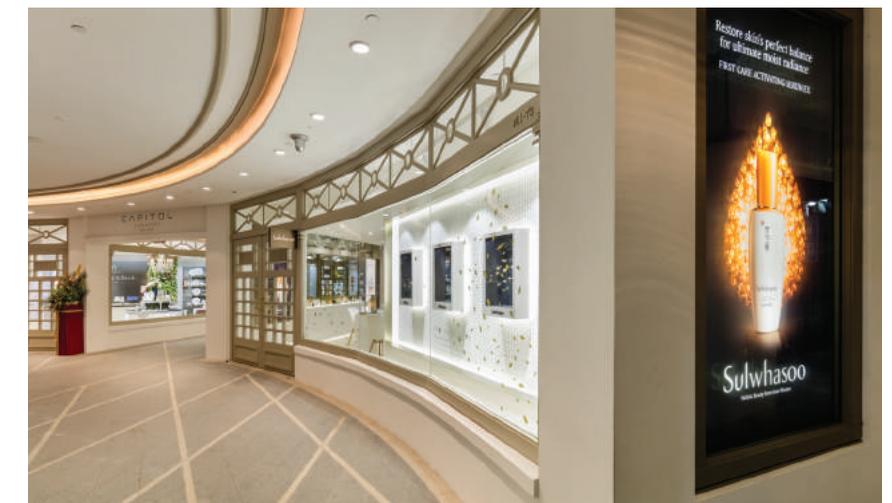
Our 2020 Vision calls us to share the values of Asian beauty internationally and become a global brand that helps transform the world through beauty. Our 5 champion brands - Sulwhasoo, LANEIGE, Mamonde, innisfree, and ETUDE - spearhead our global ambition and drive our qualitative growth.

### Sulwhasoo

## Sulwhasoo

Sulwhasoo achieved a notable growth in both domestic and overseas markets including duty-free channels, largely thanks to product upgrade for its signature products such as 'First Care Activating Serum EX' and 'Timetresure EX' Line and, the 'Perfecting Cushion Brightening' which was newly launched this year. We opened more shops in our major overseas markets, including our 100th global store in the capital city of Singapore which was also our first free-standing store in ASEAN region. Through more efforts to emphasize its brand identity in product design and commercial advertisements, Sulwhasoo recorded a sales of 1 trillion KRW for the first time in Korea as a single cosmetic brand.

Sulwhasoo Total Global Sales	<b>1,000 billion KRW</b>
Sulwhasoo sales in overseas markets	<b>▲ 130%</b>
Sales of First Care Activating Serum EX - a signature product	<b>158.8 billion KRW   ▲ 43%</b>



100<sup>th</sup> Global Flagship Store in Singapore

LANEIGE

# LANEIGE

LANEIGE achieved a steady sales growth thanks to the expansion of retail distribution channels, entry into new markets and product upgrade for its signature products like 'Water Sleeping Mask' and lipsticks. This year, LANEIGE began offering its products in Canada through 57 SEPHORA stores across the country. Meanwhile in China, it was the third best-selling brand on the 'Single's Day' with a record online sales of 9.25 KRW. After successfully launching our innovative "Two-Tone Lip Bar," 72,000 were sold for a total of 11 billion KRW in sales. From July to September in 2015, through our 2-month "LANEIGE Beauty Roadshow," we shared our products with customers in 7 cities from 4 countries.

LANEIGE sales in overseas markets ▲ 16%

LANEIGE Two-Tone Lip Bar Sales **11.0 billion KRW** | **720,000 products**



Beauty Road Show

Mamonde

# Mamonde

Marking a 12% year-on-year sales increase while sales per store also increased thanks to reorganization of retail. During our 10th year in China, we exceeded our sales target of 2.6 billion KRW on 'Single's Day' and achieved 3 billion KRW in sales. To firmly establish our identity as a flower-based cosmetic brand, we showcased a Mamonde garden at the 2015 K-Beauty Show in China and hosted a number of different events, including BB Cushion and beauty classes.

Mamonde Sales in China ▲ 12% | **153.3 billion KRW**



2015 K-beauty show in China 'Mamonde Garden'

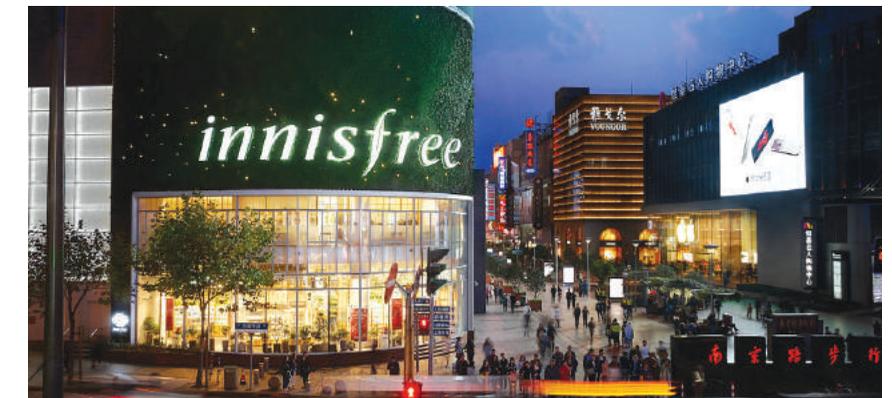
innisfree

# innisfree

innisfree continues to grow by leaps and bounds thanks to strong demand from overseas markets and sales increase in duty-free channels. The continued popularity of its signature products and successful launch of new items, such as 'Jeju Sparkling Mineral' line and 'Ginger Oil' line, have significantly improved the innisfree's brand power. In order to position the brand as the world's No. 1. naturalism-oriented cosmetic brand, innisfree has made a lot of efforts to expand its business in global markets. For example, we opened 3 stores in the largest retail areas of Thailand - the largest ASEAN market for health and beauty care products. In Shanghai, we opened the largest brand flagship store - "innisfree Flagship Store in Shanghai", and our growth in China has been steady since we introduced our brand in China in 2012.

innisfree sales in overseas markets ▲ 143%

Opening of the largest innisfree flagship store in Shanghai



innisfree flagship store Shanghai

ETUDE

# ETUDE

ETUDE is constantly expanding its business focused on opening more shops in major shopping districts of Asian countries. On, Nov, 2015, ETUDE opened its first western provincial flagship store in Chengu City's Chunxi area in China and increased online customer contact points to improve distribution coverage in the country. As a result, we witnessed a notable growth, with 29.6 billion KRW in sales - a 174% increase from the previous year. In August 2015, we opened our first road shop in Harajuku Takeshita Street, a fashion and beauty center of Japan. Instead of focusing on shopping mall sales, we planned to increase brand awareness by meeting customers through road shops.

ETUDE sales in overseas markets ▲ 27%

Opening of the First Road Shop in Harajuku District, Tokyo



ETUDE Flagship Store

## Establishing Next Global Brands

AMOREPACIFIC Group focused on expanding the overseas business activities of “next generation global champion brands” such as IOPE, HERA, RYO, VB (VITALBEAUTIE) to continue our successful momentum toward global growth. Especially, we have undertaken a range of activities to strengthening the brand awareness of IOPE, HERA, and RYO in the global markets.

IOPE

### IOPE

On 5 May 2015, at Beijing Today Art Museum, IOPE held an official opening-day press conference and announced the “Genius Forum,” consisting of Chinese and Korean researchers focusing on Asian women’s skin conditions. Beginning with our first global store in the Hankwang Department Store in Beijing on 12 June 2015, we opened 10 locations in department stores throughout China until March 2016. Super Vital Cream (16 billion KRW in sales) and Retinol (8.5 billion KRW in sales) contributed significantly to the growth of anti-aging cosmetic products in Korea. We reinforced our leadership in the cushion make-up market by enhancing on- and off-line marketing and customer contact points, including the release of a digital Air Cushion commercial and opening the world’s first “Cushion Pop-Up Store”.



IOPE's China Launch Event

HERA

### HERA

HERA began its global venture with the opening of its first pop-up store in Hong Kong - the largest cosmetic market in Asia. We piloted pop-up stores in 4 DFS locations - Hong Kong’s largest duty-free shop managed by LVMH. Tracking these achievements, we developed an entry strategy for the Chinese market.

RYO



RYO diversified a distribution channel in China and Taiwan, which resulted in the increase of stores featuring RYO, and enhanced our product lines focusing on scalp and hair loss prevention. Through enhanced consumer communications, our brand awareness in China has increased. For example, our Weishin followers quickly increased to 26,000 as of January 2016, and “CECI China” ranked Jayang Yunmo as the most preferred shampoo in the nation.

Global Mega City Expansion

AMOREPACIFIC Group plans to expand our market shares in global mega cities with over 10 million citizens. Specifically, we will focus on Asian mega cities populated by strong middle and upper class customers with significant purchasing power. For example, we will focus on enhancing our brand awareness in Singapore, Malaysia, and Thailand, and we will increase customer touch points and marketing in Vietnam, Indonesia, and the Philippines. Building on existing efforts in the U.S. market, our company will focus on growth in Canada. We will also introduce our products in new markets, focusing on Middle Eastern markets in 2016 and emphasizing Central and South America in 2017.

### Our Approach

Digital technology is affecting many aspects of cosmetic industry by improving customers experience to be more comfortable and convenient. By offering differentiated service and experience to our customers through the latest digital technologies, we want to become a digital leader of the beauty industry.

### Our Strategy

We are expanding digital communication channels and online customer services which enable our customers to try our products virtually to assist their shopping experience. To meet customers’ new needs, we are enhancing singularity-focused innovative products and their sales strategies.

### Our Achievements

- LANEIGE, Beauty Mirror App: 93,897 downloads
- Opening of ARITAUM “Omni” Stores
- Air Cushion Sales (cumulative figure until 2015) - 80,000,000 (products)
- Pioneering a new growth category through Primera Baby Sun Cushion
- HERA Squeeze Mascara Named as Gold Winner of the DuPont Awards for Packaging Innovation

### Our Plan

AMOREPACIFIC Group will strengthen our global e-commerce competitiveness using “omni-channel” marketing, combining online services with off-line benefits, and innovating digital and mobile communications through tech-infused gadgets.

## Leading Innovation and Digitalization in Beauty

# 2

## Digital Leadership

To better communicate with customers in the era of e-commerce, AMOREPACIFIC Group is building up its competitiveness around “omni-channel” marketing, combining online services with off-line benefits, and innovating digital and mobile communications through tech-infused gadgets.

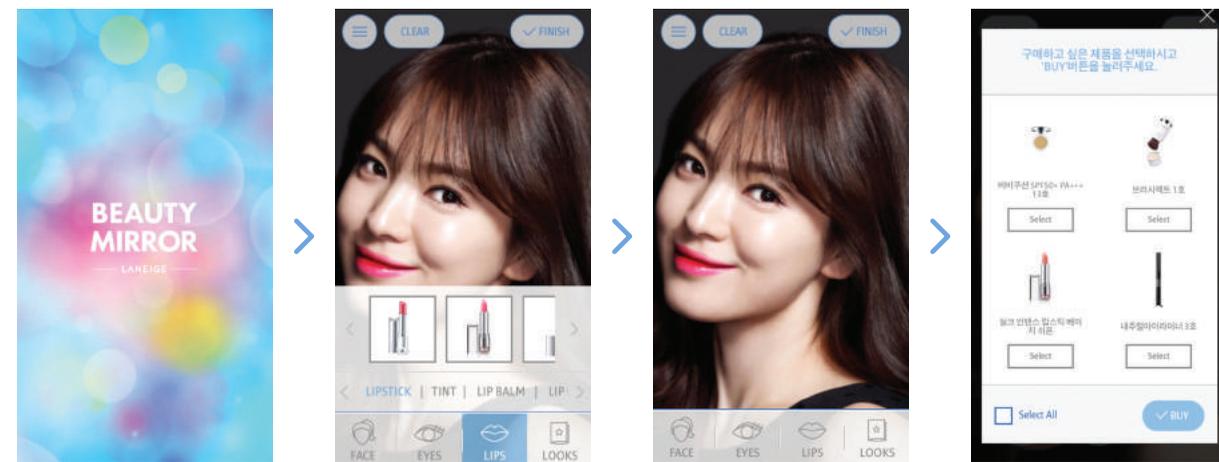
### LANEIGE Launches Virtual Make-Up Application Beauty Mirror

LANEIGE launched a mobile application named Beauty Mirror, which enables users to test various make-ups on their virtual faces projected through the cameras in smartphones and tables. This mirroring technology is able to sense even a subtle facial movement and offers a virtual look as natural as a the user's real face. A virtual face with make-up can be viewed through a 3D screen. Furthermore, if a customer prefers a certain make-up look, the app applies it virtually on the customer's face, recommending additional make-up colors and patterns. It also connects to various SNS sites so customers can share with their friends and networks. Since its August 2015 launch, users have downloaded the app 93,897 times as of January 2016.

Number of Beauty Mirror Application Downloads



Beauty Mirror



#### Use of Beauty Mirror App

Taking a photo of your face from the angle that works best through the app. Without a photo, through a camera mode, one can experience a live make-up.

#### Choose Face, Eyes, or Lips located on the bottom of the application

After choosing one of the categories - face, eyes, or lips, applying full make-up by using LANEIGE products

#### Compare Before and After Make-Up

Press the 'finish' button after the make-up, you can compare your look before and after the make-up

#### Moving to a Shopping Site

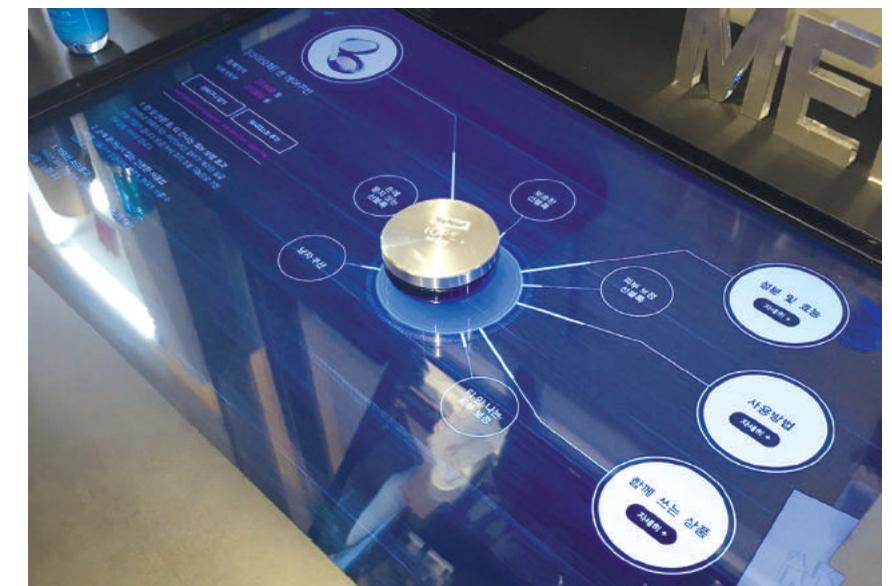
You can save your after make-up look and share with your friends and networks through the SNS, and visit the shopping site to purchase the products you experienced.

### ARITAUM Omni Store - Digital Beauty Experience Zone for Customers

#### omni store

Stores offering unique shopping experience where customers can search and purchase products through various on- and off-line platforms.

ARITAUM devoted its efforts to providing an enjoyable shopping experience and reinforcing its retail capacity by diversifying product types and improving customer service. ARITAUM is an experience-based “omni” beauty space that combines off-line’s show-loomng with on-line’s web-loomng experience. It offers fun and enjoyable experiences even before visiting stores. For example, when entering a shop, a store window spotlights a customer through a blind effect by censoring his or her movements. It offers discount coupons through interactive games, such as pop-up word bubbles in the ARITAUM app. Through the make-up mirror service station in the ARITAUM store, we offer various make-up suggestions based on customers’ skin-tones. When placing a recommended product before the make-up mirror, customers receive specific instructions on how to use the item and can read its online reviews. At the skincare/men’s bar, we are offering information on basic skin care products for men, and explaining how to apply these products. Through the photo booth, we are offering a fun experience of taking photos while shopping. There are 2 ARITAUM stores in Seoul.



ARITAUM omni store, men's bar

### Digital Platform Service for Foreign Tourists

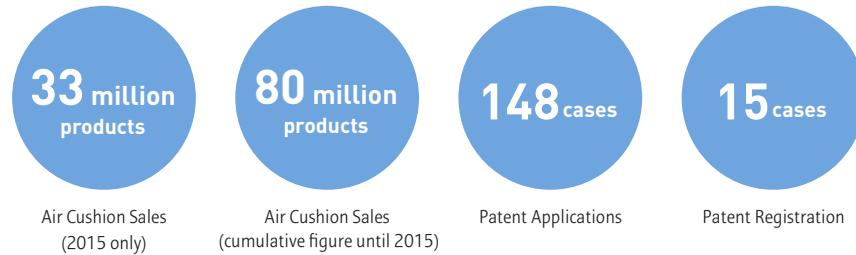
#### Internet of Things (IoT) based Digital Platform Service

- EMobile Payment System (Alipay / Tenpay)
- Mobile Digital Guide Service (4 languages)

In response to increasing tourists visiting its stores, ARITAUM started to offer them digital payment and digital guide services. By using Alipay and Tenpay, foreign customers can pay for products in Korean ARITAUM stores. Alipay and Tenpay use the latest online payment technology, which allows foreign tourists to shop with their own currency. It also offered the digital issuance of the tax refund certificates to foreign tourists visiting Korea in 2015. Furthermore, by using their smartphones, customers can learn about various products in 3 to 4 languages (Korean, Chinese, Japanese, and English) by scanning QR codes or interacting with the NFC installed in stores. ARITAUM features cutting-edge system infrastructure throughout the store, enabling sales associates to showcase our products in a visually appealing way.

## Singularity-Focused Innovative Products

We focused on improving our brand value through innovative singularity products that cannot be easily replicated. As a global brand, the group launched innovative products reflecting our customers' needs internationally.



### Make-up Culture and Non-stop Innovation

#### Expansion of Cushion Products

Cushion is an innovative make-up product that offers an all-in-one make-up solution that contains sun protection, base foundation and skincare function presented in a form of a specially designed sponge soaked in liquid-type formula. Since the launch of IOPE Air Cushion in 2008, AMOREPACIFIC Group offered a wide range of cushion compacts which transformed the cosmetic culture globally. The group opened the Asian Beauty Lab and Cushion Lab (C-Lab) to conduct in-depth research on Asian customers' skin conditions to respond more effectively to global customer needs. Due to differentiated ingredients and functionalities, the cushion compacts introduced through the group's 13 brands - IOPE Air Cushion, LANEIGE BB Cushion, HERA UV Mist Cushion, AmorePacific Treatment CC Cushion, and Sulwhasoo Perfecting Cushion are overwhelmingly popular around the world. In June 2015, AMOREPACIFIC Group signed a MOU with Christian Dior for a collaboration and research partnership to enhance its popularity in global markets.



C-LAB

### Overview of Each Brand's Signature Cushion Products



#### New Growth Category Through the Cushion Compact

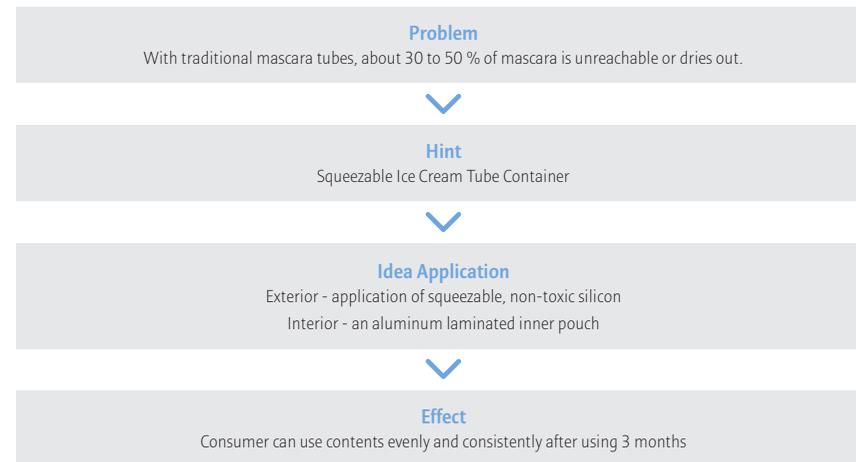
Primera's Baby Sun Cushion is an innovative sunblock product for infants and toddlers that is gaining popularity in the rapidly growing infant cosmetic market. Existing sunblock products for infants and toddlers require constant application and are inconvenient. To overcome these issues, the Baby Sun Cushion makes sunblock easier to use, even for young children. Since its launch in May, over 200,000 Baby Sun Cushions were sold as of December 31, 2015.

**HERA Squeeze Mascara**  
Named as Gold Winner of the DuPont Awards for Packaging Innovation

With traditional mascara tubes, high viscosity mascara tends to accumulate along the inner wall, where it is unreachable or dries out easily. The squeezable mascara tube allows users to soften and reposition the remaining mascara, transferring it to the applicator with a light squeeze of the tube. This enables the delivery of a consistent amount of mascara every time, so users will get the same great experience with each application. The enhanced functionalities of the squeezable mascara tube help dramatically reduce the amount of unusable mascara remaining in the tube and extend the mascara's shelf life while providing a unique tactile sensation. Squeezable Mascara was named Gold Winner of the DuPont Awards for Packaging Innovation in May 2015.



Squeeze Mascara



**Breakthrough Innovation of Lipsticks - Two Tone Lip Bar**



NEW Two Tone Lip Bar

LANEIGE "Two-Tone Lip Bar" is a breakthrough innovative product developed through the out-of-the-box thinking. Coming in a rectangular plastic tube with a click-on cap and a push-up lever, this lip bar with two colors offers more precise application and creates natural gradient effects. This trendy product allows a natural gradient look, as if a professional make-up artist had applied it, and is easy enough for beginners to use. Launched in March 2015 as LANEIGE's single product for the first time, this product line achieved 11 billion KRW, and is spearheading a K-beauty market through the launching of new two-tone lip bar and two-tone shadow bar.

Rectangular Plastic Tube	more precise application
Two Tone Color	natural gradient effects

**Research efforts on Scalp area receives a NET New Technology Certificate**

AMOREPACIFIC Group's research on "a manufacturing technology to produce ginsenoside concentrated ginseng extracts to prevent hair loss" is recognised as New Excellent Technology by the Korean Ministry of Agriculture and Food. Our research expanded the research horizon on hair loss as a result of its in-depth understanding on extracting ginsenoside that is known for highly effective to improve hair loss. In addition to its notable effect on hair loss, ginseng based technology ensures product safety. This technology will be applied to produce "RYO hwa yoon bio ginseng essence" first.

**Our Approach**

Global beauty industry is accelerating its effort to minimize its social and environmental footprint by integrating sustainability thinking into a full life cycle of cosmetic products – from raw materials, sourcing, product development, and customer use, to recycle and waste management. As a global cosmetic leader, AMOREPACIFIC Group takes full consideration of corporate sustainability into our product development and business activities to benefit our customers, environment, and society, and invites our customers to join our efforts in this regard.

**Our Strategy**

Since 2011, AMOREPACIFIC Group has been developing sustainable products under the three principles of 'reinforcing product safety for customers', 'minimizing environmental impact' and 'harmonious coexistence with the local communities'. We are also engaging in various efforts to promote sustainable consumption in the market.

**Our Achievements**

- Development of new Rose of Sharon species and Launch of rose of Sharon Moisture Ceramide intense cream
- Release of "Mamonde Cover Powder Cushion - Peach Flower Edition" - a collaborative project in support of female war victims
- Missing You Campaign featuring endangered animals
- Total 681 sustainable products listed under "AMOREPACIFIC promise"

**Our Plan**

We are committed to strengthening environmental, social and customer sustainability of our products throughout the product life cycle, and aim to expand the development of sustainable products.

**Sustainable Products and Value-Based Consumption**

3

## Hibiscus flower-based Cosmetics and Development of new species of Hibiscus flower

Since 2013, AMOREPACIFIC Group has researched the efficacy of Hibiscus flower on skin to develop new product lines and promote this Korean national flower. While studying the energy of Hibiscus flower that can manage to blossom even during hot sweltering days, we discovered a special moisturizing ingredient from the tree's bark that can be very effective for skin as well. In October 2015, we launched new Moisture Ceramide intense cream, which contains the moisturizing ingredient extracted from the Hibiscus flowers.



Mamonde Moisture Ceramide intense cream

In addition, the AMOREPACIFIC Group signed a Memorandum of Understanding with Chollipo Arboretum, which has researched Hibiscus flowers for years. With a joint research agreement with the Chollipo Arboretum, we developed a new species with a stronger moisturizing ingredient. We are currently in the process of registering this new species, and we will multiply it in 2016. In February 2016, we donated a portion of profits from the Hibiscus Moisture Ceramide intense cream to restore and protect yellow rose of Hibiscus, which is native to Korea. Yellow rose of Hibiscus is nearly extinct and is designated an indigenous plant requiring special protection. We plan to contribute to advancing the biodiversity of Hibiscus through our research on the flower's properties, the development of new products containing Hibiscus ingredient, and the restoration of endangered flower species.



Rose of Hibiscus New Species

## Development of Products delivering Social Values

Beauty products produced in brand collaboration to Honor "female war victims" Survivors

We made an effort to offer products that are good for our customers and society and communicate our values. In July 2015, Mamonde launched "Cover Powder Cushion Peach Flower edition" in collaboration with "Marymond" - a Korean social enterprise focused on honoring the survivors of sexual exploitation by the Japanese military during World War II through a pressed flower artwork placed on various beauty products. This collaboration was part of the company's commitment to restoring the dignity and honor of these surviving elders. Part of the sales proceeds were donated to the Butterfly Fund for women victimized by global wars and conflicts. On 8 March 2016, the company also engaged in a second collaboration with Marymond in honor of International Women's Day.

Mamonde X Marymond



Mamonde Marymond Collaboration Product

Missing You Campaign with Endangered Animal illustrations

ETUDE has initiated a "Missing You Campaign" to protect endangered animals since 2010. It is a project to remember and protect endangered wild animals by reminding people of those creatures and donating a portion of profits to their protection associations. In 2015, ETUDE launched products in collaboration with Sungshil Hwarang's Endangered Graphic Archive designed with 4 endangered animals (Emperor Penguin, Sand Dune Cat, Ferret, Bridled Nail-tail Wallaby) listed in IUCN's Red List. Save Cushion product covers showcase 4 endangered animals in highly appealing designs, raising awareness of these endangered species. We plan to expand our collaboration in 2016.

Selecting 4 Endangered Species Included in IUCN's RED List



## Sustainable Products (AMOREPACIFIC Promise)

Since 2011, AMOREPACIFIC group has developed sustainable products under the name "AMOREPACIFIC Promise" with the aim to promote sustainable consumption. Based on the 3 principles of "reinforcing product safety for customers," "minimizing environmental impact," and "harmonious coexistence with the local communities," the sustainable products of AMOREPACIFIC Promise are divided into 3 categories: customer-friendly products, environmentally-friendly products, and socially-friendly products. Products are given "Sustainable Product" certifications only when they meet strict guidelines, which are equivalent to external certification standards. The certification criteria for each of the sustainable product types were first established in 2011 and have continually been revised according to domestic and international law amendments and regulations as well as expert opinions. The number of sustainable products has increased steadily every year, and in 2015, 681 total types of AMOREPACIFIC Promise-certified products are on sale.

2015 Sustainable Products Types and Featured Products

### Customer-friendly products

Safety Products	Organic products	Carbon footprint products	Recycled products	Refillable and replaceable products
Inspire confidence in our product's safety	Products that received Ecoert or external Organic certification	Products that received the certified carbon footprint labeling from the Korea Environmental Industry & Technology Institute (KEITI)	Products with packaging made from recycled materials	Products that are refillable or packaged in replaceable containers
LANEIGE Balancing Emulsion Light	primera Organique Cure Eye Cream	HAPPY BATH Grapefruit Essence	innisfree Super Volcanic Pore Clay Mask	primera Macadamia Hydrating Shampoo
				

### Socially-Friendly Products

Beautiful Fair Trade products	Universal design products	Social contribution products
Products that use raw materials purchased through a win-win relationship with local communities	Products created in consideration of the needs and convenience of socially underprivileged, such as people with physical disabilities	Products developed with emphasis on social contribution in the planning stage
HANYUL Rice Essential Skin Softner	mise-en-scène Damage Care Shampoo	HERA Creamy Stick Blusher Pink Ribbon Edition
		

### AMOREPACIFIC Promise

- Benefiting Our Customers
- Minimizing Our Impacts on Environment
- Pursuing Harmony with Local Communities

**Sustainable Products**  
**681 in total**

### Our Approach

With increased risk of global supply chain, there is an increased interest in sustainable supply chain management, and greater expectation to mitigate such risks through sustainable and responsible practices. In this regard, we are focusing to fulfill our ethical principle of co-existence and co-prosperity, and seek to achieve harmonious development in the corporate ecosystem.

### Our Strategy

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

### Our Achievements

- Evaluated as 'Good' grade by the 'Mutual Growth Index'
- 11 Benefit Sharing Projects with partners
- Financial assistance to business partners - 24.5 billion KRW
- Number of participants in the National Human Resources Institute's Consortium-sponsored Trainings: 1,275
- Launch of "Heal me and Love me" - an emotional support and stress management program for beauty partners

### Our Plan

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

## Mutual Growth with partners

4

## Mutual Growth Partnership Strategy

AMOREPACIFIC Group is constantly endeavoring to attain mutual growth with our suppliers by assisting with the enhancement of competitiveness, based upon a culture of fair transaction, as well as establishing an ethos of communication. We offer a range of support, from finance to education, and encourage the participation of our suppliers' stakeholders.



### Support for Suppliers' Sustainable Growth

AMOREPACIFIC Group offers support programs, not as a philanthropic activity, but as a partnership that aims to encourage our suppliers' sustainable growth. These provisions include capacity building for increased sales, financial assistance, technologies and protection, and human resources management and recruitment support.

#### Incentive-Based Partnership and Protection of Technological Innovation/Intellectual Properties

In May 2015, we introduced an incentive-based partnership mechanism to develop innovative technologies and products in collaboration with suppliers. Partners who are engaged in joint innovation tasks with AMOREPACIFIC are rewarded with additional incentives. Throughout 2015, we undertook 11 such projects, and produced the outcomes amounting to 220 million KRW. We conducted research alongside suppliers to enhance their technology, and we also offered 23 million KRW to the total of 41 outstanding cases and are actively protecting suppliers' technological know-how.

### Notable Example of an Benefit Sharing Project



#### Extending Financial Assistance

With our 20 billion KRW win-win cooperation fund, and 4 billion KRW mutual-growth fund in collaboration with Industry Bank Korea (IBK), we are offering loans to our suppliers at impressively low interest rates. In 2015, together with the Foundation for Large companies and SMEs collaboration, AMOREPACIFIC Group signed the MOU on investment for mutual growth, and invested 500 million KRW to enhance our suppliers' capacity. To extend our financial assistance to the second- and third-tier suppliers, we introduced a mutually beneficial payment system to facilitate cash-flow and promote the mutual growth of all our partners throughout the value chain. Educational Support

#### Supporting Training Infrastructure for Suppliers

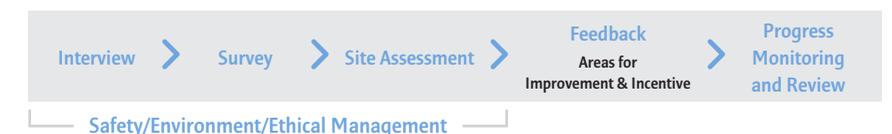
AMOREPACIFIC has been selected to operate the National Human Resources Development Consortium Project, which is organized by the Ministry of Employment and Labor and the Human Resources Development Service of Korea. In 2015, AMOREPACIFIC operated 32 training courses attended by 1,275 staff working in 142 suppliers out of 234.



Consortium Learning Center

### Establishing a Sustainability Assessment Framework for Suppliers & Strengthening Monitoring & Review

AMOREPACIFIC has laid out the criteria and standards for the sustainability assessment of its suppliers, in order to reinforce the robustness of the corporate ecosystem. Over three months beginning from October 2015, AMOREPACIFIC Group supported the improvement of sustainable management practices of 92 suppliers in the areas of safety, environment, and ethics by interviewing focal points, conducting surveys, and undertaking site visits. We shared notable examples and offered consulting services. The outcomes were incorporated into the rate of suppliers. We offered incentives for outstanding suppliers, and provided solutions and support to those that were lacking in capabilities.



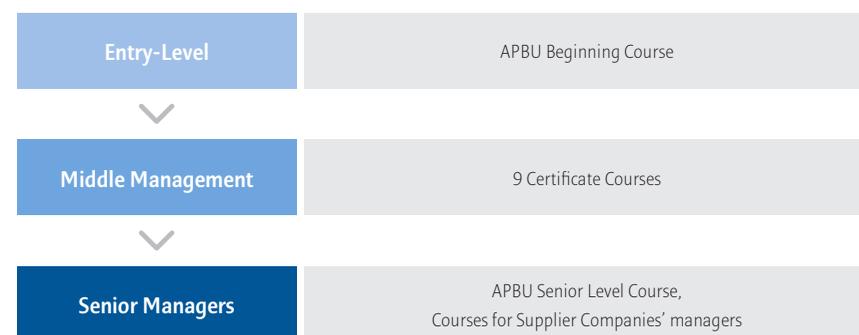
## Good Jobs Strategy for Beauty Partners

In an effort to provide a quality workplace for beauty partners who provide customer service, AMOREPACIFIC Group is implementing a "Beauty Partner Good Jobs Strategy" together with manpower suppliers who work with beauty partners. The strategy focused on improving compensation, benefits and entitlements, and great work environments to provide strong incentive and motivation to beauty partners.

### Systematic Education for Beauty Partners

AMOREPACIFIC Group is offering a three-stage educational system to strengthen the professionalism and capacity of beauty partners who are at the forefront of engaging our customers. For newcomers, we have courses focusing on the culture and values of our company, and for more experienced ones, there are courses that can help them obtain certificates. It is composed of a professional certificate and a master certificate, and an advanced course which allows one to obtain a national certification. For professionalism, there are nine courses including make-up and nail care, as well as professional hair care including the scalp. Master course is for internal certificate exam and the certificates of counselling master, nail care master, make-up master and Inner beauty master have been recognized by the Industry Human Resource Committee of Korea. Beauty partners above the managerial level can participate in AMOREPACIFIC Group Beauty University (APBU), which has been established with Ehwa Womans University's Life Long Career Education Center. 60 beauty partner leaders participated in the 5th APBU Senior Level Course Ehwa AMOREPACIFIC Academy, which began in October 2015 and lasted eight weeks; they took courses on female leadership, coaching, and communication, and humanity courses on culture and art, innovation trends, and image making.

### Seniority-Based Tailored Beauty Partners Educational Courses



### Successful applicants of internal certification in 2015



### Value-Based Service Education

AMOREPACIFIC Group promoted a company-wide value-based service education. Value-based service is designed to implement a tailored customer service that will meet customer needs based upon a deeper understanding of high-quality customer service, rather than merely repeating scripted customer service activities. AMOREPACIFIC Group has a range of diverse customer service touchpoints, as we have various distribution channels, including road shops, and brand shops in department stores. As we understand different customer service strategies and engagement mechanisms based upon service value, each beauty partner understands what it means to offer service from customers' perspective. In particular, by focusing on customers' perspectives, this training allows our sales associates to understand how customers are moving around in stores and what emotions they are experiencing as they do so. Based upon deeper understanding of customers' priorities and varying emotions, beauty partners can better engage with customers. This training also continuously innovates to avoid merely offering technical rules on value-based service. Rather, it focuses on how these trainings can help beauty partners integrate a customer service mindset.



Value-Based Service Education

### Beauty Partner Mind Care Program

We are making an effort to proactively respond to emotional demands of our sales associates at work and strengthen health and safety in our store. In 2015, AMOREPACIFIC Group collaborated with Ehwa Womans University to run "Heal me, Love me" to respond to emotional labor. This project is led by Professor Hyunju Kim of Ehwa Womans University Medical Center, and consists of ten other experts. The aim is to identify the level of intensity of beauty partners' stress; we offered three modules including resilience of mind, sustainable education, and management capacity building. We will continue to focus on addressing the emotional well-being of our partners and develop a mechanism that can support them in stores.

### Heal me, Love me program

Recovery & Resilience	Sustainable Educational Activities	Management Capacity Building
Beauty partners Stress Management Courses	Internal Training Capacity Building for Mind Care	Development of Supervisor Guidelines and Store-Level Safety and Health Manuals

## Our Approach

AMOREPACIFIC Group believes that only a company with genuine love for local people and society can offer a true co-prosperity model and earn the supports of local communities.

AMOREPACIFIC Group continues to expand our corporate social responsibility contributions to deliver values to local communities.

## Our Strategy

AMOREPACIFIC Group operates our business activities based upon a mutual win-win growth strategy.

Especially, we want to contribute to strengthening local economy while preserving nature and local culture of Jeju and other local communities which we have special ties for many years.

## Our Achievements

- Third “APMAP” Public Art Exhibition - 2015 Yongin - Researcher’s Way
- Convening of the 9th Culture and Traditional Tales Exhibition
  - Mythology - Once upon a time - the story of Crape myrtle
- Jeju Creative Economy Innovation 2nd Center Opening
- innisfree Foundation establishment & financial support worthy of 10 billion

## Our Plan

Based upon our philosophy of beautiful mutual growth, we seek to enhance the sustainable shared values by promoting local economy as a member of local communities.

# Social Contribution and Local Community Engagement

# 5

## Beautiful Culture Sharing

We have contributed to promoting high quality traditional Korean tea culture by following our Founder’s vision of restoring Korea’s unique tea culture. AMOREPACIFIC Group wants to be remembered as a firm promoting the culture of beauty, and supports a range of cultural activities to share culture and emotion with local communities.

### Sharing Culture and Emotion - Public Art Project - APMAP (AmorePacific Museum of Art Project)

APMAP is a relay exhibition project of contemporary art that travels across the different AMOREPACIFIC workplaces in Korea. Since its first exhibition in Beauty Campus Osan, it has been held in various regions of the country and from 2017 to 2020, it will be moved to Jeju. The third exhibition of APMAP titled researcher’s way takes place in the outdoor spaces of the AMOREPACIFIC R&D Center in Yongin. The artists who explore the beauty of sense and cognition have been invited to participate as researchers. Under the theme of “Technology towards New Beauty,” sixteen artist teams created artworks to show both the research processes and outcomes. The viewers are invited to walk between the works and contemplate the artists’ questions and concepts, starting the meditative journey. AMOREPACIFIC Group will continue to promote the development of contemporary installment arts, and invigorates local art scenes around Korea.



APMAP 2015 yongin – researcher’s way

Bringing Traditional Storytelling and Contemporary Cultures Together <Sulwha Cultural Exhibition>



Culture and Traditional Tales's Poster

Sulwha Cultural Exhibition is a culture-based activity of Sulwhasoo that aims to globally promote. Its 9th Series in 2015 was based upon a famous Korean tale - "crape myrtle", and exhibits various art pieces centered around the 11 themes of tranquil daily lives, young man and woman's encounters, fight with dragons, a woman waiting and experiencing death. These art pieces reinterpreted traditional tales, and demonstrate what contemporary arts can offer to attract young generations. Meanwhile, all proceeds from sales of cultural products of the exhibition were donated to support major intangible cultural assets as well as spotlight young artists. Going forward, Sulwhasoo will continue to forge a global brand across the world, and promote the value of traditional wisdom contained in the philosophy of Asian culture.

O'sulloc Tea Culture Therapy Program

"O'sulloc" has launched an "O'sulloc Tea Culture Therapy" program, which is specifically designed to support people with disabilities in Jeju Island. This program consists of four themes: therapy for people with disabilities, therapy for their family members, promoting communication between able-bodied people and those with disabilities, and a special program for our tea field workers. Through this program, O'sulloc aims to promote its unique tea culture, but also to increase welfare programs for people with disabilities as a social responsibility.

Protecting Jeju Ecosystem and Mutual Growth with Local Communities

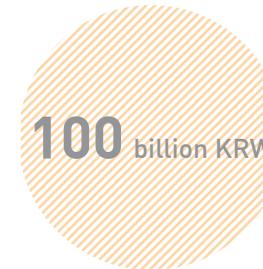
In 1979, our late founder Mr. Sung-Hwan Suh started to cultivate the non-arable lands in the DoSoon area southwest of Jeju Hallah Mountain into green tea fields. Since then, we have been working closely with communities in Jeju Island. As AMOREPACIFIC Group offers a range of products that make use of Jeju's pristine ingredients, we are making continued efforts to grow alongside our partner farms by signing a partnership agreement focusing on fair and sustainable pricing. In addition, we are leveraging Jeju's unique culture and natural ecosystem to help this UNESCO world natural heritage island become a major hub for new value creation.

Opening of the 2nd Jeju Creative Economy Innovation Center to Promote Economic Growth in Jeju



AMOREPACIFIC Group opened the 2nd Jeju Center for Creative Economy Innovation (CCEI), officially kicking off Jeju Island's Integrated Creation of Work-Leisure-Culture project. The 2nd Jeju CCEI specializes in the fostering of the beauty industry by offering full support of our R&D, PR, and marketing specialists. Specifically, the CCEI aims to strengthen cosmetic R&D capability of Jeju-based organizations and promote vibrant small and medium enterprises in the cosmetic industry. The center will also develop high-quality tourism content that integrates K-beauty, culture, and experience to drive the growth of the senary (sixth-level) industry and at the same time, build a creative R&D base to increase the value of resources that are unique to Jeju Island and revive the local economy. AMOREPACIFIC Group will continue our commitment to growing together with local communities in Jeju.

innisfree Foundation for Culture, Nature, and People



innisfree Foundation donation

In October 2015, innisfree established the innisfree Moeum Foundation to fulfil our commitment to respecting humans and loving nature. The foundation aims to preserve uniqueness of Jeju, which makes the island be like itself, focusing on supporting various local culture activities(Culture), creating shared values of sustainability and nature preservation(Natural Ecology), and nurturing human resources for the future of Jeju's local society(Human Being). innisfree is planning to make a donation of 10 billion KRW for 5 years to pursue a win-win growth on Jeju Island.

Culture	Natural Ecology	Human being
Supporting Jeju's Various Cultural Activities	Sustainable Value Creation and Nature's Ecological Value Preservation	Explore and support young talents who will lead Jeju's future



Making Jeju Most Authentically Jeju-like

Nature Conservation Activities for Jeju

426 million KRW

Gotjwal Foundation Contribution (since 2012)

651 employees

Number of Participants Engaged in Jeju Green Expedition(since 2010)

Protecting Gotjawal

innisfree signed an agreement with the Gotjawal Trust of Jeju in May 2012 for the purpose of protecting Gotjawal, one of the most valuable forests in Jeju which always provides us with benefits and inspiration. After 2012, innisfree has been donating a part of sales profits from products of 'Forest for Men' line. The donations have been used to purchase privatized lands to be converted into public properties, as a means to prevent indiscriminate development by individual owners.

Employees Volunteer Program, Jeju Green Expedition

innisfree has been undertaking Green Expeditions to Jeju, wherein our employees participate in protecting Jeju Island alongside local residents. Under the theme of "Help, Save and Find Our Jeju", the sixth Green Expedition in 2015 encompassed voluntary activities (Help Jeju) and natural preservation activities (Save Jeju), and showcased hidden cultural sites (Find Jeju). Our employees helped farms in Jeju Island where there were shortage of workers, engaged in a green life style campaign to protect Jeju Island's natural ecosystem, and explored unique cultural spaces. Building on our past experience, we will continue to expand our activities for Jeju as a major brand, offering products sourced from natural ingredients grown on this virginal island.



Jeju Green Expedition

# 4

## Sustainability Performance

- AMOREPACIFIC
  - Innovation for Customers
  - Harmony with Nature
  - Harmonious Growth
  - Sharing for Society
- innisfree
- ETUDE
- eSpor
- AMOS professional
- AESTURA
- O'sulloc farm

AMOREPACIFIC Group seeks  
to fulfill our customers and  
achieve happiness in society.

---

AMOREPACIFIC Group is committed to creating  
a beautiful world where nature, people, and business coexist  
in harmony through sustainable business practices.  
That is why we follow our vocation to fulfill our customers and  
achieve happiness in society while also preserving the unspoiled  
beauty of nature. We implement sustainable business  
practices within our sphere of influence to share the value  
of beauty and create the sustainable future everyone wants.  
We will continue our journey to turn a seed into trees  
and forests. Toward this purpose, we are offering our utmost  
efforts to create a brighter future.

# AMOREPACIFIC

## Corporate Overview

Since its establishment in 1945, AMOREPACIFIC has been pursuing our vocation as an Asian beauty creator by promoting the essence of Asian beauty. We opened Korea's first cosmetic research and development center, and have produced innovative products combining Asian natural ingredients and latest cosmetic and dermatological technology. As part of our global strategy, we opened our operations in China and France, and customers around the world are enjoying our products.

## Key Sustainable Business Practices



Customers  
Good Product

With our customers as our top priority, we are committed to delivering innovative products of the highest quality that can provide customers with pleasant experiences and touch their hearts. In an effort to promote sustainable consumption, we have placed an emphasis on environmental and social considerations throughout our entire business processes, ranging from the sourcing of raw materials to product disposal.



Environment  
Good for Planet

We pursue a healthy coexistence with human beings and environment. We fully recognize global environmental issues - climate change and resource scarcity - and are undertaking a range of activities to minimize our environmental footprint and protect biodiversity.



Employees, Partners  
Good Relationship

AMOREPACIFIC believes that the growth of our employees and external business partners are fundamental to our growth. We also believe that our success must be shared with our employees and external business partners. Through communication and collaboration with our employees and business partners, we are striving to create a bigger and more beautiful future together.



Corporate Social Responsibilities  
Good Citizenship

AMOREPACIFIC is undertaking a range of strategic philanthropic activities to fulfill our responsibilities as a corporate citizen. Achieving significant societal change is not a mere wish, but a promise and a firm commitment to our customers and to society. Through our continued social contribution and philanthropic activities focused on women, nature, the ecosystem, and culture, we hope to contribute to creating a healthy and beautiful world.

## Innovation for Customers

### Customers

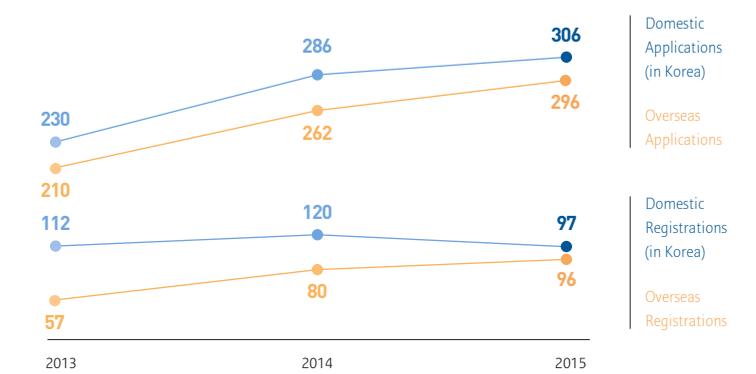


### Good Product

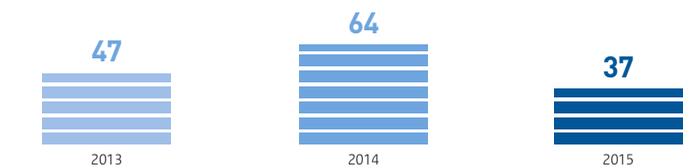
## Number of Sustainable Products



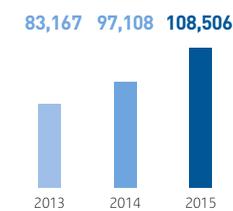
## Number of Patents



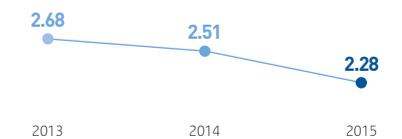
## Number of Published Academic Papers<sup>1)</sup> (cases)



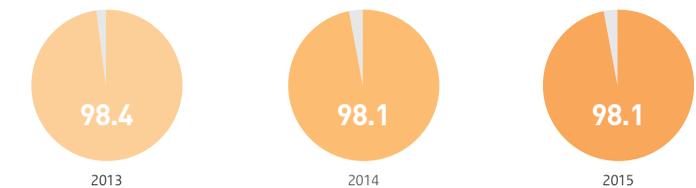
## R&D Expenditure (million KRW)



## Ratio of R&D expenditure to sales (%)



## Resolution of customer complaints resolved (%)



## Average consultation satisfaction rate (points)



<sup>1)</sup> Based upon the figure registered in office intra-net as of February 2016

<sup>2)</sup> Reason for reduced customer satisfaction - previously, our survey compared our service with others in the industry. As of 2015, our survey focuses on our service quality without comparing with industry peers.

## Enhancing the Quality of Sustainable Products

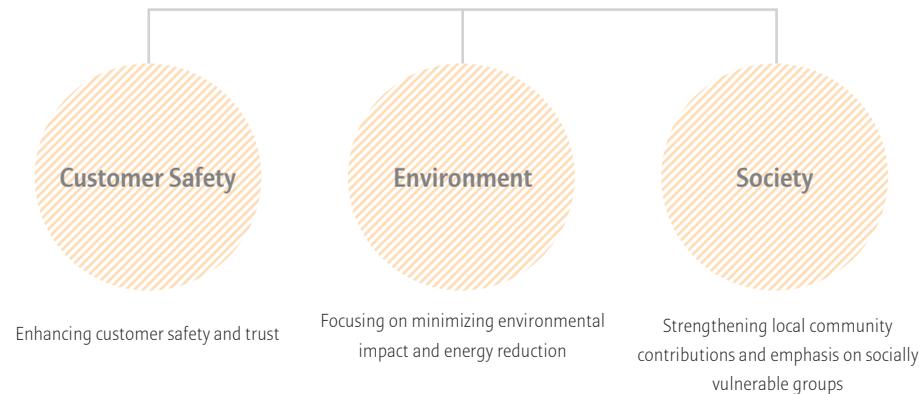
Establishment of a Sustainable Technology Roadmap

We launched the 2020 Sustainable Technology Roadmap in three areas - customer safety, environment, and society - to enhance the technological capabilities needed to develop sustainable products; priorities for implementation are set annually based upon the importance of the specific technologies needed to be obtained in each area.

In 2015, we identified indicators to take into consideration when enhancing the sustainability of our products in the areas of customer safety, environment, and society. In relation to advancing customer safety, we focused on activities that minimized any potential harmful impacts of our product. In terms of the environment, we undertook activities that would minimize our environmental footprint and reduce our energy usage throughout our product development cycle - from production of raw materials to consumption. As for improving society, we integrated activities that contributed to strengthening local communities and championing the vulnerable.

In 2016, we will focus on identifying more robust performance indicators and assessments of sustainability to integrate them into our product life cycle in a systematic way.

### Evaluation Criteria to Enhance Product Sustainability



## Research on Animal Alternative Testing Methods

As we fully recognize the importance of alternative methods for animal testing, AMOREPACIFIC has been conducting a variety of research projects on alternative methods for animal testing since we participated in the project on this subject of Korean Ministry of Health and Welfare in 1997. Based on continuous research, we voluntarily discontinued animal testing for cosmetic materials and products from 2008. From 2013, we have publicly declared our commitment on this topic and prohibited animal testing for cosmetics except unavoidable situations that animal testing is required by local governments and their laws.

Currently, we have been developed alternatives to animal testing for skin irritation, skin sensitization, photo-toxicity, absorption toxicity, ocular irritation, vaginal mucous membrane irritation, oral mucous membrane irritation, and endocrine disruption are being used to assess the safety of raw materials and products prior to clinical test. In 2015, we received an award from the Korean Society for Alternative to Animal Experiments (KSAAE) for our work in this area.

## Development of Sustainable Packaging

We are developing sustainable packaging based on four strategies of Reduce, Recycle, Reuse, and Renewable, with the goal of 25% reduction of package use per product until 2020.

<b>Reduce</b>	Resource-Efficient Design	<ul style="list-style-type: none"> <li>Package Volume and Weight Reduction</li> <li>Minimize Coating and Coloring</li> </ul>
<b>Recycle</b>	Use of Recycled Materials	<ul style="list-style-type: none"> <li>Use of Post-Consumer Recycled Plastic</li> <li>Use of Recycled Papers</li> </ul>
<b>Reuse</b>	Promotion of Package Reuse	<ul style="list-style-type: none"> <li>Expanding Refill Product Lines</li> </ul>
<b>Renewable</b>	Use of Renewable Materials	<ul style="list-style-type: none"> <li>Use of Plant-Based Plastics</li> <li>Use of secondary product of Plants</li> </ul>

### Pilot Program to Reduce the Packaging Volume

In 2013, our company participated in the pilot program to reduce the packaging volume of product containers after signing the "Agreement of Voluntary Participation in the Pilot Program to Reduce Cosmetic Product Container Packaging" with the Korean Ministry of Environment. As a result, by 2014, we reduced the packaging volume for a total of three products. After the conclusion of the pilot program, we voluntarily undertook additional efforts to reduce packaging, including an approximately 14% reduction of HERA Signia Serum's packaging volume. In 2016, we will participate in the second Pilot Program to continue reducing cosmetic packing volume.



HERA Signia Serum

14%

HERA Signia Serum's Packaging Volume Reduction

### One-Touch Cap Volume Reduction

We saved resources required for packaging by reducing the volume of Happy Bath Soapberry Cleansing Form's one-touch cap by 30%, from 14.6g to 10.2g.



HAPPY BATH Soapberry Cleansing Form

30%

The Volume of HAPPY BATH Soapberry Cleansing Form's One-Touch Cap

14.6g

Original Volume



10.2g

Volume after Using Innovative Packaging

## R&D Innovation

**Product Development Responding to Environmental Pollutants** Our research confirmed that environmental pollutants and stress accelerate the skin aging process, and based upon these results, AMOREPACIFIC developed technologies to prevent the aging of the skin and improve skin conditions for contemporary urban women.

<b>1</b>	Investigation of Cortisol's Effect on Skin Infection Process	Research confirmed that stress hormone "Cortisol" causes skin irritation. <ul style="list-style-type: none"> <li>• Cortisol leads into the over production of cytokine - a property known to cause irritation and infection inside of skin.</li> <li>• In response to pollutants accumulated on the surface of skins, immune system reacts abnormally and causes skin irritation.</li> <li>• Our clinical research confirmed that dust destroys skin cell walls, thus causing irritation, aging, and discoloring.</li> </ul>
<b>2</b>	Development of Bio-Reno 3™	After defining some of the urban life environment risk factors, such as high stress and environmental pollutants, as "Urban Aging™" factors that accelerate the speed of aging, we developed "Bio-Reno 3™" which delays the skin aging process. <ul style="list-style-type: none"> <li>• Bio-Reno 3™ controls the release of cytokine, and applied this ingredient to IOPE "Urban Aging™ Corrector" products.</li> </ul>
<b>3</b>	Discovery and Materialization of 6-gingerol	We focused on the extract and materialization of 6-gingerol from Jeju ginger oil, for the innisfree Ginger Oil Line. 6-gingerol stops skin cell destruction as a result of environmental pollutants, and possesses anti-inflammatory and antioxidant properties.
<b>4</b>	Materialization of Galangin	Application of Galangin, a property known to strengthen skin cell wall function and restore damaged skin.
<b>5</b>	Development of Cleansing Products	<ul style="list-style-type: none"> <li>• Development of cosmetic products containing ion properties smaller than a pore to remove particulate matters adhere to the inside of pores</li> <li>• Improved effectiveness of our cleansing products</li> </ul>

**Open Innovation** AMOREPACIFIC undertook joint research with various research institutions, both in Korea and around the world, in order to strengthen our R&D capabilities and utilize our partner research institute's infrastructure to optimize the application of our joint knowledge and technology.

### Joint Research for Medical Herb

A notable case is a joint research project on medicinal herbs that we have collaborated on since 2012. This research explores the new functions and properties of ginseng and bean - our "heritage" raw materials - with a view to securing beauty content at an early stage, and building credibility and differentiation of herbal-based cosmetic products in global markets. Together with experts from the University of Minnesota, Cornell University, the Max Planck Institute of Biochemistry in Germany, Seoul National University, and Kyunghee University, we convened a symposium sharing our joint research. Furthermore, in 2015, we published an academic paper summarizing our research outcomes in the last three years.

### Bio-Seletinoid™ Symposium-Master Key for Anti-Aging

We convened the "Bio-Seletinoid™ Symposium - Master Key for Anti-Aging" with experts around the world to discuss our innovative research on Bio-Seletinoid™, at the AMOREPACIFIC Technology Institute on August 17, 2015. This anti-aging property is being developed by our company to tackle skin-aging issues that concern our customers around the world. At this symposium, we shared the research outcomes with experts, and presented the effect of Bio-Seletinoid™ as anti-aging solutions. The symposium features presentations on the latest trends in the treatment of skin aging, research into skin aging and pigmentation, and a talk about the innovative anti-aging ingredient Bio-Seletinoid™, which was developed with the most advanced molecule modeling technology and bioactive delivery technology. There was also a presentation on the effects of Bio-Seletinoid™ in improving the skin, as well as discussion about the effective delivery of bioactive ingredients. Bio-Seletinoid™ is a new anti-aging ingredient specifically designed to act on the anti-aging receptors in the skin to treat skin aging effects that appear in sequentially many different ways. It has also been tested by the Korea Ministry of Food and Drug Safety for its anti-wrinkle and whitening functions. This symposium provided an opportunity for future collaboration with external organizations to advance anti-aging technology by leveraging Bio-Seletinoid™.

## Customer Satisfaction Activities

### Customer Complaints Management Activity CGAP

Customer Gift for AMOREPACIFIC(CGAP) is our own unique customer complaints management activity program, designed to collect and respond to customer complaints speedily. To remind ourselves that small concerns raised by our customers are gifts to us, we aim to offer solutions to address customer feedback. In 2015, we acted in response to all 52 cases reported through the CGAP.

Notable Examples of Action in response to CGAP  
Change of Instruction on How to Consume VITALBEAUTIE Liver Prime

By accepting and reflecting on feedback from elderly customers, we clarified instructions on how to use our products.

<b>Before</b>	<ul style="list-style-type: none"> <li>• 권장 섭취량 및 섭취방법 : 성인 1일 1회, 1회 1정, 1캡슐을 물과 함께 드십시오.</li> <li>• 섭취시 주의사항 : 임신, 수유 중 또는 질병으로 치료 중이신분 및 어린이는 본 제품의 섭취 전에 전문가와 상담하시기 바랍니다. 알레르기 유발물질이 함유되어 있으므로, 특이체질, 알레르기 질환을 가지신 분은 원료를 확인 후 섭취하시기 바랍니다. 알레르기 반응이 나타나는 경우에는 섭취를 중단 하십시오. 설사, 위통, 복부팽만 등의 위장관계 장애가 나타나는 경우에는 섭취에 주의하시기 바랍니다.</li> </ul>
<b>After</b>	<ul style="list-style-type: none"> <li>• 권장 섭취량 및 섭취방법 : 성인 하루에 한번 1정(흰색정제), 1캡슐(붉은색 연질캡슐) 총 2알을 물과 함께 한번에 섭취하십시오.</li> <li>• 섭취시 주의사항 : 임신, 수유 중 또는 질병으로 치료 중이신분 및 어린이는 본 제품의 섭취 전에 전문가와 상담하시기 바랍니다. 알레르기 유발물질이 함유되어 있으므로, 특이체질, 알레르기 질환을 가지신 분은 원료를 확인 후 섭취하시기 바랍니다. 알레르기 반응이 나타나는 경우에는 섭취를 중단 하십시오. 설사, 위통, 복부팽만 등의 위장관계 장애가 나타나는 경우에는 섭취에 주의하시기 바랍니다.</li> </ul>



CGAP VOC Exhibition

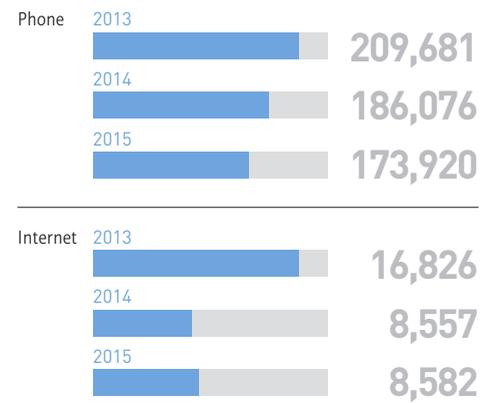
### 2015 CGAP VOC Exhibition

CGAP VOC Exhibition is an annual in-company exhibition in which our employees discuss all the key feedback from customers we collected throughout the year, and explore ideas to improve our products and service. In 2015, our eighth CGAP VOC focused on how we can offer more attractive and valuable products and service to our customers within the SNS space. The theme of the eighth exhibition is "#customers#voice#letushashtag." We prioritized the top three most notable and common themes in the feedback, made an effort to address these concerns, and are monitoring the related progress.

### Reinforced Customer Counseling Service

Our customer counseling team strives to offer better quality products and services to and to engage in conversations with our customers. In 2015, taking into consideration our customers' lifestyles, we have extended our counseling time to 9 pm to provide additional convenience to those with busy schedules. In addition, our counselors are being evaluated nine times (from the previous three times) per year to professionalize individual counselors' capabilities and capacity, leading to enhanced counseling capacity. Key issues raised by customers are being conveyed to related departments on a weekly basis; they then offer solutions promptly to improve the quality of our products and services. We redefined our customer counseling team's role as a customer advocate.

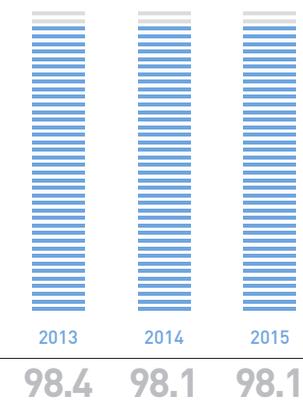
Voice of Customers Management Overview



Average consultation satisfaction rate(points)<sup>1)</sup>



Resolution of customer complaints resolved(%)



1) Reason for reduced customer satisfaction - previously, our survey compared our service with others in the industry. As of 2015, our survey focuses on our service quality without comparing with industry peers.

Opening of a "Beauty-Sumer" Site

AMOREPACIFIC launched an open innovation website for consumers named "Beauty-Sumer" ("beauty" + "consumer")<sup>2)</sup> in an effort to reflect customer feedback in our products and service. All AMOREPACIFIC members can actively engage in a beauty-sumer site. Beginning with 300 pilot participants in 2014, we reached out to 5,800 consumers as a result of the website launch. Beauty-sumers participate in various surveys needed to develop ideas, from product concepts to packaging design, and over 1,500 beauty-sumers participated in 109 surveys. In particular, we made a concerted effort in outreach to male beauty-sumers, who are traditionally underrepresented, and also offered a platform for young beauty-sumers to reflect their feedback. Going forward, we will firmly establish a beauty-sumer site as a premier consumer participatory innovation channel by attracting all ages of consumers.

2) [www.beautysumer.com](http://www.beautysumer.com)

Life-Long Customer Campaign

AMOREPACIFIC has undertaken a "life-long customer campaign" to deepen our relationships with clients and enhance their brand loyalty. Through engagement marketing, we are communicating with our customers to build positive affinity to our brand. In 2015, building upon our big data, we are improving the quality of indicators measuring our brand marketing activities' impacts on our customers. Furthermore, to prevent loss of customers proactively, we have a "customer departure prediction campaign." To establish and strengthen our global CRM(customer relationship management) system, we have upgraded a global membership mechanism, and developed a data infrastructure.

Engagement marketing	communicating with our customers to build positive affinity to our brand
Customer departure prediction campaign	to prevent loss of customers proactively
Global membership mechanism	to establish and strengthen our global CRM system

Customer Information Protection

**Revision of Membership System in Compliance With The Individual Information Data Storage Time Limit Regulation**

To comply with the Korean Information and Technology Regulation revision on August 18, 2015, we delete or separate from the main database the information of customers who have not engaged with us for more than one year. If any customer who has not engaged with us in more than one year wants to re-engage, they must go through a simple verification process to bring their data back to the main server. For any customers who have not engaged with us for more than three years, all their personal data are permanently removed from our database.

**Seminar on Third Party Use of Personal Information and Security Measures**

We visited all 67 of the third-party partner companies AMOREPACIFIC commissioned to have access to certain personal data of our customers and employees, to conduct research and site inspection to ensure that all the entrusted data are properly and safely handled. In addition to offering solutions to problems, we also held a second Seminar on Partner Company Information Safety Measures to share the lessons learned.

**Customer Information File Cleansing from Our Stores Point of Sale**

We make a regular site visit to all of our stores to delete and provide additional security to customer information to ensure that such data are not being stored in our point of sale system. We also offer trainings to our beauty partners about customer data protection, and are making a systematic effort to prevent the exposure of our customers' private information under any circumstances, including the attack by viruses or malware.

**Monitoring of Customer Information Abuse**

Based upon the previous scenarios, we regularly monitor access and detect any suspicious patterns that can lead to the abuse and misuse of customer information. Any violation will receive a warning, and we take immediate action to prevent any unfortunate situations. We are committed to protecting individual customers' privacy at any cost, based upon our principle of not using any customer information for anything other than the intended purpose.



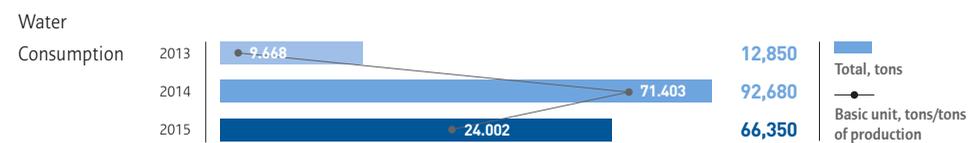
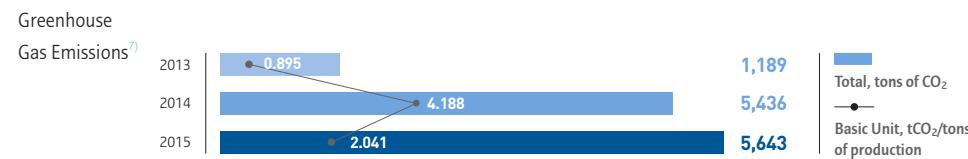
**Domestic<sup>1)</sup>**



	2013	2014	2015	Total	Basic unit	2013	2014	2015
Wastewater discharge	185,796	221,092	219,571	Total, tons	Basic unit, tons/tons of production	2.284	2.629	2.806
Non-recycled waste amount	1,034	549	551	Total, tons	Basic unit, tons/tons of production	0.012 <sup>5)</sup>	0.007	0.007
COD generation	7,502	8,735	10,415	Total, kg	Basic unit, kg/tons of production	0.092	0.104	0.133

1) The domestic environmental management performance was assessed based on the 3 domestic production sites: Beauty Campus Osan, Mass Cosmetic and Sulloc Tea Production Sites  
 2) Scope of GHG emission: SCM (production & logistics), R&D Unit, headquarters and regional offices and business locations, etc  
 3) 2014 GHG emission was modified based upon the assessment made by the third party (DNV)  
 4) Tonne of Oil Equivalent (TOE): Energy measurement unit based upon oil use  
 5) We modified the figure after finding errors in our 2014 report

**Overseas(China)<sup>6)</sup>**



6) The global environmental management performance was assessed solely based on the AMOREPACIFIC China. The increased environmental performance index since 2014 resulted from the completion of the Beauty Campus Shanghai and the operation of new facilities in 2014  
 7) The GHG emissions were assessed based upon the figure recommended by the Cap and Trade pilot program of the city of Shanghai

**Response to Climate Change**

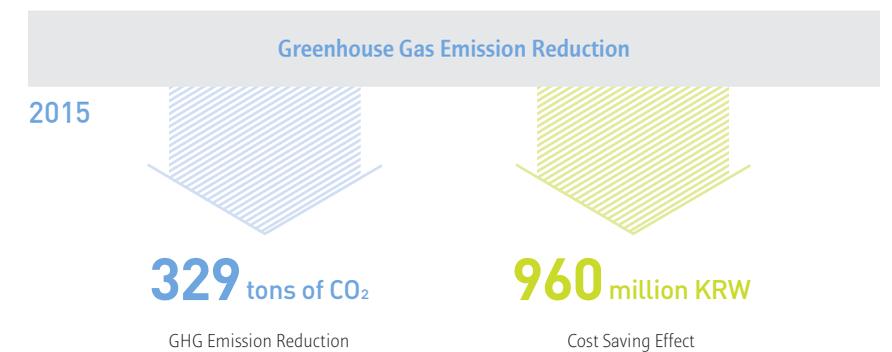
AMOREPACIFIC is implementing various strategies designed to mitigate climate change that results from corporate - activity minimizing Greenhouse Gas(GHG) emission. We strived to meet our goal of reducing GHG emissions by 30% per unit of sales by 2020 compared to 2010. In this regard, we made consistent efforts to optimize the direct and indirect use of energy during the production and distribution processes - major GHG emission activities - and as a result, we met our target in 2014, six years ahead of schedule. We will nevertheless continue to take action to reduce GHG emission.

Response to Climate Change

Purchase & Production	Transportation & Distribution	Use	Disposal
<ul style="list-style-type: none"> <li>· Increase Energy Efficiency</li> <li>· Use of Renewable Energy</li> <li>· Support Business Partners' Low Carbon Production Mechanism</li> </ul>	<ul style="list-style-type: none"> <li>· Promotion of eco-driving</li> <li>· Pursuit of joint exports with other companies</li> </ul>	<ul style="list-style-type: none"> <li>· Developing Low-Carbon Products</li> <li>· Deploy Green Lifestyle Campaign</li> </ul>	<ul style="list-style-type: none"> <li>· Empty Cosmetic Bottle Recycling and Reuse</li> </ul>

**Reduction of GHG Emissions at Production Sites and Offices**

AMOREPACIFIC is implementing activities designed to optimize the energy efficiency of our production and distribution sites. In 2015, through 92 specific activities (including the improved energy efficiency, high-efficiency lighting, and insulation), we achieved the reduction of 329 tCO<sub>2</sub> and 960 billion KRW. We share a notable energy reduction case through our internal cross-functional task force on climate change.



**Improving Energy Efficiency**

On an annual basis, we undertake activities to optimize the energy use of certain machines that are high in energy consumption (such as improving the fuel efficiency of boilers and air conditioning inverters). In our Mass Cosmetic Production sites, we installed Low NOx burners<sup>1)</sup> in boilers to improve fuel efficiency by 10% and reduce the emission of NOx, which causes air pollution.

Improved Energy Use Efficiency **▲ 10%**

1) Low NOx Burners  
 Natural gas burners with improved energy efficiency and lower emissions of nitrous oxides.

### Expanded Use of High Efficiency Lighting (LED)

We are installing LEDs - high efficiency lighting - to reduce energy use from lighting in our production sites. Particularly in our Beauty Campus Osan, we strive to replace all lighting with LEDs by 2020. In 2015, we installed LED lighting in packing rooms, offices, corridors, and well-being areas, and improved the quality of light by 30% while reducing the use of energy by 40%.

Improved Illumination	▲ 30%
Reduction of Energy Use	▼ 40%

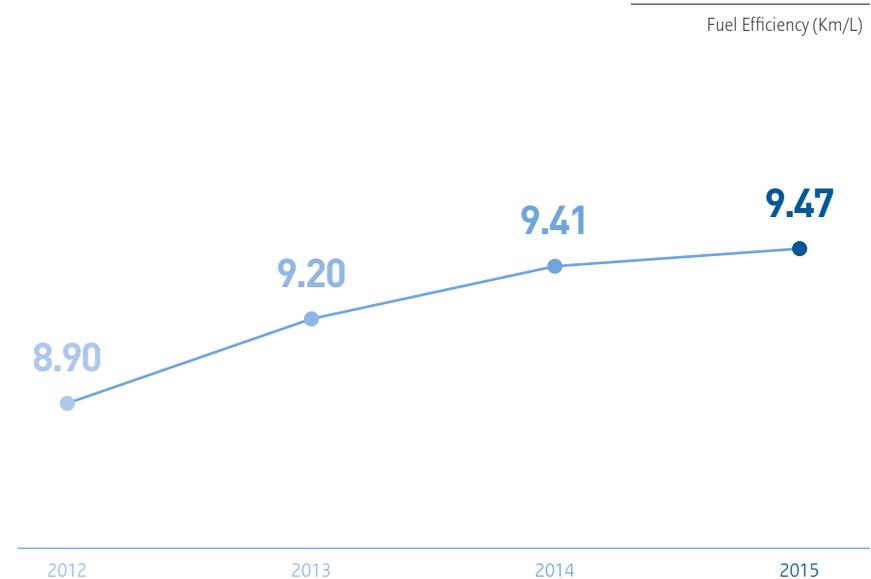
### Insulation

We installed insulation film in our Beauty Campus Osan to preserve heat and cool air by blocking external heat and UV light, and prevented heat loss totaling 9 degrees Celsius.

Reducing Heat Loss	9°C
--------------------	-----

### Reduction of GHG Emissions during Transport

In December 2014, in partnership with the Korean Ministry of Land, Infrastructure and Transport, we committed to a voluntary pact to monitor transport related GHG emission, and embarked on the necessary changes. All of our distribution trucks and vehicles had Digital Tacho Graph(DTS) to monitor speeding and abrupt use of brakes and accelerators, and to encourage eco-driving to our drivers. In addition, we monitor the location and condition of our vehicles to provide the ecologically relevant driving information to our drivers. As a result, we have improved the cost of vehicle fuel use by 0.7% from the previous year, and reduced diesel consumption by 6,652 liters compared to the previous year.



## Water Stewardship

In response to global water shortage, we are undertaking efforts to reduce water consumption throughout our production cycle. With the goal to reduce our water use by 30% per unit of production by 2020 compared to 2010, AMOREPACIFIC has consistently put effort into reducing water use.

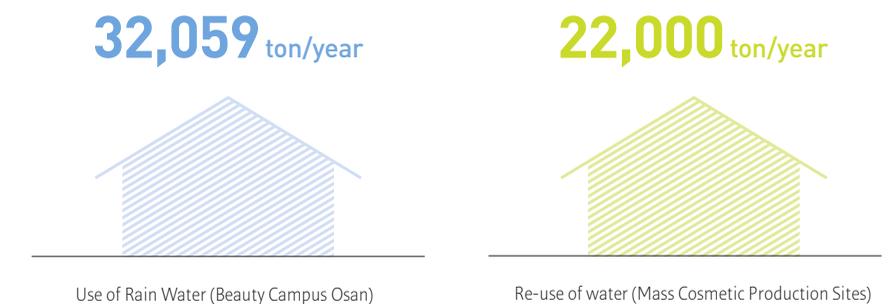
Reduce Water Use Efficiency	Recycle Expanding Recycle	Reuse Expanding Reuse
<ul style="list-style-type: none"> <li>Optimization of Water Use</li> <li>Minimizing Water Loss</li> </ul>	<ul style="list-style-type: none"> <li>Expanded use of Recycled water after the primary treatment</li> </ul>	<ul style="list-style-type: none"> <li>Rainwater Use</li> <li>Reuse of Post-Ionization Concentrated Water</li> </ul>

### Optimizing Water Use

Through consistent monitoring of water use and effectiveness of equipments in our facilities, we are taking proactive steps to optimize water consumption. In our Beauty Campus Osan, when we use an air compressor, brine chiller, and cold-water chillers, our cooling tower is being utilized. During this time, water transferred to the cooling system are often overflowed. So we installed pipes, tanks, and pumps to redirect overflowing water into a storage tank, and reduced water loss. In addition, to optimize overall water use occurred during the cooling process in cosmetic production tanks, we installed the monitoring machine and checked the amount of water that is necessary to cool the seal. We also replaced broken valves to reduce water consumption and the amount of wastewater.

### Water Recycle and Reuse

We are reducing the amount of wastewater through recycling and reuse. In our beauty campus Osan, we have rainwater tanks, which can store 1,400 tons of water, and high-quality water purification processors. In 2015, we reused 32,059 tons of rainwater for gardening, daily activities, cooling, and cleaning activities, and improved facilities to add more rain harvesting tanks to increase the use of rainwater. In Mass Cosmetic Production Sites, we reused byproduct waste when producing ion water as solvents and cooling water, and saved up to 22,000 tons of water.



## Conservation of Biodiversity

Biodiversity is fundamental to healthy human life. However, the loss of biodiversity is alarming, and its loss is happening 1,000 times faster than the natural condition. As AMOREPACIFIC's core business activities use large amounts of biological resources, we have been undertaking a range of activities to preserve biodiversity and to share the profits gained through our activities.

### Primera's "Love the Earth" Campaign

Primera Friends emphasizing the importance of biodiversity at "Love the Earth Festival - Talk Concert"



Primera's core brand-value centers on the energy of plants and their resilient life-force. Primera engaged in various activities to support wetlands, where earth-energy is focused. Our "Love the Earth Festival," which began in 2012, focused on the preservation of wetlands in 2015. We invited Director Jae-Chun Choe of the National Institute of Ecology as part of Primera Friends at our conference to raise awareness about the wetlands' importance in ecosystems, and donated some of the profits of Primera's Alpine Berry Watery Cream products to Wetland Preservation Projects, run by the Korean Biodiversity Foundation. In October 2015, together with the journal F.OUND, we developed an art installation project together with up-and-coming artists to share the beauty of wetlands with the general public and our customers. This art project was exhibited in Underwood Social Club in Seoul for two weeks.

### Publication of <Beyond Flower> - Korean Native Plant Book



<Beyond Flower>

AMOREPACIFIC published <Beyond Flower>, a book of native Korean plants used as cosmetic ingredients with 100 miniature drawings of flowers indigenous to Korea. This illustrated compendium of native Korean plants reveals AMOREPACIFIC's deep affection for plants that has been passed down since the company's founding. As such, the book is designed to record, preserve, and spread the value of native Korean plants as widely as possible. AMOREPACIFIC Museum of Art undertook a miniature-painting project in association with Song Hoon, the first-generation Korean miniaturist. After travelling all over the country to seek out medicinal plants indigenous to Korea, he completed 100 paintings, and in February 2015, his works were published as an illustrated book. Each painting depicts the plants' detailed structures and shapes with a sense of harmony between scientific objectivity and artistic subjectivity that photos seldom deliver. These paintings aim to deliver information about plants native to Korea in the most efficient fashion.

### Response to the Nagoya Protocol

AMOREPACIFIC formed a cross-functional team(CFT) in response to the Nagoya Protocol<sup>1)</sup> which entered into force in October 2014 in an effort to proactively engage with its implementation; this CFT meets monthly about the changed international legal environment on biodiversity and intellectual property regarding biological resources. In 2015, to share the profits gained through genetic resources equitably and fairly, as a preparatory step, we confirmed the origin and cultivation sites of all biological resources that our company utilizes. In response, we developed various scenarios that stem from profit-sharing and monitoring international political and economic contexts in this regard. We will undertake a joint research on the value of biological resources, and we are committed to supporting the establishment of a biodiversity collaboration ecosystem.

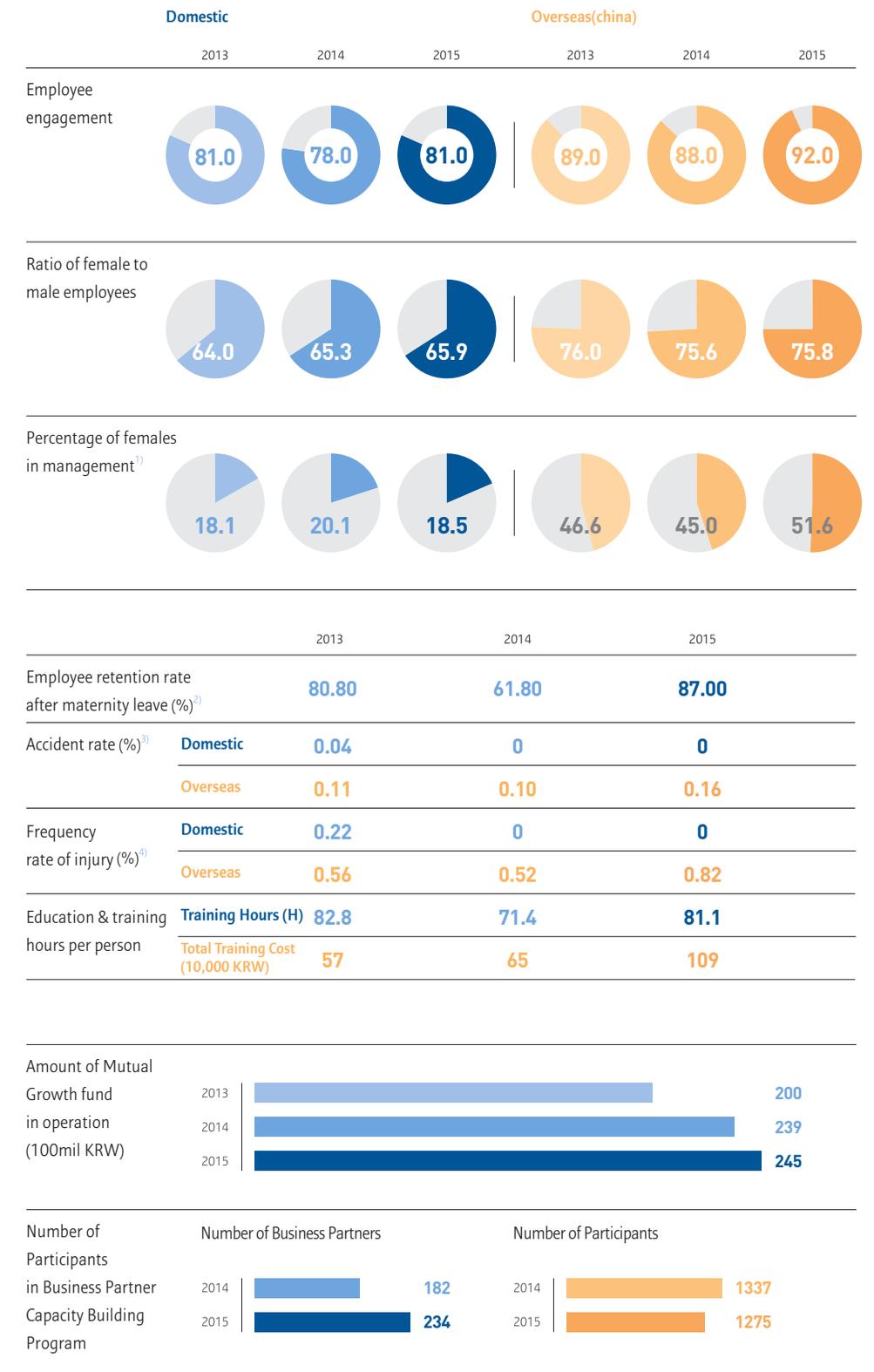
1) The Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity is an international agreement that aims to share the benefits arising from the utilization of genetic resources in a fair and equitable way. It entered into force on 12 October 2014.

## Harmonious Growth

Employees, Partners



Good Relationship



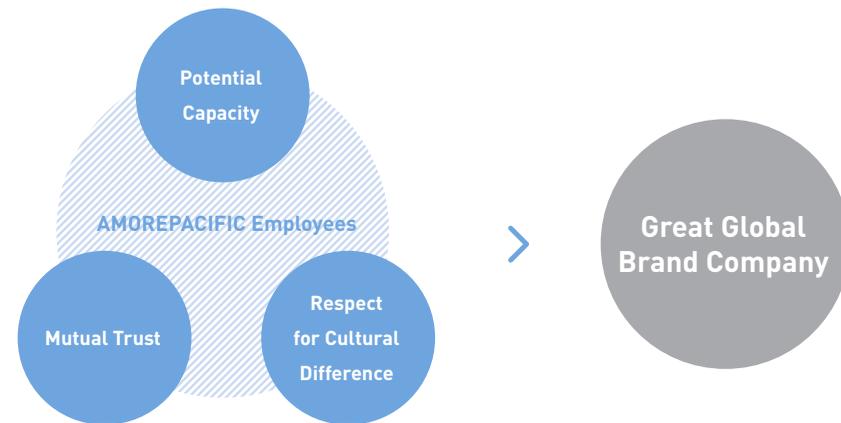
1) We re-calculated the 2013 and 2014 figure as a result of female management ration standard change in our operations in China - we excluded non-executive positions

2) Workplace Return Rate after Parental Leave: (2014 Parental leave returnees who maintain their contracts in 2015 / 2014 parental leave returnees) \* 100

3) Accident Rate = (Number of Accidents / Number of Workers on Yearly Average) \* 100

4) Accident Yield Rate = (Number of Accidents / Number of Working Hours) \* 1,000,000

## Growing together with Employees



### Human Resources Development and Management Strategies

AMOREPACIFIC is committed to creating a corporate culture of mutual trust, of respect for the diverse backgrounds and cultural differences among employees, and in which individual potential can be fully realized. By establishing and implementing human resources management strategies tailored to the global business environment, AMOREPACIFIC is striving toward its vision of becoming a great global brand company.

#### Sustainable and Outcome-Focused Human Capital Management System

In 2015, AMOREPACIFIC introduced a new human capital management system that focused on outcomes. This new system includes policies on employee job titles, promotion, performance management, and compensation. The revised policy on job titles recognizes an employee's change of function and expanded responsibilities that come with a promotion while it strengthens a flat organizational culture. In order to increase their objectivity and credibility, the revised performance management policies emphasize the accountability of managers. These policies make it clear how the outcomes of performance management determine an employee's promotion and compensation in order to induce longer-term successful outcomes. To balance organizational growth and individual performance as well as to retain highly talented individuals, our compensation package is now highly competitive. Revised policies on job titles, promotion, and compensation will take effect at the start of 2015, and a new performance management policy will be introduced in 2016. Before implementing these changes, we will hold a session with all our employees, and we will provide training for managers to familiarize them with the new performance management system.

#### Workplace Diversity and the Prevention of Discrimination

AMOREPACIFIC provides equal opportunities to all its employees according to their competencies and qualifications in accordance with Chapter 4 of the Code of Ethics. Fair evaluations and rewards are given based on job performance, while discrimination in the processes of recruitment, job assignment, promotion, etc. based on gender, place of birth, educational background, disability, or nationality is strictly forbidden. Moreover, in compliance with our employment policy, collective agreements, and the Labor Standards Act, we strictly forbid child and forced labor. In 2015, 21 disabled people and 66 war veterans were employed by our company.

### Strong Human Capital Development

AMOREPACIFIC is implementing human capital development strategies based on the four key concepts - vision, innovation, global reach, and leadership - so as to foster conscientious and action-oriented Asian beauty creators.

Vision	<b>Continuous internalization of the AP WAY</b> Dissemination of corporate values (AP WAY) in order to firmly embed them in our employees' work.
Innovation	<b>Fostering differentiated specialists</b> Establishment and implementation of a human capital development system focused on corporate functional specialists and beauty experts.
Global	<b>Rapid implementation of global strategies</b> Development of a system that spreads corporate values to the overseas offices to enhance company-wide management capacity as well as to foster designated leaders at each overseas office.
Leadership	<b>Establishment of a leadership program for all AMOREPACIFIC employees and management</b> The implementation of step-by-step job training programs to prepare leaders who can achieve personal and professional growth based on our core values.



Hyecho Project

#### Development of Global Talent

AMOREPACIFIC is up-scaling our global talent development programs to recruit and nurture globally-minded talents with global competencies in order to expand our overseas operations as well as to pioneer new markets.

First, AMOREPACIFIC is offering the Global Internship Program to recruit talented individuals from diverse countries with global competency who can understand the diverse preferences of our customers worldwide. In 2015, our interns consisted of students from 10 countries who were studying in Korea. These students experienced a range of corporate functions through the internship and training programs at the Korean headquarters of AMOREPACIFIC.

Secondly, we are running the Hyecho Project, which is a talent development program named after Hyecho, a Korean Buddhist monk who was the first global citizen in Korean history. The project aims to develop our employees into global leaders by providing them with overseas work opportunities to conduct market research, develop insights into new markets, and share their findings with others at headquarters. In 2015, participants were given an opportunity to explore business environments and to conduct market research in countries that we have yet to enter. In the markets where we have already begun our operations, employees were assigned to undertake projects in the overseas offices that aimed at providing them with an understanding of global markets. They also shared headquarter management values with the overseas offices. In 2015, AMOREPACIFIC Hyecho participants were sent to 20 overseas offices, including those in new cities in South America and the Middle East where we are considering expanding in the next few years.

#### Leadership Capacity Building Program

AMOREPACIFIC has developed a leadership capacity building model that reflects our company's vocation, culture, business strategies, and our CEO's philosophy and have been implementing this throughout our corporations, both in Korea and overseas. The model asks senior managers to identify their leadership levels and to work towards their key objectives, which they establish themselves. We offer a diverse range of strategies, such as one-to-one feedback and a capacity development guide to support the activities of leaders.

Increase Safety and health for Employees

**Strengthening the Global Safety, Health, and Environment (SHE) Management System**

AMOREPACIFIC considers employees' safety and health as one of the top management priorities. In order for employees and management to work in a safe and pleasant environment, we have upgraded SHE policies and related operational procedures, and re-established our response system to accidents and other emergencies. In addition, we have enhanced employees' awareness about these changes through education and continued communication in order to disseminate our safety culture throughout the company.

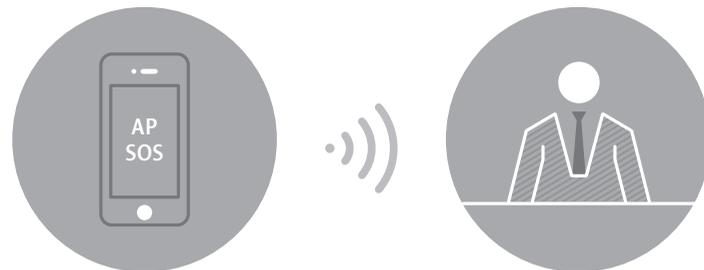
**Safe Working Environment for Employees**

**1) Establishing an "AP SOS" (Accident Response) System**

As our areas of business expanded, the risk of safety accidents increased. AMOREPACIFIC is responding effectively and rapidly to safety accidents and any other related matters through the "AP SOS" system. AP SOS is a comprehensive company-wide accident management system which allows employees to report any accidents immediately to HQ focal points through the application installed in their personal smartphones. In addition to detecting and reporting workplace risks in a conveniently simple manner, this system contributes to reducing miscommunication during emergencies.



AP SOS System



Individual Smartphone Application

Headquarters Focal Point

**2) Establishing an Event Safety Management System**

AMOREPACIFIC annually organizes over 300 small and large events, including the Pink Ribbon Marathon and the Counsellor Conference. To ensure the safety of our employees and all those who are participating in our events, we established a company-wide event safety management system. Specifically, we developed a checklist which helps employees and event volunteers review all the mandatory safety procedures when managing an event. This checklist provides event organizers with a method to conduct a three-step review procedure in accordance with relevant safety regulations prior to the event, and clarifies how to respond when any accidents occur during the event.

**Company-Wide Emergency Monitor Room during the MERS Outbreak**

In 2015, MERS spread in Korea, which resulted in the death of many South Koreans. Given its serious implications for our employees, we operated a company-wide emergency monitor room to ensure the safety of our employees and guarantee an effective response. We shared all related MERS response instructions, and established ongoing monitoring mechanisms at each worksite, including heat-sensing camera at the entrance of each worksite and regular disinfection of worksites. In addition, 280,000 individual masks, 5,393 hand sanitizers, and 6,517 bottles of immunity-boosting vitamins were distributed throughout the company. In addition, we offered a total of 288 paid family leave days to 119 employees whose children's schools and kindergarten closed during the MERS outbreak.

**Public Health Activities**

**1) Health Fund & Stop Smoking Fund**

AMOREPACIFIC, which pursues health and beauty, operates a health fund and a stop smoking fund to increase the well-being of our employees. In collaboration with Seoul Joongu Public Health Clinic, for eight months a health fund was offered for employees who might need to reduce weight and body fat, and a stop smoking fund was provided to employees who wished to quit smoking. After offering a focused health service via email and text messages, out of 108 health fund participants, 33 (30.5%) were successful, and out of 63 stop smoking fund participants, 27 (42.8%) achieved the desired outcome. For those who were diagnosed with metabolic syndrome during the 2015 annual health checkup, we provided a three-month Meta Green product to help them reduce body fat and lose weight.



Standing Work

**2) Standing Work Program to Prevent Musculoskeletal Disorders**

We undertook a pilot "standing work program" for 20 participants in order to promote a healthy workplace, conduct research on office-worker musculoskeletal disorders prevention, and pre-test the relevant office furniture before moving into a new HQ building. This program, which ran from June to October 2015, examined these participants both prior to their participation in the standing work and afterward to understand their musculoskeletal health and reflect their opinions on these work programs. We are planning to offer VARIDESKS to 200 employees who could potentially get sick as a result of musculoskeletal disorders.

**3) Investment in Health Monitoring Equipment**

To understand our employees' health and support their continued management, we installed body-fat monitors. We are offering a membership service to our employees to do a continuous monitoring and ask for counselling to take proactive measures based upon a change of body fat.

Ensuring Great Workplace

**Smart Work Program**

AMOREPACIFIC is implementing a "Smart Work" program to help our employees focus on their work in a creative way. Through flexible time and space management, we are spreading the idea of effective time management, which also induces creative ideas, increasing the value to customers.

**1) Flexible Working Hours**

We introduced a flexible working hour system (named "ABC Working Time") in 2011 to increase convenience to our employees. We provide employees with an opportunity to choose their office hours beginning at 7 am in order to support them if they choose to undertake personal development activities, such as language training, graduate school, family related issues, and other personal development.

<p><b>ABC Working Time</b> am. 7 ~ 10</p> <p>Choose one's official arrival time based upon an hourly framework</p>	<p><b>Allowing Time for Self Development</b> (Language Courses, Study to Obtain Professional Certificates, Going to Graduate Schools)</p>
	<p><b>Parental Time</b> (Child Care)</p>

**2) Flexible Working Space**

We have introduced a flexible working space program for sales staff who have numerous external client meetings, to reduce unnecessary travel time, increase work efficiency, and foster a field-based work. Each unit is involved in the flexible working space program on a voluntary basis, and we are offering a range of support programs, such as mandatory field work and directly going to external meetings, to embed a flexible working space program.

**3) Big Think Time**

We are operating a voluntary “Big Think Time” to offer management staff time to focus on company vision and develop strategies of leadership without interruptions. To maximize this 30-min Big Think Time, we provide reminders through smartphones and intranet, and will continue support to ensure that the big think time becomes a widespread feature in our corporate culture.

**4) Implementing Field-Focused Work for Sales Staff**

AMOREPACIFIC is maintaining sales staff’s field work at about 50% to ensure that we identify critical issues at an early stage and respond to these at key customer touch points. Furthermore, we redefine “field” for our management by including customers, stores, business partners, stakeholders, and local communities, and asking them to engage in field work about 30% of their time.

**Work-Life Balance**

Happy Vacation is a self-initiated vacation culture where AMOREPACIFIC employees can maintain work-life balance and increase work efficiency through an adequate restoration period. In 2015, we introduced an “annual vacation plan registration system” where individual employees can plan their vacation days. All employees register their vacation days at the beginning of year, and to ensure that all can enjoy these days without extra pressure, the automatic email system makes an announcement to staff members and their supervisors a few weeks in advance. We strive to balance work and life by encouraging flexible annual leave use.

Various Annual Leave Policies

“Sandwich” Holidays	Extra day-off when there is one “non-holiday” day between two national holidays
Additional Leave around National Holidays	Two days before and after key major national holidays
Happy Vacation + (previously known as Summer Vacation)	in addition to 5 paid summer holidays, we encourage additional 5 days paid leave (total 2 weeks)
End of Year Holiday	We encourage our employees to use up to 4 days, of paid leave around Christmas time
Family Leave	Use of leave around family related events (i.e., wedding, birthdays, funerals), and special occasions (graduation, children’s vacation)
Personal Development Leave	Use of annual leave to pursue personal development plans

**Win-Win relationships with labor-management**

**Labor-Management Council**

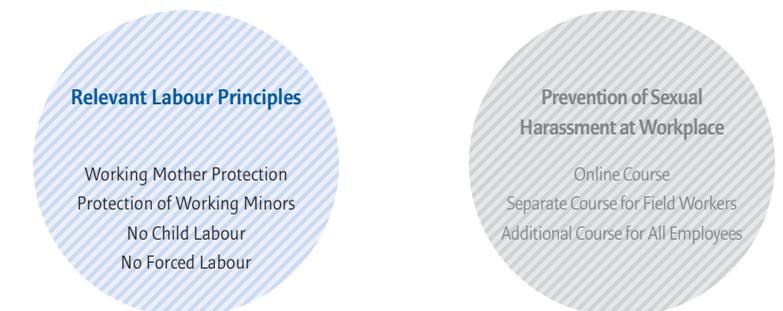
AMOREPACIFIC takes pride in the fact that there have been no conflicts or disputes between the labor union and management for the past 24 years. As of the end of 2015, the number of employees in the labor union was 2,222, with 41.7% of the employees holding memberships, and employees are free to join or leave the labor union at any time. A collective agreement is concluded once every two years, and it is applicable to all of the employees. There is a labor-management council operating at each production site, and every quarter, they consult on the matters necessary to promote employee health and welfare, resolve their difficulties, and ensure a harmonious balance between career and family life. The management in each business sector and the executives of the labor union meet regularly for bilateral communication. Also, the leaders from the field are invited to the meetings to present their opinions.



Collective Bargaining Signing Ceremony

**Monitoring of Labor Regulations and Human Rights Education**

AMOREPACIFIC strictly adheres to the domestic and international laws and regulations on labor practices such as protection of mothers and senior laborers and prohibition of child labor and forced labor. Compliance with the provisions is monitored by the relevant departments in good faith. Also, ongoing education programs are provided to prevent sexual harassment in the workplace. In 2015, the education program for sexual harassment prevention was designated as a required course for every individual, and it was provided on the e-Learning platform. For those who faced difficulties in using the e-Learning program, such as employees at department store and production lines, related videos were screened and printed materials were distributed during the monthly sales training and safety training sessions, respectively. In November 2015, we included an additional online education on sexual harassment during our regular company-wide meeting.



## Growth with Business Partner

### Establishing Communication and Effective Engagement with Business Partners

#### Procurement Portal Site Renewal

We updated our comprehensive purchase portal in an effort to manage and monitor our business partners, standardize procurement activities, and enhance close communication. We are committed to creating a strategic and effective environment for procurement and purchase with our business partners.

#### SCM Partners – Mutual Growth General Assembly

We convened two meetings a year to meet with the management of our business partners in an attempt to enhance communication. AMOREPACIFIC hosts the Mutual Growth with SCM Partners General Assembly at the start of every year and the Win-Win Seminar at the end of every year. At the Mutual Growth General Assembly held in February 2015, AMOREPACIFIC shared its management strategies and direction of its operations for the year 2015, in addition to presenting the cooperative measures to achieve the 2015 objectives in the five fields of packaging, raw materials, ODM, production and logistics, and discussing the difficulties faced by the suppliers. At the Win-Win Seminar in December 2015, the 2015 performance records were reviewed, and the direction of operations for the year 2015 was discussed. We also provided 230 million KRW to 12 of the best performing business partners to support their productivity improvement and system optimization.

Financial Contributions to 17 High Performing Business Partners

**245 million KRW**



Visit to Second-Tier Suppliers

#### Visit to Second-Tier Suppliers

To discuss mutual growth strategies, our SCM unit representative visited Nara Industry - our second tier supplier. After visiting this supplier, AMOREPACIFIC management and five CEOs of five second tier supplier companies held a meeting to discuss challenges faced by second tier suppliers and ways to approach such challenges.

#### Mutual Growth Support Program

In collaboration with domestic and overseas organizations, we have been providing a range of programs designed to support the growth of our suppliers, contractors, consultants, and business partners. At the IBK-sponsored Good Business recruitment expo, we set up a joint section with an “AMOREPACIFIC Booth” together with our business partners, to offer an opportunity to recruit people to those of our suppliers which experience difficulty in acquiring highly talented individuals. At this expo, our 10 business partners interviewed about 120 applicants. We have also sponsored the participation of our high-performing business partners in the Thai Cosmetic Exhibition from November 3-5 2015. Specifically, we provided 65 million KRW to support all the costs, including application fees, booth setup, and interior costs, and six business partners engaged in 145 export-related business deals that are worth USD \$980K.

### Promoting Mutual Growth Culture

#### Mutual Growth Agreement with Authorized and Franchise Stores

To promote mutual growth between authorized and franchise stores, we signed an agreement with the Mutual Growth Committee. According to this agreement, both parties will fully comply with the Korean Fair Trade Commission’s recommendations in relation to authorized dealers and franchise stores, and regularly monitor the agreement. Furthermore, the Mutual Growth Committee will establish a sub-committee called a “franchise store mutual growth committee” to monitor and review the agreement, and meet regularly to share best practices.

#### Strengthening Support to Counselors

In 2013, we launched the “Door-to-Door Sales Mutual Growth Council,” consisting of 14 members of AMOREPACIFIC and 15 store owners operating door-to-door sales, in order to explore various sales policies to improve the income of AMOREPACIFIC counsellors who are at the forefront of sales distribution channel. This Council discusses the system and strategies for 2016 in order to overcome low-growth periods, and identifies specific policies that can support the 2020 Door-to-Door Division’s vision - “Good Job 250”(which aims to ensure on average 2.5 million KRW per month by each counsellor).

The Counsellor Support Group is a self-organizing group established to improve the welfare of counsellors and increase their pride in their work, and use the membership fees and corporate sponsorship for financial aid to cover their medical expenses, children’s tuition, and funeral costs.

“Door-to-Door” TurtleShip Project is designed to offer strategies to recognize stores with the best sales and share the lessons learned, and the first trial ended with success in 2014. In 2015, we managed a program named “self-motivated and continuously learning store owners” to promote best door-to-door sales practices.

### Indirect Purchase and its partner's Mutual Growth

In response to the changed business environment and increased societal emphasis on mutual growth with merchandise partners, our Merchandise Support Division established a mid-long term roadmap for mutual growth. In 2015, we developed a concrete plan for four key strategic directions to strengthen mutual growth with our partners, and these strategies include mutual growth program quality improvement, purchase governance enhancement, establishment of fair trade, and increased communication with partners.

Indirect Purchase Mutual Growth Four Key Strategies

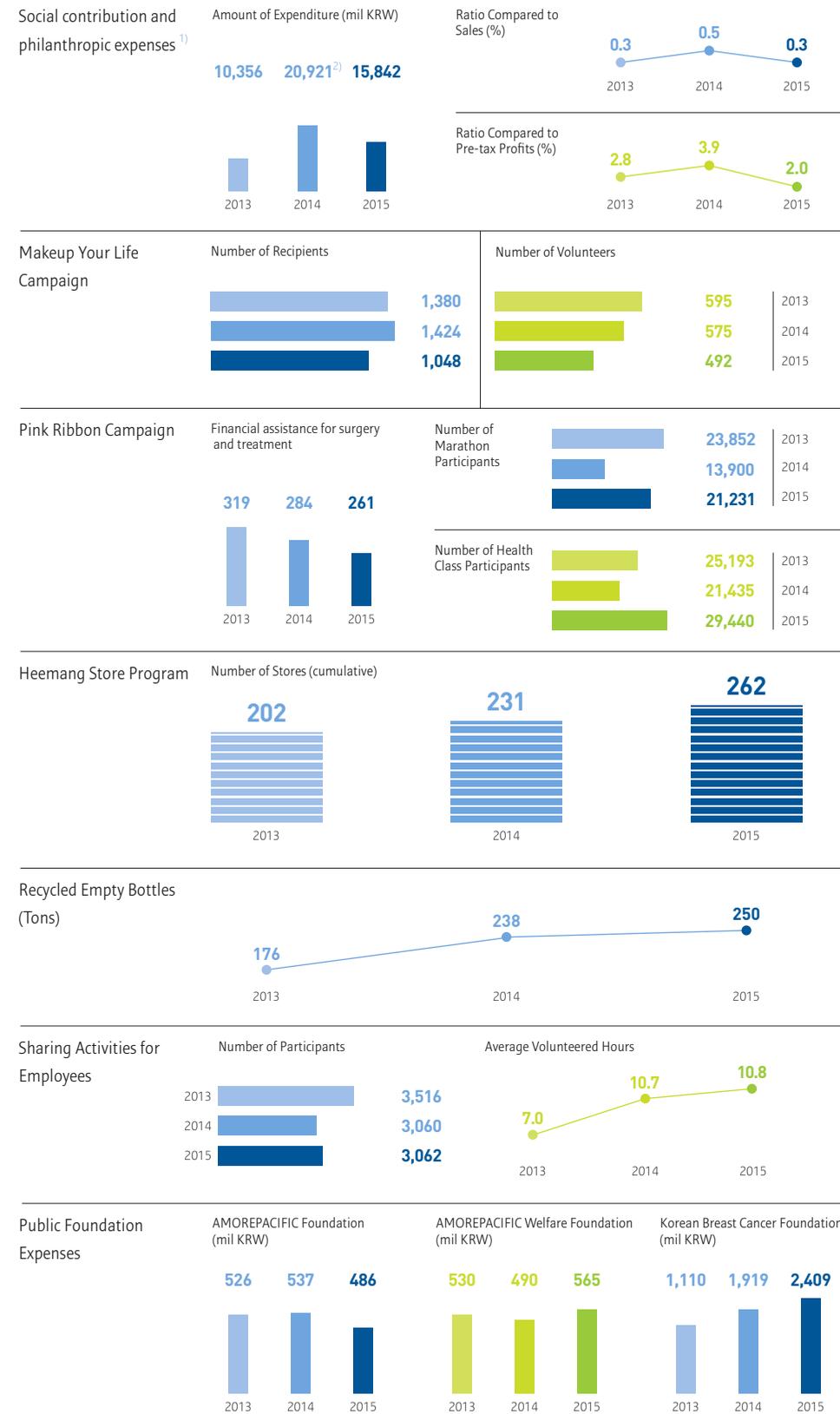
1	Mutual Growth Program’s Quality Improvement	<ul style="list-style-type: none"> <li>Use of the Company’s Social Welfare Shops by and Financial Assistance to Suppliers’ Employees</li> <li>Improving Payment Process of Our Subsidiaries’ Suppliers</li> <li>Educational Opportunities through Partnerships with the National Human Resources Development Consortium</li> </ul>
2	Strengthening Sales Governance	<ul style="list-style-type: none"> <li>Monitor Procurement Policies on Subcontracting (i.e., promotional materials and printing materials)</li> </ul>
3	Establishment of Fair Trade System	<ul style="list-style-type: none"> <li>Detailed Internal Audit and Review on Ten Key Purchase Processes, Such As Contracts, Order, and Payment.</li> </ul>
4	Strengthening Communications with Suppliers	<ul style="list-style-type: none"> <li>Third Mutual Growth Business Forum in the First Half of 2015</li> <li>Developing and Strengthening a New Sales Portal System through Continued Communications with Suppliers</li> </ul>

Sharing for Society

Corporate Social Responsibilities

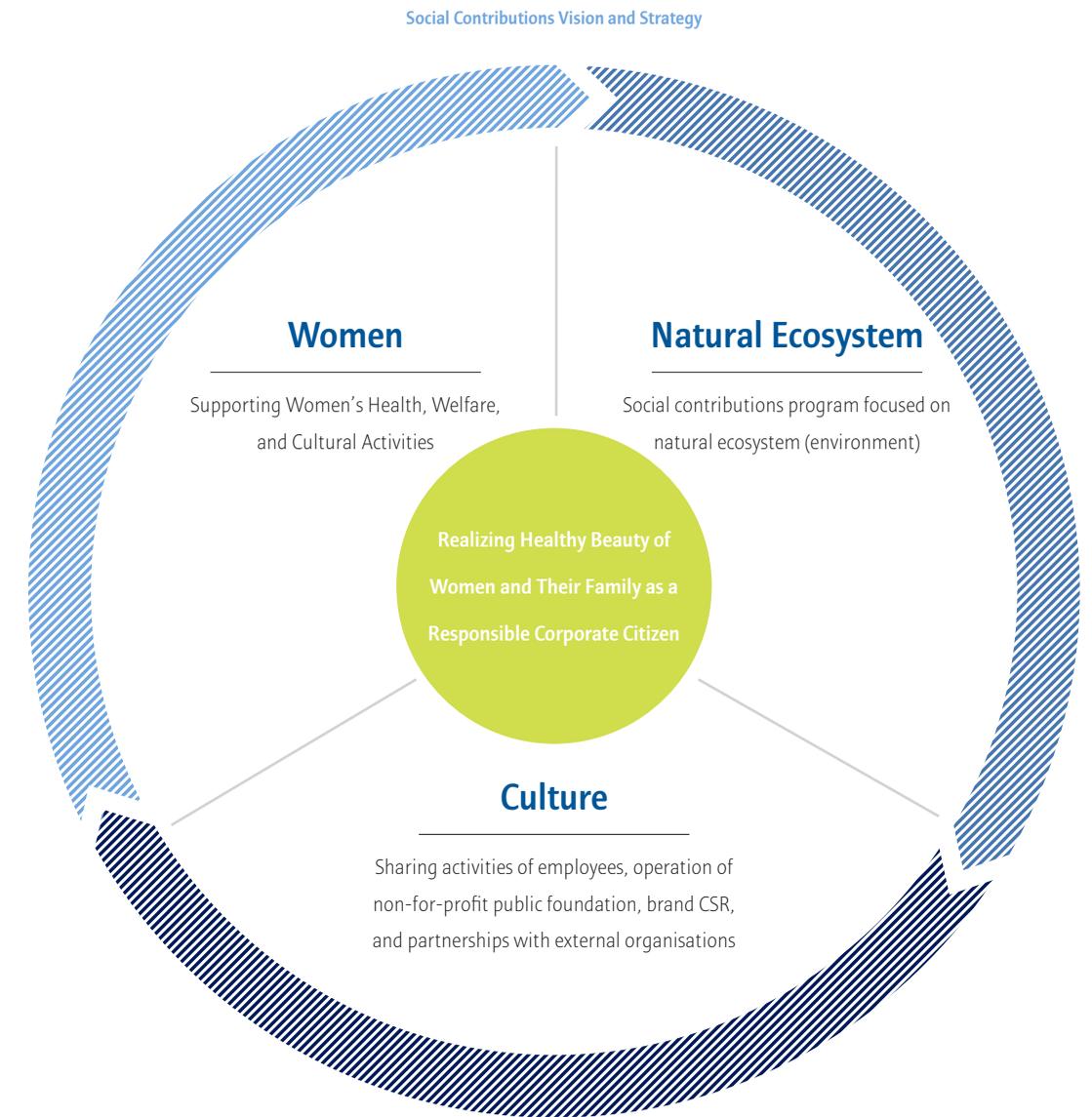


Good Citizenship



1, 2) social contributions and makeup your life campaign includes the ones undertaken in China

Our Approaches to Corporate Social Responsibility



Social Contributions, Vision, and Strategies

AMOREPACIFIC is committed to our vocation to social contribution, aiming to "encourage the health and beauty of women and their families as a responsible corporate citizen." In an effort to fulfill significant societal change, our social contribution activities center around three areas: women, natural ecosystems (environment), and culture. In addition to offering a number of programs related to these three themes, the organization undertakes a range of philanthropic activities such as employee volunteering, corporate foundation, and partnerships with other organizations.

## Key Social Contribution Activities

### Makeup Your Life Campaign



Beginning in 2008, our “Makeup Your Life” campaign is designed to support female cancer patients using make-up and skincare advice and hair-styling. This campaign focuses on helping these patients overcome various psychological challenges during their treatment and recovery by discovering their inner beauty and fostering positive self-esteem. In 2015, the 6th year of this campaign, 22 programs were offered through hospitals in which 422 AMOREPACIFIC counsellors engaged with 808 cancer patients. For those who were unable to visit the hospitals, we also offered visitation service to 17 patients for one-on-one sessions. Our program includes an array of educational programs, including a tea ceremony, flower-applied crafts, and make-up coloring techniques that can help relieve stress and get in touch with patients’ inner and external beauty.

Number of Female Cancer Patients Who Participated in a Campaign **808**

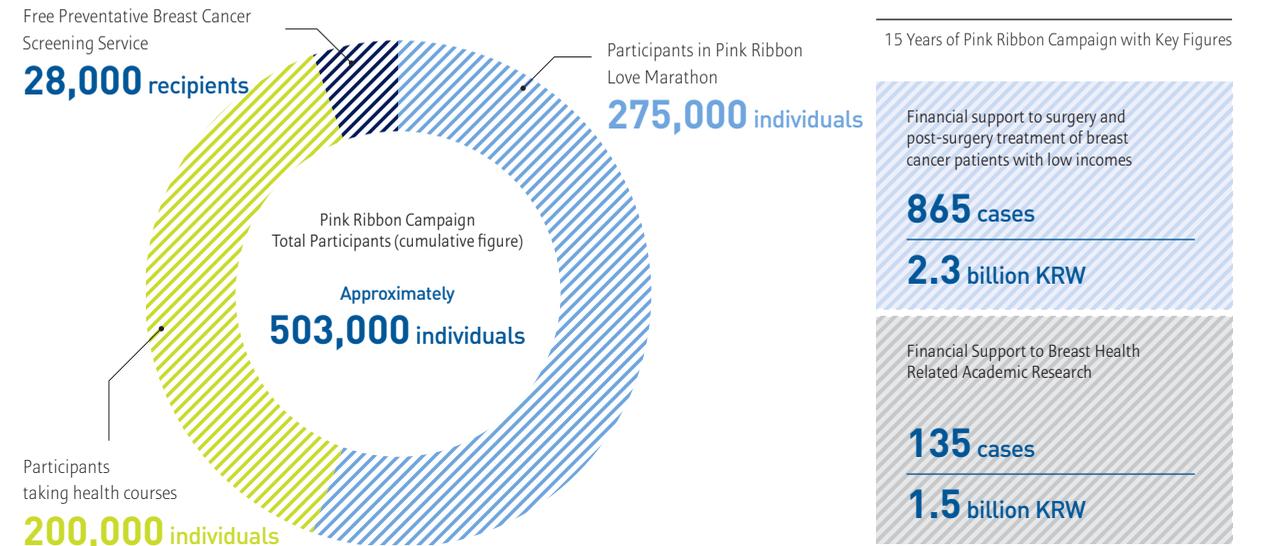


Makeup Your Life

### Pink Ribbon Campaign



AMOREPACIFIC founded the Korean Breast Health Foundation, a not-for-profit foundation, in 2000, and has since promoted the “Pink Ribbon Campaign” to raise awareness of breast health, including self-checkups, through public participation. This campaign, which began in 2001, has attracted 503,000 people over the past 15 years. In 2015, which marks the 15th anniversary of the “Pink Ribbon Campaign,” we launched a year-long “Pink Ribbon, Always” campaign to reach out to more people about the importance of breast health. A signature program of this campaign is the “Pink Ribbon Love Marathon,” which began in 2001, attracting over 275,000 people and raising 2.9 billion KRW for the work of the Korean Breast Cancer Foundation over the last 15 years. In addition, we offer a “Pink Tour” education focusing on breast-health information and cancer-prevention knowledge, run a citizen-ambassador “Pink Generation” program, and arrange a “Pink Ribbon Choir Contest” to bring breast cancer survivors together with others through music.



### Heemang Store



Heemang (meaning “Hope” in English) Store is a start-up assistance program designed to support low-income single-mother households. This program is financed by the “JANGWON Sung-whan Suh’s Beautiful World Fund” of the Beautiful Foundation as a result of the will of former chairman, Sung-whan Suh. The Fund provides single mothers with a microcredit of 40 million KRW without request of any insurance and helps them to start their own business. Return payments are deposited into the Heemang Seed Asset to be used for other low-income single mothers to start a business. In this way, the Heemang Store promotes and circulates the value of sharing and goodness in our society. In July 2004, the first Beautiful World Fund Heemang Store, Mijeyeon, was opened, and up until 2015, a total of 262 stores were opened.

Number of Heemang Stores (Cumulative Figure)	Repayment Rate of Heemang Store Loans	<b>81%</b>
<b>262 stores</b>	Store Continuity Rate <sup>1)</sup> (1.5 times higher than average small business owners)	<b>79%</b>
	Average income of store owners (2.5 times increase)	<b>2.52 million KRW</b>

<sup>1)</sup> Survival Duration is approximately 3 years

### GREENCYCLE Campaign



AMOREPACIFIC Group undertook a range of activities to improve the quality of public participation in our signature environment campaign (Green Cycle), which began as a recycling program of empty cosmetic bottles. First, we sought creative ways to recycle the collected containers. Especially, we increased our efforts to design a cosmetic container out of recycled bottles, which we experimented with first in 2013. We selected IOPE Bio Essence containers and used them as raw materials to make new cosmetic containers after the crushing and cleansing processes. Since we began this activity in 2013, a total of about 4.5 tons of empty containers have been recycled. We also made empty bottle recycling more accessible to the general public through a short animation film featuring an empty bottle which explains about the recycling process, outcomes and need to creatively recycle resources. In 2015, we participated in the annual urban greening campaign of the Seoul Metropolitan Government, entitled “Seoul in Blossom,” and convened an experience-oriented workshop called “Useless, but Useful.” featuring empty bottles in partnership with Osan Cultural Foundation. In addition, our program featured a sculpture made out of cushion containers at the Seoul Lantern Festival in an effort to change people’s perceptions of empty cosmetic containers.



Participated in "Seoul - Blooming Flowers" as part of GREENCYCLE Campaign

GREENCYCLE Campaign Collected Bottles(cumulative figure)



### Employees Sharing Activities

#### Sharing Activities Program

- Beautiful Sharing
- Beautiful Saturday (In-Kind Products Donation)
- Salary Sharing (Salary Portion Donation)
- Matching Gift
- Beautiful Products Sharing

AMOREPACIFIC encourages its employees to engage in various sharing activities and to spread the value of sharing to exert positive influences on society as a whole. The sharing activities of AMOREPACIFIC include Beautiful Sharing activity, Beautiful Saturday (donation of goods), small change donation (less than 1,000 KRW donations), matching gifts, Beautiful Sharing Activity (goods equivalent to 30 billion KRW). These sharing activities are performed based on the voluntary participation of employees. Furthermore, employees perform talent-sharing activities in places where their talents are needed aside from simple volunteering activities. The Sharing Activity Management Department supports the employees' volunteer participation. We also have the sharing mileage system, which rewards employees' sharing activity performance, and the matching gift system, in which an equal amount of the money donated by employees is also donated by AMOREPACIFIC. Meanwhile, the sharing activity program is based on a different theme every month so that participants do not feel bored with the same activity.

### Strategic Philanthropic Social Contribution Activities



Signing Ceremony to Donate the Funding to Community Chest of Korea

#### Beautiful Sharing

For our "2015 Beautiful Sharing" project, we donated household goods, cosmetics, and green tea of the AMOREPACIFIC brand worth a total of 3 billion KRW to the Community Chest of Korea. Our in-kind donation program aims to improve the lives of low-income families and individuals; it began in 2003 primarily as our own unique corporate philanthropic activity with the name of "Sharing Love and Sharing Goods". Since 2009, in collaboration with the Community Chest of Korea, we have been donating our branded products to over 3,000 social-welfare organizations on an annual basis.

Cosmetics, Green tea, and other daily products donations to the Community Chest of Korea

Every year approximately **30 billion KRW**

#### Public Art Project

AMOREPACIFIC held its third series of AMOREPACIFIC Museum of Art projects (APMAP) - "2015 Yongin - Researcher's Way" to promote public art. Held at AMOREPACIFIC Technology Institute, 16 teams of contemporary artists and architects whose projects centered on the beauty of sense and knowledge showcased a range of art products (sculpture, interactive media, and architecture) under the theme of "technology for new beauty." APMAP is our company's public art exhibition series, which began in 2013 in our Beauty Campus Osan. Until 2016, we will tour around the country, and from 2017 to 2020, we will showcase art exhibitions in Jeju to capture its unique natural environment.

## Global Corporate Social Responsibility Activities

### Global Expansion of "Makeup Your Life Campaign"

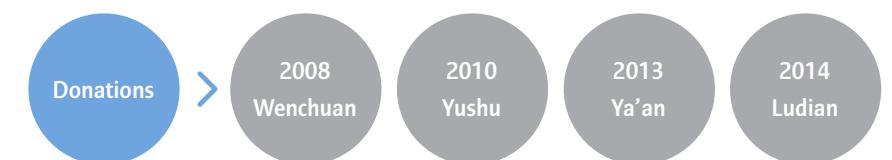
AMOREPACIFIC has been undertaking the "Makeup Your Life Campaign," a campaign helping female cancer patients to regain their confidence and beauty through make-up and beauty consulting, in China since 2011. In its early days, the campaign was limited to Shanghai, but in 2015 it was expanded to Beijing, Chengdu, and Guangzhou. In 2015, our Vietnam subsidiary began this same campaign. We engaged approximately 90 cancer patients, offering make-up services and teaching them skin-care know-how, and giving them the chance to participate in a talk-show together with oncologists.

Support to Cancer Patients through China's Makeup Your Life Campaign (2015)

**240**

### AMOREPACIFIC China's Donation to Elementary Schools in Earthquake-Stricken Areas

AMOREPACIFIC China donated the completed building of Xinmin Elementary School to Ludian County, Yunnan Province, China through CNY 2 million APC in contributions following a devastating earthquake. This elementary school building was named "AMORE Building," and it provides an educational space for students. In addition, we donated school supplies to low-income students. AMOREPACIFIC has taken an active part in social services and relief activities for victims of large natural disasters over the years and, as a result, has contributed to local communities in China. AMOREPACIFIC made donations for the reconstruction of earthquake-hit areas: Wenchuan County in 2008, Yushu Prefecture in 2010, Ya'an in 2013, and Ludian County in 2014. Additionally, we donated 568 backpacks to students residing in Guizhou.



AMORE Building

## Corporate Foundations and Major Philanthropic Activities

AMOREPACIFIC established and continues to perform various activities with three corporate foundations (AMOREPACIFIC Foundation, AMOREPACIFIC Welfare Foundation, and Korean Breast Cancer Foundation) other than social contribution activities directly performed by the corporation. Each foundation supports in-depth social contribution activities in the fields of academic culture research and women's health and welfare.

### AMOREPACIFIC Foundation

Established in 1973, AMOREPACIFIC Foundation supports various domestic and overseas research activities about Asian beauty, women, and culture in an effort to promote and disseminate knowledge. We have supported research projects related to the theme of women and culture which have led to the publication of 14 peer-reviewed articles in domestic and overseas academic journals, including those listed in Thomson Reuter's Social Science Citation Index. By sponsoring writing activities focused on Asian beauty, we published two books under the "Asian Beauty Series" (Heavenly Beauty on Earth by Heejung Kang & Immortal Story of Beauty by Kangha Yoo) to share philosophical insights on beauty with the general public. The Foundation supports continuing education courses on beauty by inviting a range of leading experts on fashion, music, art, and food. We are expanding the depth of our program and enlarging public participation through programs such as "citizen columnists" and "university journalists" and "beauty editors".

#### AMOREPACIFIC Foundation Activities

- Support to research projects focused on women and culture
- Launch of Asia's Beauty - volume 1 and volume 2
- Humanity Seminar Series - "Beauty" Program
- Citizen Columnists Focused on Asian Beauty which I discovered
- College Journalist - Beauty Editor Program



Humanity Seminar Series - "Beauty Program"

### AMOREPACIFIC Welfare Foundation

The AMOREPACIFIC Welfare Foundation focuses on supporting the self-reliance of women who need social care. In 2015, the Foundation consolidated its various programs such as HAPPY BATH Happy Smile and ARITAUM into a signature project ("women's space and culture improvement") to become more holistic. The Foundation made contributions to promoting women's convenience and improving the quality of their lives by renovating a total of 11 poorly furnished female facilities of a non-profit women's organization.

### Korean Breast Cancer Foundation

Established in 2000, the Korean Breast Cancer Foundation is carrying out various social projects related to breast health, including the Pink Ribbon Campaign, breast-health education, medical support for breast-cancer patients from low-income households, and financial support for academic research. In 2015, to mark the foundation's 15th anniversary, we organized a special hiking in which recovering cancer patients and medical professionals participated. We will continue to promote the beautiful and healthy lives of women as a social hub of breast health, raising awareness of breast cancer and supporting its treatment.

# innisfree

### About the Company

innisfree, the naturalism brand launched in 2000, is dedicated to spreading healthy beauty with the natural energy from the pristine island of Jeju. innisfree consistently seeks and research to keep the five promises that are using natural ingredients, good consumption practices, eco-friendly campaign, green design, clean and natural customer's experiences. Further, Innisfree is becoming better sustainable brand by delivering value adding activities for customers and society.

### Key Corporate Sustainability Activities

#### Green Promise - Promises for Our Customers and Nature

Every year, innisfree announces the Green Promise performance indicators, then reports our progress against each target and communicates them with our stakeholders. We are committed to fulfilling our promises and doing our utmost to share the benefits of nature with our customers and grow together with society.

Green Promise 2015 performance

#### SHARE GREEN

##### Sharing a Greener World with our Customers

Through this recycling campaign of empty bottles, we promise to reduce 180 tons of CO<sub>2</sub>. (Eco-Friendly Campaign)

CO<sub>2</sub> emission reduction **600 ton**  
Pine Tree Planting Effect **5,405 trees**  
(From August 2009 to December 2015)

#### HONEST GREEN

##### Presenting Honest Green Products to our Customers

We promise to source more than 70% of our ingredients from natural materials. (Natural Ingredients)

**78.2%**  
(Excluding makeup products, A total of 2015)

#### EXPERIENCE GREEN

##### Helping our customers experience the value of a greener world

We promise to donate more than 1% of our yearly profits to nature conservation and communities so our customers can experience a green life. (Social Investment)

**1.76 billion KRW**  
(A total of 2015)



Jeju's Spring Time with Yellow Citrus Flower



Jeju's Summer Time with Sparking White Green Tea Flower



Jeju's Autumn Time with Coloring Leaves in Hallah Mountain



Jeju's Winter Time with Blooming Camellia

## Promoting Green Habits to our Customers and Stakeholders

### 1) Eco-Handkerchief Campaign

The Eco-Handkerchief Campaign is a major environmental effort that has been conducted by innisfree since 2010, encouraging the habit of using a handkerchief instead of tissues. With the slogan of “use a hankie, save the Earth,” this campaign conveys the message that using a handkerchief saves trees, protects forests, and strives to reduce global warming.

Every year, innisfree presents a handkerchief with a new design. In 2015, Eco-Handkerchief included illustrations of the four seasons of Jeju Island and shares its unspoiled beauty. We also extended this effort to Shanghai, China by opening an Eco-Handkerchief Gallery to promote an eco-friendly green life to our overseas customers. We will continue to communicate with our consumers with a new design each year, along with an idea to help them integrate a small habit in their own lives that will protect the Earth through handkerchiefs.

### 2) Play Green Campaign

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

Going forward, we will launch a global Play Green application for customers around the world to participate in the Play Green campaign, and hold a Play Green festival in major cities abroad.

### 3) Green Christmas Campaign

innisfree's Green Christmas Campaign, which kicked off in 2010, celebrated its sixth year in 2015. This campaign aims to establish “sharing” Christmas culture rather than just enjoying extravagant festive celebrations. Not only can people enjoy themselves by participating in the campaign, but their participation also makes the world warmer for those who are in need. Under the slogan, “Make, Enjoy and Share,” innisfree presented a DIY kit about the pleasure of creating something and the warmth of sharing. In 2015, with the main concept of sharing happiness and bringing our hearts together, we presented a DIY play-block kit and a portion of its proceeds was donated to the Save the Children, which led the “protect the playground campaign” that supported building safe playgrounds for children in remote rural areas.

In addition, this campaign was carried out simultaneously in six countries, including Korea, China, Taiwan, Hong Kong, Malaysia, and Singapore. innisfree will expand the Green Christmas Campaign as a global activity to share our Christmas culture with customers and stakeholders across Asia.



Green Christmas DIY Block Kit

## Preserving Nature

### 1) innisfree Forest Campaign

To preserve forests - a source of human life and repository of the ecosystem - we began a “forest campaign.” As part of this effort, we are undertaking activities designed to protect “Gotjawal” (Jeju's signature forest), and to support the planting of trees in inner Mongolia, which experienced intense desertification.

### Sponsorship for the Gotjawal Trust of Jeju

innisfree signed an agreement with the Gotjawal Trust of Jeju in May 2012 for the purposes of protecting Gotjawal in Jeju, where the natural ecosystem has slowly been destroyed, and has been donating a part of the proceeds from the sales of “Forest for Men” product lines every year. The donation was used to purchase the privatized lands in Gotjawal to be turned into public properties, as a means to prevent indiscriminate development by individual owners.

### Million Tree Project-Preventing Desertification of Inner Mongolia

Roots and Shoots, a non-governmental organization, is conducting the Million Tree Project for the purpose of preventing desertification in China's Inner Mongolia. Since 2013, our company has been donating trees to this project (total 40,000 trees). In 2015, our employees participated in planting trees to showcase our commitment to this important agenda. We will continue our efforts to ensure that forest is able to maintain its beauty and unique value to nature.

### 2) Green Bicycle Campaign

We are expanding our green life promotion activities beyond Korea. On September 19, 2015, we organized a green bicycle tour in Beijing to contribute to reducing greenhouse gas emissions through the widespread use of bicycles, with the slogan of “low carbon transportation, ride a bike, save my city.” We initiated this campaign in an effort to improve the environmental quality in major cities, where we often meet our customers. 100 volunteers who love the innisfree brand participated in this first green bicycle campaign. In eight innisfree stores in Beijing, these volunteers rode bicycles and engaged citizens about the low carbon lifestyle, including a petition collecting signatures in support of a low-carbon lifestyles. The green bicycle tour aims to improve urban life by promoting an eco-friendly lifestyle, and reflects the brand philosophy of our company. Going forward, every quarter, we will undertake this campaign in major cities in China to share the value of green living as well as to position us as a brand spearheading environmental protection.

## Win-Win Growth with Partners and Employees

### 1) Dream Store Encouraging Green-earths Visions

The Dream Store Program provides a chance for the “Green-earths” sales associates working at our innisfree stores to own and operate their own innisfree stores. This is an employee development program that not only provides store ownership opportunities, but also creates a platform to realize the dream of Green-earths. The Dream Store Program also allows innisfree to seek measures to achieve mutual growth with our sales associates. Participants in this program were selected through three-month long battle missions, including business analysis of other stores, an “infinite growth” project, a “store maximum growth” project, and a final presentation. The first Dream Store was opened in 2014, and the goal is to operate 21 stores by 2020.

**2) Distribution of Well-Being Kits for Green-earths Associates**

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

Well-Being Kits for Green-earths Associates



**3) Making a Happy Workplace for Employees through the Wish Day**

In an effort to promote exchange and cooperation among the different teams, as well as to integrate corporate social responsibility activities more firmly to our operations, innisfree designated a Wish Day for employees. This program was designed to promote collaboration and strengthen relationships among employees from different teams through voluntary activities. Increased collaboration has enhanced efficiency, and joint social responsibility activities renew the employees' sense of mission.

**Expanding in Global Markets**

With an ambitious vision of becoming a global number one naturalist brand, we have devoted great efforts to increasing innisfree's shares in global markets. In May 2015, we entered the Thai market, the largest health and beauty market in ASEAN region. In addition to opening our first flagship store in Siam, the largest retail area in Thailand, we launched our second shop in Megabangna, the biggest shopping mall in the ASEAN region. Siam is particularly popular with customers in their 20s and 30s, which are the key target consumers of innisfree, and has a great reputation as a tourist site for foreigners visiting Thailand. Our Siam store has many features, including two vertical gardens which reflect our brand identity, a perfume zone, and a DIY soap experience zone, and presents our unique brand to Thai customers. Our second store in Megabangna is 190 sq m, including a diffuser zone and seed serum column decoration that are fun and interesting, attracting young and trendy Thai customers to our brand. In November 2015, we opened our third store, building on the success of the first two.



innisfree Thailand Store

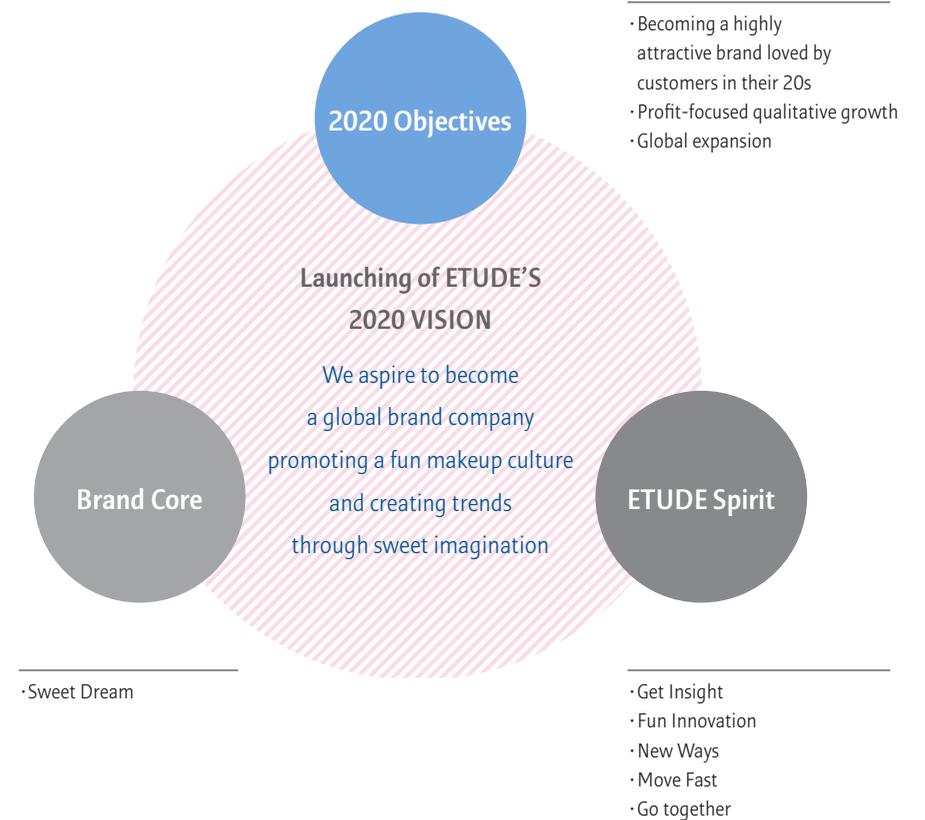


**About the Company**

ETUDE is a makeup brand helping women fulfill their sweet imagination of becoming more beautiful and having a magical day. With the launch of ETUDE house in 2005, we promote the fun and easy makeup culture, and offer trendy products infused with ETUDE's lovely aesthetics. It is enjoying tremendous popularity as the top K-Beauty makeup brand not just in Korea, but all over Asia including China, Japan and Singapore.

**Launching ETUDE's New Vision**

We introduced ETUDE's new vision of "a global brand company promoting a fun makeup culture and creating trends through sweet imagination," and developed a strategy to achieve this vision.



Customer Satisfaction Activities

Sales associate "Sweeties" who are at the forefront of meeting customers are presenting fun experience to our consumers, and we have offered differentiated service. In August 2015, we developed a service training reflecting ETUDE core values, and have started providing a new customer service education to managers of our partner companies since December 2015.

Since 2008, ETUDE has been running a semi-annual Beauti-zen Program, fostering marketers among university students and identifying the latest trends and customer needs at the same time. During the six-month program period, they get to participate in the brand promotion planning and execution processes by trying out the newly developed products and creating beauty contents.

<b>Beauti-zen</b>	fostering future marketers among university students
	offering an opportunity to participate the brand promotion planning and execution processes



Beauti-zen Beauty Camp

Reinforced Communication with and Support for Franchise Owners

Reinforced Field Communication

Workshop with Franchise Owners focused on the VOC Response Strategy through SNS

Mutual Growth

Dream Team Program to support to small and under-performing franchises

ETUDE conducts a wide range of win-win relationship management activities in order to promote communication with and provide reinforced practical support for the franchise owners. In the first half of 2015, we held a workshop with franchise owners to enhance communication, and since June 2015, we have engaged with these owners on a monthly basis through meetings. Furthermore, to strengthen real-time communications, we utilized SNS channels as effective communication tools to respond to the voice of customers. Second, we are operating a program called "dream team" to provide practical support to the owners of small and low-growth franchise stores. The dream team identifies the programs that need to be addressed, and suggests ideas for improvements, such as store operation know-how and customer service skills with a view to strengthening the sustainability of the franchise. This program received a highly satisfactory response from franchise owners, and we will strengthen the dream team's capabilities to further enhance our partnership with them. In 2015, an exclusive call center for the franchise stores, called the Pink Hotline, was established in order to answer inquiries regarding products and claims as soon as they were received.

Reinforced HR Development

Our in-house educational program has been reinforced since 2014. For instance, a systematic course was made available for employees wishing to learn Chinese and English. Based upon their skill level, employees are assigned to different classes, and twice a week external instructors offer courses that teach about the language and culture of particular countries. These courses not only help them achieve personal growth and development, they foster talented professionals who can contribute to ETUDE's expansion in the overseas market. Through our mentoring program, which connects between senior colleagues and new associates, the company assists young professionals to adjust to the work program as well as to learn about other departments' work. This program received a positive response, as it offers an opportunity to renew their commitments to and initial enthusiasm for their work.

# eSpoir

About the Company

eSpoir aspires to become a professional make-up brand which offers a transformative experience to customers who want to make a bold change and find their new look. We are always trying to convey the value of our products more effectively by combining unique colors, textures, and shades with the artistic skills of professional make-up artists. We strive to fulfill the vision of a professional make-up brand that leads Asian cosmetics culture by creating an innovative organizational ethos that is not afraid of failure, and strengthening our global capabilities.

**Brand Philosophy - Power of Transformation**

All women want to be able to change their look anytime they want to express their feelings and emotions in a bold and powerful way. Identifying the most appropriate color pallet and texture to express oneself naturally, and finding the perfect look - this is the motto of eSpoir make-up.

Power of Transformation		
Color Palette	Texture	Look
Color Palette Working for You!	Natural and Healthy-Looking Texture	Perfect Look All Women Want



eSpoir Gangnam Store

Customer Satisfaction



eSpor Pro Tailor Liquid Foundation EX



eSpor Lipstick Nowear

Development of Signature Products

We are working on the “pro-tailor EX line”, which will combine our unique formula and shade system in a signature line representing our brand, while also enhancing our existing make-up lines. In addition, we are upgrading the texture of our signature lip make-up product, Lipstick Nowear, and adding iconic new colors to set the trends. We are also dedicated to reducing our environmental footprint by using less packaging and launching a cushion foundation that can be refilled.

Wake Up your Make Up

We have been running a makeover project that brings a wealth of cosmetics experience to our customers; we listen to their concerns and match them with seasoned artists from a pro studio. Customers are chosen through Facebook, which gives them greater power to stay in touch with us.



Wake Up your Make Up

Make-Up Lesson Program

eSpor offers private and group sessions teaching professional make-up skills for those who wish to deepen their knowledge. Private lessons are tailored to the customer’s preferred make-up styles and take place in their local area, whereas group sessions, which happen in the eSpor Pro Artist Studio, give customers the chance to tell their stories.

Pro TIP

eSpor offers various content and service to customers through our website. There are daily make-up tips, including easy-to-follow manuals, pro make-up videos, recommendations on colors, foundations, and brushes, and a q & a whereby customers can get a response from a professional make-up artist within 24 hours.

New Collection	Everyday Makeup	Pro Makeup Video	Artist Q & A
Color Finder	Foundation Finder	Brush Finder	Pro TIP www.espor.com



About the Company

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

Key Corporate Sustainability Activities

Product Development with Hair Designers

AMOS professional collaborates with hair designers from product development to launch. Based upon our unique trend development methodology of Research Insight Application (RIA)<sup>1)</sup> and Hair Professional Market Insight (HMI)<sup>2)</sup>, we propose most cutting-edge trendy styles, and develop products incorporating the needs of hair designers. In collaboration with hair designers, we offered the products reflecting the salon’s application process, and developed digital content for a new product manual to enhance the quality of products.

1) Research Insight Application is a process proposing new hair trends in collaboration with hair designers based upon the trend analysis of politics, society, culture, and lifestyles.

2) Hair Professional Market Insight is a process to obtain insights that will be integrated into product development and marketing strategies by engaging hair designers and consumer panelists.

Hosting of Hair in Trend

AMOS professional holds the “Hair in Trend”, the largest hair show in Korea, to offer hairstyling solutions to participants; these are derived from analyzing the mega-trends and current fashion information. In December 2015, at our 11th Hair In Trend with the theme of “Cre.ESCAPE (inspired by creative escape),” we brought 2,500 hair designers together to inspire their creative impulses for innovation, which would help to position our brand as a trend leader in the professional hair product market.



AMOS professional Hair in Trend in 2015

Win-Win Growth with Our Partners

1) Education Center for Hair Designer Training

We have been running an education center to provide training on hairstyling techniques and courses on rapidly changing hair trends to Korea hair designers. In Korea, there are about 88,000 hair salons, of which more than 95% are privately owned shops. Unlike branded hair salon franchises which offer professional training, there are few places that offer training for hair stylists working at the smaller hair salons. In 2015, we provided 170 courses at six education centers throughout Korea. In particular, we offer a course on styling techniques proposed by AMOS professional to mainstream our trends through the hair stylists that we train. We offer online videos on styling and manuals through our Digital Hair Studio for easy and accessible educational opportunities. We strive to grow together with Korean hairstylists through our educational activities.



**2) Team amos Program for Hair Designer Training**

Team amos is a program conducted under the supervision of AMOS professional that aims to train and enhance the competency of hair designers, and it was in its 11th year of operation in 2015. Hair designers who are selected as program participants work on trend proposals for Hair in Trend, and are given an opportunity to present their ideas and work. After completing the one-year training program, participants chosen as "active participants" can either take part in product development or opt to work as professional instructors at AMOS professional's education center.

**3) Partnership with Hair Studios - Salon a**

AMOS professional names the the partnership hair salons using its products as Salon a and provides the support necessary for the salon's operation. As a supervisor, it provides comprehensive and long-term assistance, distributing salon interior and service manuals and business management consulting services. In 2015, 11 new stores including our 26th one in Madoo opened in 2015. AMOS professional supports hairstylists to offer AMOS professional's beauty solutions effectively to their customers through the Salon a program.

**4) Shop Owners supporting program - "Shop Owner's MBA"**

AMOS professional offers a management support program called "Shop Owner's MBA program" for authorized dealers. The program is divided into an intermediate course, helping participants gain the skills they need to solve problems in the field, and the advanced course, which teaches the values of AMOREPACIFIC Group and management methodology to help the amos salon branches to be operated as a company. Efforts are being made to develop the educational programs and the contents to become more systematic as well as to enhance bilateral communication and achieve sustainable win-win relationships. In 2015, 14 participants completed the course offered four times.

Number of Storeowners MBA Course Participants

14

**5) Beauty Master Curriculum**

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

Number of Certificate Courses

9 courses

Number of Beauty Masters Who Participated in Education Program

480



Number of new Salon a Stores(2015)

**Social Contribution Programs**

**1) Kids Salon a**

AMOS professional ran a "Kids Salon a" program where children can learn about hair stylists in a fun and interactive manner. Together with our partner Salon a, we offered a range of experiential educational programs ranging from hair cut with a wig, making a fan with dyed hair, and making form with shampoo to children aged from 5 to 9 years old. In 2015, a total of 13 Kids Salon a programs were offered, and we plan to continue offering this program to increase children's understanding of hair stylists and their values.

Kids Salon a Program

Cutting hairs by using wigs	Making fans by using dyed hair	Making forms with shampoos
-----------------------------	--------------------------------	----------------------------



Kids Salon a Program, 2015

**2) Donation to The Beautiful Foundation**

Since 2010, AMOS professional has been donating products amounting to approximately 20 million KRW and providing educational programs to a non-profit organization called The Beautiful Foundation on a yearly basis. In 2014, an MOU was signed with the foundation in regard to the provision of hairstyling training programs for female breadwinners of single parent households. Through this, AMOS professional donates hairstyling products, worth about 12 million KRW, and provides training to the beauty care shop owners who are single mothers running Heemang stores with support from The Beautiful Foundation.

Number of Heemang Stores owned by Female Breadwinners

17 stores

**3) Fostering Star Hair Designers of the Future**

As a leading company in the beauty market, AMOS professional is implementing social contribution programs for aspiring hair designers. Especially, we provided various hair products for perm and coloring to those students who are economically struggling. Since 2013, supplies necessary for education and training have been provided twice a year to the Department of Beauty Care at Osan University. In 2015, we extended our support to 11 other universities, including Hallah University and Yongin University.

Number of Schools, which received our donation

11 schools

# AESTURA

## About the company

AESTURA is a medical beauty brand offering innovative beauty solutions for customers based on hospital and clinics channel. AESTURA is growing as medical beauty company creating new beauty domains through developing innovative new products, expanding markets overseas, and growth in esthetic area focusing hospital cosmetics such as ATOBARRIER and REGEDERM and CLEVIEL, a self-developed product.

## Key Corporate Sustainability Activities

### Expansion in the Global Market

AESTURA is expanding to global markets. In October 2015, CLEVIEL, a high concentration hyaluronic acid filler brand, received a CE<sup>1)</sup> (Conformité Européenne) approval mark. This is the manufacturer's declaration that the product meets the European Union's health, safety, environment, and customer protection standards. In addition to Hong Kong and Japan, we signed a partnership agreement with a Taiwan-based company and have applied for a license to handle and maintain medical equipment. AESTURA pursued additional expansion as well, including entry into Singaporean and Malaysian markets. AESTURA, our unique medical brand exclusively offering products to clinics and hospitals, also obtained a license to market in China. This facilitated our expansion into other Asian markets. Through CLEVIEL and AESTURA, we have positioned ourselves as a world-class Asian esthetic company.

1) CE(Conformité Européenne)

CE Marking on a product is a manufacturer's declaration that the product complies with the essential requirements of the relevant European health, safety and environmental protection legislation

### Reinforced Ethical Management

To gain stakeholder trust and support, AESTURA is upgrading its quality and ethical management systems. In 2014, it introduced the Compliance Program(CP) and established operation organization and related regulations. By conducting monthly monitoring, we can share the results - including the cases that meet compliance requirements.

### Activities to Enhance Customer Satisfaction

AESTURA has organized a research and advisory seminar through collaboration with dermatologists at major university hospitals in the country over the last four years. In 2015, 38 professors from major university hospital dermatology departments participated in the seminar. Each group conducted an array of research activities, including studies on various skin diseases, product quality analyses, ideas for new solutions, and identifying any disease for which medicine is efficacious. We are integrating the knowledge gained from these seminars to improve our products and meet customers' needs.

### Online Academy for growing together with partners

Aesthetic products require in-depth familiarity and precise application. We are therefore offering an online academy for doctors to provide the comprehensive experience these professionals need to use our products. Doctors can participate in the training at their convenience, which includes question and answer sessions with other certified health professionals. We began our online academy focused on CLEVIEL, but we expanded to courses on Litense and ArteFill. This is becoming a unique platform to demonstrate precise application technics. By enhancing its contents, we will offer practical assistance that enables doctors to fully understand and accurately apply our products.

### SHE

#### 1) Civic-Government-Military Fire Drill

Annually, AESTURA schedules a drill with the Fire Department to effectively respond to such a disaster and reduce its impacts. In 2015, the annual fire drill took place at the AESTURA Ansong Health Care site to test in-house firefighting procedure and response capacities.

#### 2) SHE external audit assessment

In an effort to increase our internal capabilities as well as our site's safety, we scheduled two external audits in 2015. The Korean Association of Safety Technologies and Good Morning Public Health Center reviewed 112 key safety and health items, completing a comprehensive analysis. To mitigate the risks identified during the audit, we undertook a range of activities, such as designating a focal point for car carrier management, changing loose valves that can leak toxic chemical materials, and establishing safety balcony pads.

### Environmental Management Activities

In an effort to minimize the environmental footprint of our own production activities and proactively respond to climate change, AESTURA established a comprehensive inventory to monitor and manage greenhouse gas emission caused by energy use, water use, waste water management, and disposal. To reduce greenhouse gas emission, we ran a taskforce on energy reduction in 2015 and created an action plan to optimize energy use by analyzing heating and cooling systems in our sites. We noted that a boiler system and functionality are ineffective in analyzing LNG use, and we identified improved supplementary products that strengthen the efficiency of our operational site's heat source. This reduced our LNG consumption.

### Employees Participating in Social Contribution Programs

Aiming to fulfill its management philosophy to serve mankind, AESTURA is planning and implementing social contribution programs in which its employees can participate. In 2015, our corporate philanthropic activities changed from corporate-centered planning to a decentralized mechanism where individual staff members take the initiative. The department focused on annual planning and supported team leaders across the company, encouraging voluntary corporate philanthropic activities. Team leaders received training and encouraged a culture of sharing and voluntarism through this focused campaign.

# O'sulloc farm

## About the company

O'sulloc farm is a green tea cultivation, processing, and sales company, which was founded in 1974 with the aim of popularizing the traditional tea culture and creating beauty with plants grown in healthy soil. With tea harvested from organic plantations in Jeju Island and Gangjin, O'sulloc farm is entering into the high quality tea market on a global scale.

## Key Corporate Sustainability Activities

### Consulting Service to Partner Farms

O'sulloc farm provides technical advice and offers support to Korean ginseng farms regarding organic methods. In spring 2015, we extended our consulting service to eight farms in Pochun, Paju, and Hwachun on ginseng farm seeding and water treatment of ginsengs during shipment. In the summer, we liaised with 14 farms in Ansong, Geosan, Soonchang, and Goksung on the management for heat difficulties for plants and adequate temperature in vinyl greenhouses.

Spring	Consulting activities of management for ginseng farm seeding and water treatment during shipment
Summer	Consulting activities of management for heat difficulties for plants and adequate temperature in vinyl greenhouse



### Strengthening Safety, Health, and the Environment

#### 1) Workplace SHE Assessment

Our employees' safety is one of our top priorities. In 2015, we conducted an analysis of the safety levels of our work sites. Staff received training in an external program, worked closely with managers, and conducted internal self-assessments. We identified 864 potential hazards, including falling and amputation, and made action plans to address the 93 items found to be the most significant risk factors.

#### 2) Worksite Safety Shelter

Considering that our workforce has a sizeable number of older employees, we enhanced our safety training programs suitable for this population. We installed a safety shelter in each tea plantation and processing factory, which our employees can access easily to enjoy an adequate rest. We also purchased a mobile canopy tent to help our employees avoid the heat in summer, and provided water purifiers and air conditioners inside the factories, which get very hot at that time of year.

#### 3) Establishment of Scissor Lift

To ensure the maximum level of safety for our employees working at height, such as repairing tasks for green tea frost preventing facilities, we installed a scissor lift in compliance with safety requirements.

### GHG Emission Reduction Activities

O'sulloc farm aims to minimize the environmental impact of its production activities and to respond to climate change. In 2015, the company inspected the old tea processing facilities using thermal imaging cameras, and identified key areas for improvement. As a result, we were able to save 20% of the energy in these facilities. In 2016, we plan to inspect all of our worksites to reduce GHG and optimize the use of water, heat, and energy.

### Developing Together with Local Communities

O'sulloc farm builds mutually beneficial relationships with farms in Jeju Island which have experienced a shortage in their workforce, through various activities. In 2015, our employees volunteered to support the harvesting work of five citrus orchards near our worksite. In addition, as part of a partnership agreement we signed with local firefighting departments across the Jeju Islands, we upgraded our water tank system to allow use of our reservoir against fires, as our site possesses the largest amount of ground-water holes in Jeju Island. By sharing our water resources, we are pleased to contribute to the development of the farms and local communities around our tea plantations.

Supporting to local citrus orchards	Sharing groundwater with local firefighters
-------------------------------------	---

## 5

## Appendix

- Independent Assurance Report
- Verification Statement GHG Inventory
- **GRI G4 Index**
- About This Report

## Independent Assurance Report

**To the management of AMOREPACIFIC Group**

At request of AMOREPACIFIC Group (the "Company"), we have reviewed the information presented in the 2015 Sustainability Report (the "Report"). The management of the Company is responsible for preparing the Report. Our responsibility is to carry out a limited assurance engagement on the Report and to provide opinions on it based on our review.

**Procedures performed**

We conducted our engagement in accordance with ISAE 3000 and the requirements of a Type 2 assurance engagement as defined by AA1000AS(2008).

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

- Reviewed the Company's stakeholder engagement and materiality assessment process.
- Reviewed media sources addressing sustainability issues during the Reporting period that are relevant to the Company.
- Searched the media coverage of the Company's sustainability issues during the applicable reporting period.
- Analyzed latest sustainability reports published by industry peers.
- Interviewed a selection of people in charge to understand the current status of sustainability performance and the Reporting process during the Reporting period.
- Reviewed selected data regarding the Company's sustainability performance, supporting evidence for assertions, and information from corporate-wide systems.
- Reviewed The Company's process for collecting and consolidating sustainability performance data.
- Reviewed whether financial performance data has been extracted properly from the Company's audited financial statements.

**Level of assurance**

We undertook a limited assurance engagement in accordance with ISAE 3000. The nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement. Consequently, the limited assurance of ISAE 3000 is in accordance with the moderate level as defined by AA1000AS(2008).

**The limitations of our review**

We excluded GHG (Greenhouse Gas) emissions in our limited assurance engagement. And, we did not review environmental and social performance data prior to 2012. However, we reviewed financial performance data based on the Company's 2015 audited financial statements.

**Our conclusions**

The result of our review is outlined below.

**Inclusivity**

Has the Company engaged with stakeholders across the business to develop and implement its approach to sustainability?

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

**Materiality**

Has the Company provided a balanced representation of material issues concerning its sustainability performance?

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

**Responsiveness**

Has the Company responded to the stakeholder concerns?

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

**Completeness and accuracy of performance information**

How complete and accurate is the economic, social, and environmental performance data in the Report?

- We are not aware of any that have been excluded from the economic, social, and environmental performance data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from the Company's reporting processes.

How plausible are the statements and claims within the Report?

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

**Observations and areas for improvement**

Without prejudice to our conclusions presented above, we believe the following matters require attention in order to improve the Company's sustainability reporting.

- The Company's reporting scope is not limited to domestic operations but is gradually expanding towards China worksites, where the Company's main overseas operations are located. Therefore, in order to maintain data consistency, the Company must focus on establishing a consistent company-wide standard for calculating and collecting overseas data.
- The Company must establish both mid-term and long-term goals for its sustainability performances and clearly disclose its progress. Moreover, if the Company chooses to report actual performance against the objectives, it must collect and report it in a consistent manner so that stakeholders can easily identify the annual trend of the Company's performances.
- To better respond to stakeholders who are increasingly interested in how the Company manages the environmental dimensions, the Company must manage its internal indicators at a strict level. The Company must also establish a consolidated management system so that it may disclose the relevant data with high credibility.

**Independence**

We comply with the Ethical Standard issued by IFAC (International Federation of Accountants).

**Our assurance team**

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

Jin-Sug Suh  
Regional Managing Partner  
EY Han Young  
Seoul, Korea  
April 2016



## VERIFICATION STATEMENT GREENHOUSE GAS (GHG) INVENTORY AMOREPACIFIC

NO. AS\_PRJC-541213-2016-CCS-KOR

**Introduction**

DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by AMOREPACIFIC Corporation ("AMOREPACIFIC") to verify the AMOREPACIFIC's Greenhouse Gas Inventory Report for the calendar year 2015 ("the report") based upon a reasonable level of assurance. AMOREPACIFIC is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol: 2004 and the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of AMOREPACIFIC 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) from AMOREPACIFIC boundary of the report;

- Organizational boundary for reporting: HQ/Sale offices, Sites (Osan, Daejeon and Jincheon), Distribution centers (Gangbuk, Gwangju, Gimcheon, Daejeon, Busan, Suwon, Incheon, Jincheon and Osan), R&D/HRD, Local Business unit (Gwangju, Daegu, Daejwon and Busan)

**Verification Approach**

The verification has been conducted by DNV GL from 4th March through 25th March 2016 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 reasonable verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton CO<sub>2</sub> equivalent. As part of the verification process:

- We have reviewed and verified the AMOREPACIFIC's GHG inventory Report(Excel based)
- We have reviewed and verified the process to generate, aggregate and report the emissions data

**Conclusions**

Based on the above verification core elements, it is DNV GL opinion that the data and the information reported in the GHG assertion are free of errors, omissions and misrepresentations providing a fair and balanced quantification, in compliance to the above reported verification criteria. The GHG Emissions of AMOREPACIFIC for the year 2015 were confirmed as below;

**Greenhouse Gas Emissions of AMOREPACIFIC from Yr 2015**Unit: ton CO<sub>2</sub> equivalent.

Direct emissions (Scope 1)	Indirect emissions (Scope 2)	Total emissions
6,277	25,177	31,454

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

25th March 2016



Sang-Rey Chang  
Lead Verifier



In-Kyoon Ahn  
Country Manager  
DNV GL Business Assurance Korea Ltd

This Assurance Statement is valid as of the date of the issuance (25th March 2016). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of AMOREPACIFIC is subsequently brought to our attention.  
In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

# VERIFICATION STATEMENT GREENHOUSE GAS (GHG) INVENTORY AMOREPACIFIC SHANGHAI



NO. AS\_PRJC-541213-2016-CCS-KOR

## Introduction

DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by AMOREPACIFIC SHANGHAI Corporation ("AMOREPACIFIC SHANGHAI") to verify the AMOREPACIFIC SHANGHAI's Greenhouse Gas Inventory Report for the calendar year 2015 ("the report") based upon a reasonable level of assurance. AMOREPACIFIC SHANGHAI is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol: 2004 and the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of AMOREPACIFIC SHANGHAI 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) from AMOREPACIFIC SHANGHAI boundary of the report;

- Organizational boundary for reporting: AMOREPACIFIC SHANGHAI

## Verification Approach

The verification has been conducted by DNV GL from 4th March through 30th March 2016 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 reasonable verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton CO2 equivalent. As part of the verification process:

- We have reviewed and verified the AMOREPACIFIC SHANGHAI 's GHG inventory Report(Excel based)
- We have reviewed and verified the process to generate, aggregate and report the emissions data

## Conclusions

Based on the above verification core elements, it is DNV GL opinion that the data and the information reported in the GHG assertion are free of errors, omissions and misrepresentations providing a fair and balanced quantification, in compliance to the above reported verification criteria. The GHG Emissions of AMOREPACIFIC SHANGHAI for the year 2015 were confirmed as below;

**Greenhouse Gas Emissions of AMOREPACIFIC SHANGHAI from Yr 2015** Unit: ton CO2 equivalent.

Direct emissions (Scope 1)	Indirect emissions (Scope 2)	Total emissions
<b>978</b>	<b>4,665</b>	<b>5,643</b>

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

30th March 2016

  
Sang-Rey Chang  
Lead Verifier

  
In-Kyoon Ahn  
Country Manager  
DNV GL Business Assurance Korea Ltd

This Assurance Statement is valid as of the date of the issuance (25th March 2016). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of AMOREPACIFIC is subsequently brought to our attention.  
 In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

## GRI G4 Index

GRI G4	No.	Indicators	ISO 26000	Page
<b>1. General Standard Disclosure</b>				
Strategy and analysis	G4-1	Statement from the most senior decisionmaker of the organization (incl. strategy relates to sustainability, impacts of the activities in relation to the stakeholders)	4.7, 6.2, 7.4.2	24-25
Organizational profile	G4-3	Name of the organization	6.3.10,	31
	G4-4	Primary brands, products, and/or services	6.4.1-6.4.5,	6-15
	G4-5	Location of organization's headquarters	6.8.5,	30-31
	G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	7.8	30-31
	G4-7	Nature of ownership and legal form		35
	G4-8	Markets served (including geographic breakdown, sectors served and types of customers beneficiaries)		30-34
	G4-9	Scale of the reporting organization		30-31
	G4-10	The total workforce by employment type, gender, employment contract and region		30-31
	G4-11	The percentage of total employees covered by collective bargaining agreements.		89
	G4-12	Describe the organization's supply chain		60-63, 90-91
G4-13	Significant changes during the reporting period relating to size, structure, or ownership or its supply chain		30-31, 35	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization		111	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		18	
G4-16	List memberships of associations (such as industry associations)		UNGC, KBCSD	
Identified material aspects and boundaries	G4-17	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures (List all entities in the consolidated financial statements)	5.2, 7.3.2-7.3.4	123
	G4-18	Process for defining report content and the Aspect Boundaries and explain how the Reporting Principles has been implemented		42-43
	G4-19	List all the material Aspects identified in the process for defining report content		43
	G4-20	The Aspect Boundary within the organization: Whether the Aspect is material within the organization; The list of entities included in G4-17 for which the Aspect is or is not material; Specific limitation regarding the Aspect Boundary within the organization		42-43
	G4-21	The Aspect Boundary outside the organization: Whether the Aspect is material outside the organization; The list of entities for which the Aspect is material, relate to geographical location; Specific limitation regarding the Aspect Boundary outside the organization		42-43
	G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries		18, 78, 83
	Stakeholder engagement	G4-24	The list of stakeholder groups engaged by the organization.	5.3
G4-25		The basis for identification and selection of stakeholders with whom to engage		19-21
G4-26		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		42
G4-27		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting; Report the stakeholder groups that raised each of the key topics and concerns		42
Report profile	G4-28	Reporting period (such as fiscal or calendar year) for information provided	7.5.3, 7.6.2	123
	G4-29	Date of most recent previous report		123
	G4-30	Reporting cycle		123
	G4-31	Provide the contact point for questions regarding the report or its contents		123
	G4-32	Table identifying the location of the Standard Disclosures in the report		119-122
	G4-33	Policy and current practice with regard to seeking external assurance for the report		115-116
Governance	G4-34	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	6.2, 7.4.3	28-29

GRI G4	No.	Indicators	ISO 26000	Page
Ethics and integrity	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	7.7.5, 4.4, 6.6.3	39

GRI G4	No.	Indicators	ISO 26000	Page
--------	-----	------------	-----------	------

**2. Specific Standard Disclosure**

**Economic**

Economic Performance	DMA	Disclosure on management approach		44
	G4-EC1	Direct economic value generated and distributed	5.3	32-34, 44-48
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		78-82, 111, 113
Market Presence	DMA	Disclosure on management approach		84
	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	6.3.7, 6.3.10, 6.4.3-6.4.4, 6.8.1-6.8.2	1)
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	6.4.3, 6.8.1-6.8.2, 6.8.5, 6.8.7	2)
Indirect Economic Impacts	DMA	Disclosure on management approach		64
	G4-EC7	Development and impact of infrastructure investments and services supported	6.3.9, 6.8.1-6.8.2, 6.8.7, 6.8.9	64-67, 92-98
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	6.3.9, 6.6.6-6.6.7, 6.7.8, 6.8.1-6.8.2, 6.8.5, 6.8.7, 6.8.9	64-67, 92-98
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	6.4.3, 6.6.6, 6.8.1-6.8.2, 6.8.7	66

**Environmental**

Materials	DMA	Disclosure on management approach		55
	G4-EN2	Percentage of materials used that are recycled input materials/Percentage of materials	6.5.4	58, 73, 95
Energy	G4-EN3	Energy consumption within the organization	6.5.4	18, 77-80
	G4-EN5	Energy intensity	6.5.4	18, 78
	G4-EN6	Reduction of energy consumption	6.5.4-5	18, 78
Water	DMA	Disclosure on management approach		81
	G4-EN8	Total water withdrawal by source	6.5.4	18, 78, 81
	G4-EN10	Percentage and total volume of water recycled and reused	6.5.4	81
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.6	56, 82
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6.5.6	56, 82
	G4-EN13	Habitats protected or restored	6.5.6	56, 66, 82
Emissions	DMA	Disclosure on management approach		79
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	6.5.5	18, 78
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	6.5.5	18, 78
	G4-EN18	Greenhouse gas (GHG) emissions intensity	6.5.5	18, 78
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	6.5.5	18, 78-80
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	6.5.3-4	78
	G4-EN23	Total weight of waste by type and disposal method	6.5.3	78
Products and Services	DMA	Disclosure on management approach		55
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	6.5.3, 5.4, 6.5.5, 6.7.5	55-58, 71-73
	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	6.5.3, 6.5.4, 6.7.5	95

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

2) 95.5 % of Upper Management in Chinese Subsidiary - Locally Recruited Chinese

GRI G4	No.	Indicators	ISO 26000	Page
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	6.5.4, 6.6.6	80
Overall	G4-EN31	Total environmental protection expenditures and investments by type	6.5.1-6.5.2	79-81
Supplier environmental assessment	DMA	Disclosure on management approach		59
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	6.3.5, 6.6.6, 7.3.1	61 3)

**Social**

**Labor practices and decent work**

Employment	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.4.4, 6.8.7	86-89
	G4-LA3	Return to work and retention rates after parental leave, by gender	6.4.4	83
Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	6.4.6	89
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	6.4.6, 6.8.8	18, 83
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	6.4.6	86
Training and Education	DMA	Disclosure on management approach		84
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.4.7	83
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4.7, 6.8.5	62-63, 85
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.4.7	84
Diversity and Equal Opportunity	DMA	Disclosure on management approach		84
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	6.2.3, 6.3.7, 6.3.10, 6.4.3	18, 36, 83-84
Supplier Assessment for Labor Practices	DMA	Disclosure on management approach		59
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	6.3.5, 6.4.3, 6.6.6, 7.3.1	61 4)
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	6.3.6	39

**Human Rights**

Investment	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	6.3.5	89
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	6.3.6, 6.3.7, 6.3.10, 6.4.3	84
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.5, 6.6.6	89
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6, 6.8.4	89
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	6.3.3, 6.3.4, 6.3.5, 6.3.10, 6.6.6	89
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	6.3.4, 6.3.5, 6.6.6	89

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

GRI G4	No.	Indicators	ISO 26000	Page
Supplier Human Rights Assessment	DMA	Disclosure on management approach		59
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	6.3.3-6.3.6	61 5)
	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	6.3.6	39

#### Society

Local Communities	DMA	Disclosure on management approach		64
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	6.3.9, 6.5.1-6.5.3, 6.8	64-67, 94-98, 101, 109, 113
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	6.6.1-6.6.3, 6.6.6	39
	G4-SO5	Confirmed incidents of corruption and actions taken	6.6.1-6.6.3	39
Supplier Assessment for Impacts on Society	DMA	Disclosure on management approach		59
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	6.3.5, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	61 6)
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	6.3.6, 6.6.1-6.6.2, 6.8.1-6.8.2	39

#### Product Responsibility

Customer Health and Safety	DMA	Disclosure on management approach		55
	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	6.7.1-6.7.2, 6.7.4-6.7.5, 6.8.8	58
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	6.7.1-6.7.5, 6.7.9	58
	G4-PR5	Results of surveys measuring customer satisfaction	3.7.1-6.7.2, 6.7.6	71,76
Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6.7.1-6.7.2, 6.7.7	77

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

# 2015

## AMOREPACIFIC Group Sustainability Report

### Purpose

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

### Scope

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

### Period Covered

This report covers AMOREPACIFIC Group's activities from January 1, 2015 to December 31, 2015. Data from 2013 and 2014 were included for comparative purposes. Information obtained until March 2016 was reflected in some of the data.

### Report Verification

In order to enhance the accuracy and reliability of the report, the content was verified by an independent verification institution, EY Han Young.

### Standards Followed

The 2015 AMOREPACIFIC Group Sustainability Report has been prepared in accordance with the G4 Core Guidelines of the Global Reporting Initiative (GRI), the main agenda of ISO 26000 and the internal report preparation standards.

Date of publication	2016. 04. 22
Publisher	Kyung-bae Suh
Publishing organization	AMOREPACIFIC Group
Production	Sustainability Management Team, Growth Support Division, AMOREPACIFIC
Design	vergum

Signature Tower, 100 Cheonggyecheon-ro, Jung-gu, Seoul, Korea 04542  
 Tel +82. 2. 709. 5406 Fax +82. 2. 709. 4109  
 E-mail [csr@amorepacific.com](mailto:csr@amorepacific.com)