



Creating a
**Beautiful
Life**

2011 AMOREPACIFIC SUSTAINABILITY REPORT



SPECIAL SECTION

01 Growth & communication

INTRODUCING AMOREPACIFIC

08 CEO message
10 Company introduction
11 Corporate governance structure
13 Vision
14 Sustainability management
15 Communication with stakeholders
19 Corporate ethics
20 Risk management

MAKING SUSTAINABLE VALUES

22 Economic value
23 Domestic business performance
24 Global business performance
25 Brand portfolio

TAKING SUSTAINABLE ACTIONS WITH CUSTOMERS

30 Development of sustainable products
31 Sustainable purchasing
32 R&D innovation
34 Open innovation
35 Strengthening of customer communication
36 Activities for customer satisfaction

TAKING SUSTAINABLE ACTIONS WITH ENVIRONMENT

38 Responding to climate change
40 Resource conservation
41 Green building
42 Protection of biodiversity
43 Green communication
44 Environmental performance results

TAKING SUSTAINABLE ACTIONS WITH EMPLOYEES

46 Talent management strategy
47 Talent development
48 Employees and human right protection
49 Balance between work and personal life
50 Employee communication

TAKING SUSTAINABLE ACTIONS WITH BUSINESS PARTNERS

52 Shared growth with beauty partners
55 Shared growth with suppliers

TAKING SUSTAINABLE ACTIONS WITH COMMUNITIES

58 AMOREPACIFIC's social contribution
59 For beautiful change of women's lives
61 For harmonious future with society

APPENDIX

66 Consolidated financial statements
68 Independent assurance report
70 Greenhouse gas verification statement
71 GRI index

In order to make a more beautiful world,
we promise to
grow and communicate continuously.

As a company that considers
inner beauty to be as important as outer beauty,
we strive to increase 'communication'
in addition to achieving 'growth'.
We make an effort to read the minds and
hearts of our stakeholders
and do not just focus solely on growth.

Under our vocation of becoming an 'Asian Beauty Creator',
we will work together with our stakeholders to try
and create a beautiful and harmonious world.



"These days, with so many cosmetics brands, it is difficult to decide on which products to use. However, the very first thing that I consider when choosing a product is if it is safe to be applied directly on the skin. Not only that, I also want to meet a clean product that take responsibility for the environment."

Ha-na Song, Prosumer



"These days, with so many cosmetics brands, it is difficult to decide on which products to use. However, the very first thing that I consider when choosing a product is if it is safe to be applied directly on the skin. Not only that, I also want to meet a clean product that take responsibility for the environment."

Ha-na Song, Prosumer

Number of sustainable products

139 products

101.4% ▲

Number of Beautiful Fair Trade agreements signed

7 cases

75.0% ▲

Customer complaint resolution

99.1 %

1.4%p ▲

Amount of R&D investment

KRW 73.4 billion

10.8% ▲

ISSUE & COMMUNICATION //

AMOREPACIFIC is always striving to develop products that satisfy our customers. We have strengthened a sense of safety for our customers by developing sustainable products that follows our strict standards, while we work on minimizing environmental impacts and takes the socially disadvantaged people into consideration. Also, we expanded the value chain of fulfilling our social and environmental responsibilities by increasing 'Beautiful Fair Trade', which is a raw material purchasing program developed by AMOREPACIFIC. By expanding communication with global customers, we are implementing the Lifetime Customer Campaign for about 2 million customers from six countries, including China, US, and Japan. Not only that, we are also implementing the customer complaint management activities, which improves and prevents even the tiniest complaints made by our customers. AMOREPACIFIC will continue to listen to the Voice of the Customer (VOC) and strive to achieve sustainable development with our customers.

- > Received the 2011 Korea Consumer Confidence Grand Prize (Ministry of Health & Welfare)
- > Sponsored in the 22nd World Congress of Dermatology
- > Selected as the 2011 Next Generation Best Products for all shampoo products (Ministry of Knowledge Economy)



"I think it's a natural thing. AMOREPACIFIC uses safe materials that are applied with the strict standards that reflect customers' thoughts, while also conducts researches to develop eco-friendly products. We will strive to produce safe and eco-friendly products from product development to production and after sales services."

Ok-chan Lee, Herbal Research Team
at AMOREPACIFIC

Greenhouse gas emissions

31,096 tons of CO₂

Basic Unit (Tons of CO₂ / KRW 100 millions) 5.1% ▼

Water consumption

325,610 tons

Basic Unit (Tons / Tons of Product) 20.7% ▲

Solid waste generation

6,457 tons

Basic Unit (Tons / Tons of Product) 25.0% ▲

Collection of empty bottles

72.1 tons

218.8% ▲

ISSUE & COMMUNICATION //

In order to provide environment friendly management, AMOREPACIFIC established an environmental management system of global standards and implemented various activities, including the reduction of greenhouse gas (GHG) emissions, the development of eco-friendly raw materials and clean technologies, the establishment of eco-friendly logistics system, and the development of eco-friendly products. In particular, we launched an environment-friendly integrated SCM station (AP Beauty Production Plant) in Osan, Gyeonggido in 2011. Also, we strived to build a sustainable environment internally and externally at the company through green communication, including the development of eco-friendly products, the implementation of Beautiful Fair Trade, the efforts to build green partnership, and the recycling campaign of empty bottles. We will continue to take the lead in providing safe products for our customers, while also creating a sustainable environment where our children can run freely.

- > Completed the preliminary certification of Korea Green Building for main building of AP Beauty Production Plant
- > Number of Carbon Footprint Label Certified products: 16

"I think it's a natural thing. AMOREPACIFIC uses safe materials that are applied with the strict standards that reflect customers' thoughts, while also conducts researches to develop eco-friendly products. We will strive to produce safe and eco-friendly products from product development to production and after sales services."

Ok-chan Lee, Herbal Research Team
at AMOREPACIFIC





"I think creating a workplace where people want to work means all employees should be able to work creatively and derive pleasure from what they do.

I hope AMOREPACIFIC will be workplace where all employees, including beauty partners, can work happily while finding a balance between work and personal life. "

Han-hyuk Im, Corporate Support Team
at AMOREPACIFIC

"I think creating a workplace where people want to work means all employees should be able to work creatively and derive pleasure from what they do. I hope AMOREPACIFIC will be workplace where all employees, including beauty partners, can work happily while finding a balance between work and personal life."

Han-hyuk Im, Corporate Support Team
at AMOREPACIFIC

Percentage of women in workplace

63.7 %

0.1%p ▼

Training hours per employee

100.8 hours

6.8% ▲

Workplace accidents

0 %

-

Engagement of employees

75.0 %

6.0%p ▼

ISSUE & COMMUNICATION

AMOREPACIFIC is working towards creating a corporate culture of good communication with creative work environment, while also reinforcing the employees' global competencies.

In 2011, we improved communications between employees through an internal internet communication channel called 'AMOREPACIFIC (Chinese character for people)'. Employees shared a variety of ideas, such as improving work conditions and sharing ideas related to products and customer services. We established the 'Smart Work' system, which enabled employees to find a balance between work and personal life, by introducing a flexible work program and giving vacation to employees of long-term service, while striving to create a workplace where employees can work happily through the 'Happy Plus' campaign. Also, we implemented the 'Hyecho Project' for reinforcing the employees' global competencies so that they can become a talented workforce prepared for the expansion of global business.

- > Received a Presidential Citation for Excellent Company of Equal Employment (Ministry of Employment and Labor)
- > Ranked 9th in manufacturing industry for best workplace to work in Korea (KMAC)



"As AMORE Counselor, I have always thought of the company as my lifetime partner. I have great pride in my job that I want to pass it on to my daughter. I enjoy listening and talking to customers and working to satisfy their needs."

Soo-hyun Song, AMORE Counselor

Number of counselors

37,073 persons

1.2% ▼

Number of Arielles

1,474 persons

4.9% ▲

Number of beauty partners certified as 'Counseling Master'

446 persons

103.7% ▲

Number of beauty partners certified as 'Make up Master'

120 persons

114.3% ▲

ISSUE & COMMUNICATION //

AMOREPACIFIC supported and communicated with its business partners as their valuable partner for setting the foundation for continuous growth. In 2011, we worked on reinforcing the welfare benefits and establishing a win-win relationship with beauty partners. We established the AMOREPACIFIC Beauty College (ABC), a professional beauty training institute, staffed with outstanding internal and external instructors, to ensure that AMOREPACIFIC beauty partner deliver more professionalized beauty services to their customers. Also, we established the 'Supplier Information System (SIS)' for forging a win-win relationship with our suppliers that covers the whole process from order to delivery, while also setting the foundation for shared growth by expanding the 'win-win cooperation fund', which provides financial support to our suppliers, as well as establishing the environmental management system and supporting the global green partnership.

- > Opened the communication channel for Flora called 'MC&S Live'
- > Introduced beauty partner welfare benefits card
- > Signed an agreement on pilot project for global green partnership

"As AMORE Counselor, I have always thought of the company as my lifetime partner. I have great pride in my job that I want to pass it on to my daughter. I enjoy listening and talking to customers and working to satisfy their needs."

Soo-hyun Song, AMORE Counselor



"After overcoming breast cancer, the driving force that enabled me to live was 'the feeling of consideration and thankfulness'. AMOREPACIFIC provided me with the opportunity to give a lecture on early diagnosis of cancer. I am always thankful to AMOREPACIFIC for giving me the chance to help others enjoy a healthy life."

Kyeong-ja Ko, President of the Korea Breast Cancer Prevention and Promotion Association



"After overcoming breast cancer, the driving force that enabled to me to live was 'the feeling of consideration and thankfulness'. AMOREPACIFIC provided me with the opportunity to give a lecture on early diagnosis of cancer. I am always thankful to AMOREPACIFIC for giving me the chance to help others enjoy a healthy life."

Kyeong-ja Ko, President of the Korea Breast Cancer Prevention and Promotion Association

Social contribution expenditures

KRW **11.1** billion

21.6% ▲

Participants in Pink Ribbon Campaign lectures

31,227 persons

39.8% ▲

Hope Store startup support

20 stores

47.4% ▼

Number of hours employees participated in social contribution activities

27,530 hours

47.6% ▲

ISSUE & COMMUNICATION //

Based on the slogan 'Beautiful People Better Tomorrow', AMOREPACIFIC has implemented various social contribution activities for women's health and beauty. In 2011, we carried out various activities, including the 'Make Up Your Life Campaign' which is AMOREPACIFIC's representative social contribution activity; the 'BB Hope Wing' which is a project for supporting multi-cultural women's community; the 'Pink Ribbon Campaign' which is to help breast cancer patients; and the 'Hope Store Startup Support' which is a leading micro credit program for single mother families. Along with the company's growth, we are also faithfully fulfilling our responsibility as a global citizen. In 2011, we carried out the 'Make Up Your Life Campaign' for cancer patients in Shanghai, China, while also conducted the 'Smile Again Japan Campaign' to support Japan's earthquake recovery. In the future, AMOREPACIFIC will become a company that create a healthy society and share love through genuine social contribution activities.

- > Received the Forbes Social Contribution Grand Prize for social welfare section (Forbes Korea)
- > Received the 2011 Excellent PR Campaign Grand Prize for Pink Ribbon Campaign (Korea University Students' PR Association)
- > Exceeded the opening of the 100th Hope Store (a total of 112 stores)



"For a foreigner like me, AMOREPACIFIC is a great workplace. I can learn about my work and develop my global competency in a corporate culture that respects diversity. I want to head to the global stage and prove my ability, with the confidence I gained from AMOREPACIFIC,"

Danning Fu, Sulwhasoo PM Team
at AMOREPACIFIC

Consolidated sales

KRW **2,555** billion
12.4% ▲

Consolidated operating profits

KRW **373** billion
2.3% ▲

Overseas sales

KRW **327** billion
22.7% ▲

Distributed economic value

KRW **1,196** billion
10.8% ▲

*This accompanying financial statements comply with Korean financial reporting standards ("K-IFRS", consolidated financial statements)

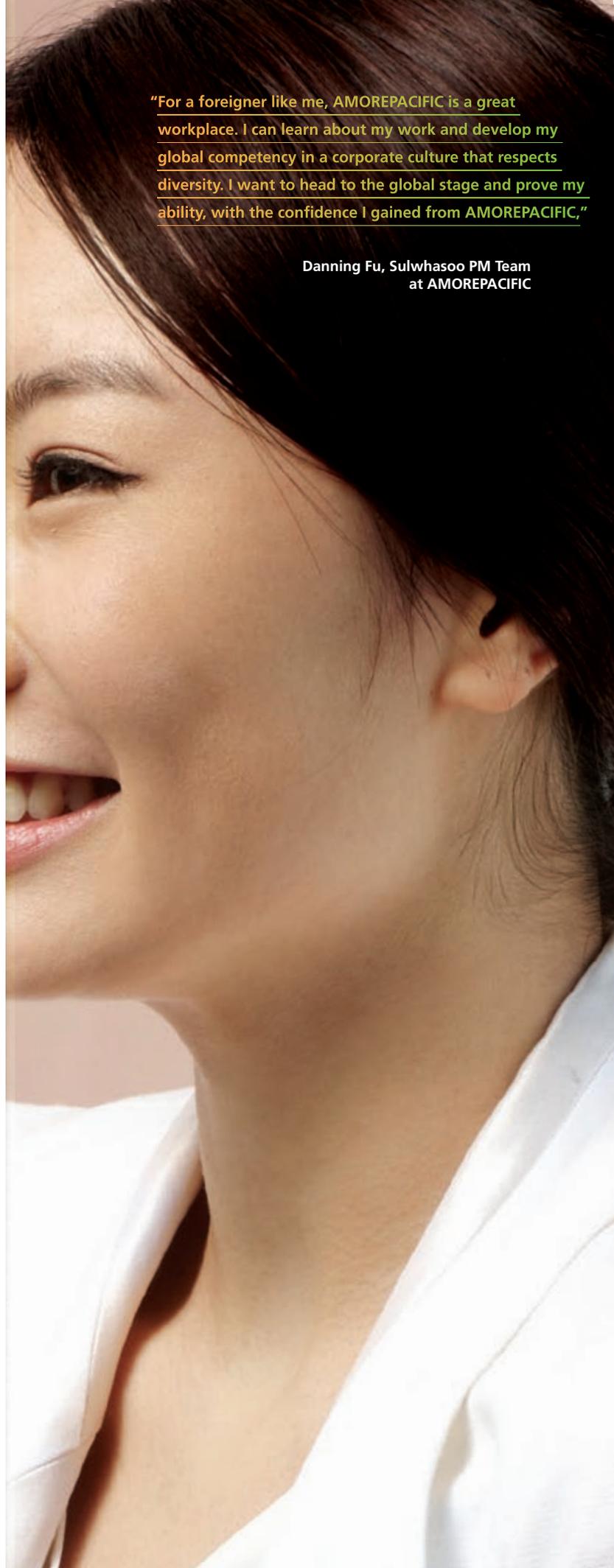
ISSUE & COMMUNICATION //

AMOREPACIFIC has made continuous growth in the global market. Based on our outstanding brand power and distribution competitiveness, we have led the Korean cosmetics market. Also, we are showing good results in the global market, especially in China, France and U.S., so that we ranked 16th in global cosmetics company by WWD. In 2011, AMOREPACIFIC acquired France's luxury perfume brand called 'ANNICK GOUTAL' to strengthen our brand portfolio, and we will continue to expand the global business by launching Sulwhasoo into the Chinese market.

- > Listed on DJSI World, Asia-Pacific, Korea for the second consecutive year
- > Ranked 16th in global cosmetics companies by WWD (Women's Wear Daily)

"For a foreigner like me, AMOREPACIFIC is a great workplace. I can learn about my work and develop my global competency in a corporate culture that respects diversity. I want to head to the global stage and prove my ability, with the confidence I gained from AMOREPACIFIC,"

Danning Fu, Sulwhasoo PM Team
at AMOREPACIFIC



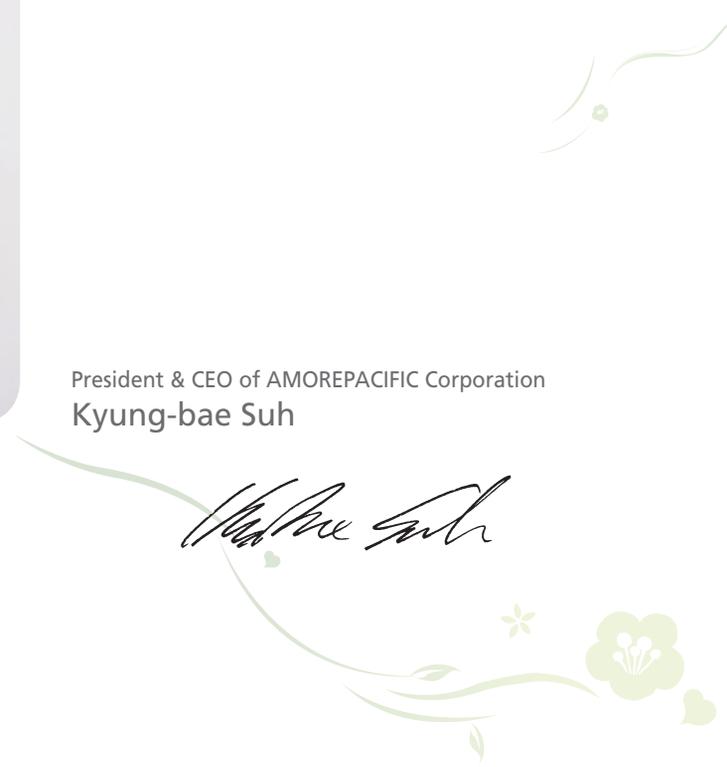
CEO MESSAGE



We will work towards creating 'a more beautiful life' where people, nature and businesses can coexist together.

President & CEO of AMOREPACIFIC Corporation
Kyung-bae Suh

Kyung-bae Suh



To Our Stakeholders, Accompanying Us on Our Beauty Quest.

During the past 66 years, AMOREPACIFIC has been carrying out our quest for beauty to fulfill its vocation of 'contributing to human society by creating our own way of beauty and health'. As if a spring meets a lake to become an ocean, we are faithfully implementing our vocation to make the world more beautiful by creating new values with our deep knowledge and diverse wisdom about Asian beauty as the Asian Beauty Creator. Based on such vocation, AMOREPACIFIC has implemented sustainability management for 'a more beautiful world' where people, nature and businesses can coexist together. Through these efforts, we are striving to provide beauty and happiness to more people.

AMOREPACIFIC has actively developed sustainable products to deliver future-oriented values to our customers. We are focusing the company's competencies to develop products that are beneficial to customers, environment and society from raw materials to packaging. In particular, we continuously expanded our fair trade activity developed in-house by AMOREPACIFIC called 'Beautiful Fair Trade', which has created a new growth momentum for the company where businesses, customers and local communities can all have a win-win relationship. Last year, we strengthened the environment-friendly facilities in the new plant in Osan to minimize the impact of our corporate activities on the environment.

Our employees share their thoughts and ideas through our internal internet communication channel called AMOREPACIFIC 人 (Chinese character for people) to collect all of our wisdoms together so that we can create a workplace where people want to work by finding a balance between work and personal life and to change corporate culture. Also, we improved the beauty partners' welfare benefits to allow them to work under a more stable working condition and implemented various programs to reinforce their professional competencies. Moreover, we support our business partners to strengthen their business competencies by developing and implementing mid to long-term supporting programs.

AMOREPACIFIC has expanded its social contribution activities focusing on women by also carrying out activities for immigrated women of multi-cultural families and disadvantaged women. Along with the company's global business expansion, we have strived to fulfill its responsibility as a global corporate citizen by implementing social contribution activities in China and Japan. Moreover, we support the ten principles of UN Global Compact (UNGC) governing human rights, labor, the environment and anti-corruption, and we are working on ensuring these principles are faithfully reflected in AMOREPACIFIC's management activities.

Along with the implementation of sustainability management activities, AMOREPACIFIC's employees reinforced their global competencies to deliver the Asian beauty to customers all across the globe, while also strengthened the foundation for sustainable growth by innovating our brands, distribution channels and services for domestic business operations. Based on these efforts, in 2011, we achieved KRW 2,555 billion in total sales and KRW 373 billion in operating profits.

Dear stakeholders,

AMOREPACIFIC is in the process of becoming a global company that goes beyond just being a local company in Korea. As a company with the vocation of becoming the Asian Beauty Creator, we will work towards identifying and developing sustainable values of beauty by embodying the wisdoms of Asia. In order to develop sustainable products that can be trusted by our customers and provide new values and experiences, we will innovate our brands and products to give the best quality to our customers. Also, we will make constant communication with our stakeholders and improve our way of working and culture to create an Evergreen Company, becoming a company that is more loved and admired by our customers and society.

AMOREPACIFIC will take the attitude of preparing a seed of hope instead of only thinking about the immediate profits, enabling us to prepare for our future as well as care for others. Beauty has an infinite power to change the world and we will make concerted efforts to bring these changes.

Thank you.

COMPANY INTRODUCTION

AMOREPACIFIC has worked on improving customer's quality of life by leading the Korean beauty industry during the past 66 years. We will strive to become a global beauty company that represents Asia to fulfill our vocation as the Asian Beauty Creator.

Current Status of Domestic and Overseas Operation



	Korea (Head Office)	China	France	U.S.	Asia (ex China, Japan)	Japan
Employees	4,456	3,586	248	61	235	71
Ratio of local employees	-	98.8%	97.2%	90.1%	94.9%	91.5%
Number of stores	1,878	3,164	2,245*	182	107	9
Major brands	Sulwhasoo, Hera, IOPE, Miamonde, Laneige, etc	Laneige, Miamonde, Sulwhasoo, Lirikos	Lorita Lempicka, Annick Goutal	AMOREPACIFIC, Sulwhasoo	Laneige, Sulwhasoo	AMOREPACIFIC
Major business site	Seoul, Yongin, Osan, Busan, Daejeon, Daegu, Gwangju, Jincheon, Jeju	Shanghai, Beijing	Paris	New York, LA	Hong Kong, Singapore, Malaysia, Vietnam, Thailand	Tokyo

*No. of the stores supplied by local distributors

Current Status of Domestic Subsidiaries (Group Status)

Name of company	Location	Main business
AMOREPACIFIC Group	Seoul	Holding company
Etude	Seoul	Cosmetics sales (Etude House)
Innisfree	Seoul	Cosmetics sales (Innisfree)
AMOS Professional	Seoul	Cosmetic sales (AMOS)
PACIFICGLAS	Gunsan, Jeonbuk	Glass bottle manufacturing
PACIFICPACKAGE	Cheongwon, Chungbuk	Printing
JANGWON	Jeju	Green tea cultivation

CORPORATE GOVERNANCE STRUCTURE

AMOREPACIFIC transitioned into a holding company structure to focus core competencies on the beauty and health businesses and to build a transparent governance structure. The company established a responsible management system and is focusing on making each business unit more specialized with stronger core competencies, thereby continually enhancing corporate value to increase the interests of shareholders and stakeholders.

BOD Composition and Authority

The AMOREPACIFIC Board of Directors has authority as a top decision-making body organization. As of the end of 2011, its membership consists of nine registered members, including six executive directors and three non-executive directors (NEDs). Each director is obligated to faithfully exercise his duties and fulfill responsibilities as a good manager based on Korean commercial law and the company's Articles of Incorporation. The directors are striving to promote the interests of shareholders and other stakeholders. The executive directors are the leaders of different business units and are recommended by the BOD. The NEDs are experts with professional knowledge and extensive experience in their respective fields, including management, finance, global affairs, and marketing. The NEDs are recommended by the NED Nominating Committee and are elected by receiving approval from shareholders during a general meeting of shareholders. The BOD guarantees the independence of the NED so that they can actively present their opinions on overall management during BOD meetings, and is actively incorporating their opinions.

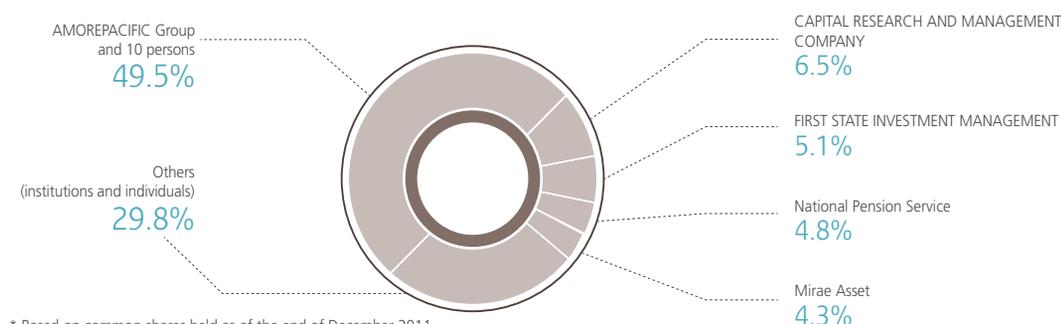
BOD Operation

To ensure efficient management, the AMOREPACIFIC BOD has set up professional committees under the BOD which decide on key matters related to management. These committees include the Executive Committee, Audit Committee, and NED Nominating Committee. In 2011, the Board of Directors convened five times, the Executive Committee four times, and the Audit Committee four times. Information on important decisions was provided to shareholders and stakeholders through public announcements made by the Financial Supervisory Service and the Korea Exchange.

Board of Directors (2011)

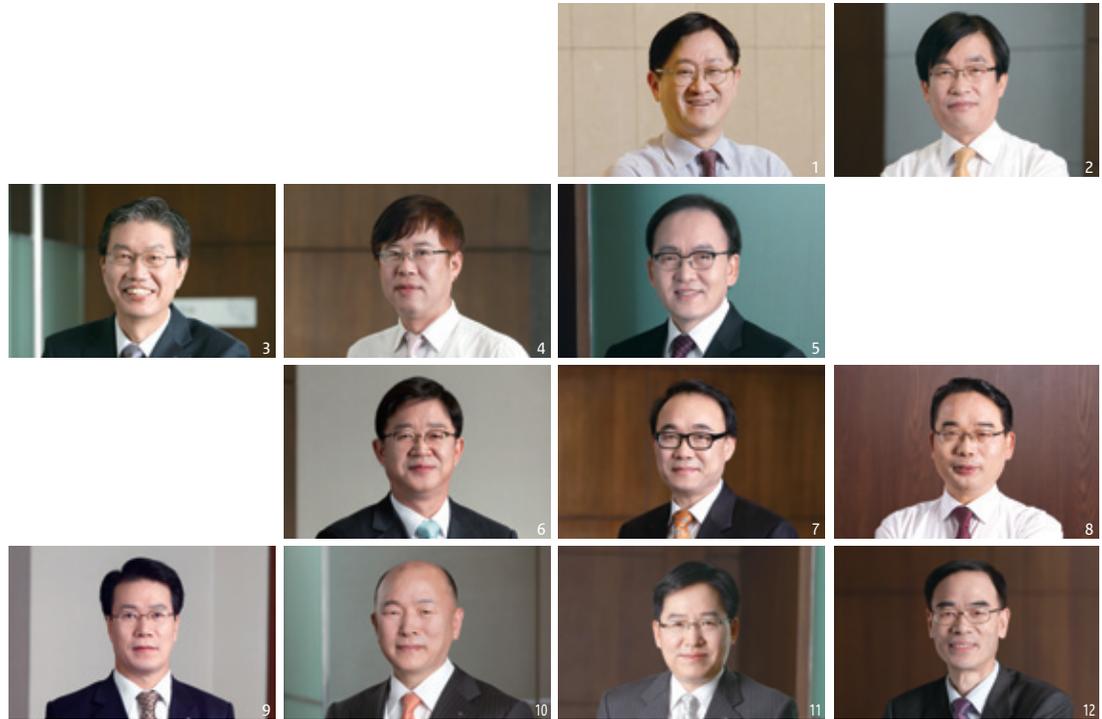
Category	Name	Responsibilities	Position
Executive Directors	Kyung-bae Suh	Overall management	CEO, Chairman of BOD, Executive Committee
	Sang-bae Shim	Overall production and R&D	Executive Committee
	Dong-hyun Bae	Overall support	Executive Committee
	Young-so Kwon	Overall sales and marketing	Executive Committee
	Chang-soo Yang	Marketing	Executive Committee
	Hak-hee Kang	R&D Center	Executive Committee
Non-executive Directors	Jae-yong Song	Professor, College of Business Administration, Seoul National University	Chairman of Audit Committee
	Dong-soo Kim	Former President, Asia-Pacific HQ, Dupont	Audit Committee
	Eon-oh Lee	President, Busan Development Institute	Audit Committee

Major Shareholders



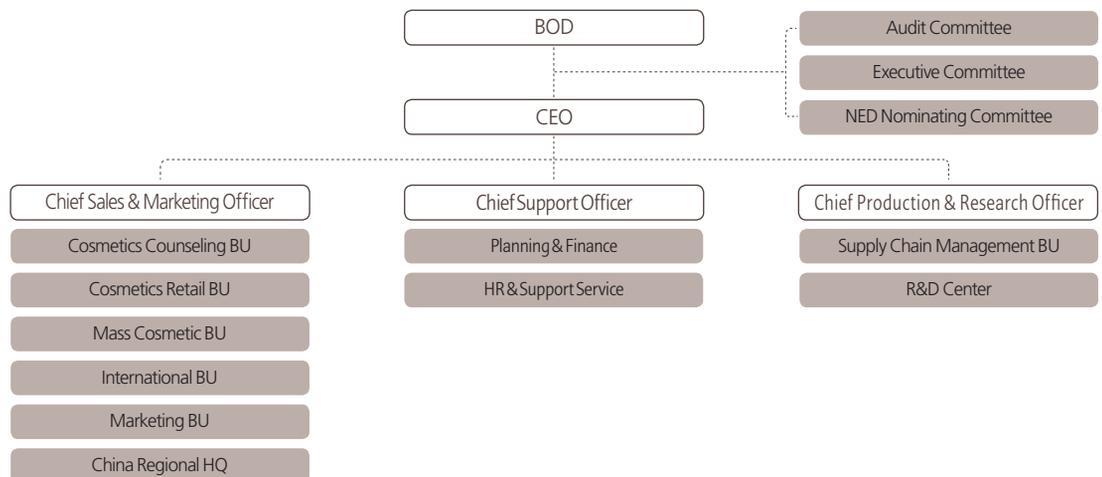
* Based on common shares held as of the end of December 2011

Top Management (2012)



1 **Kyung-bae Suh**, Chief Executive Officer
 2 **Young-so Kwon**, Marketing BU
 3 **Sang-bae Shim**, Supply Chain Management BU
 4 **Min-jeon Lee**, Cosmetics Counseling BU
 5 **Dong-hyun Bae**, Planning & Finance
 6 **Yoon Lee**, HR & Support Service
 7 **Hak-hee Kang**, R&D Center
 8 **Min-cheol Suh**, Cosmetics Retail BU
 9 **Jae-chun Yoo**, China Regional HQ
 10 **Bong-hwan Kim**, International BU
 11 **Chan-hoe Kim**, Mass Cosmetics & Sulloc BU
 12 **Kwang-yong Koh**, Strategic Management

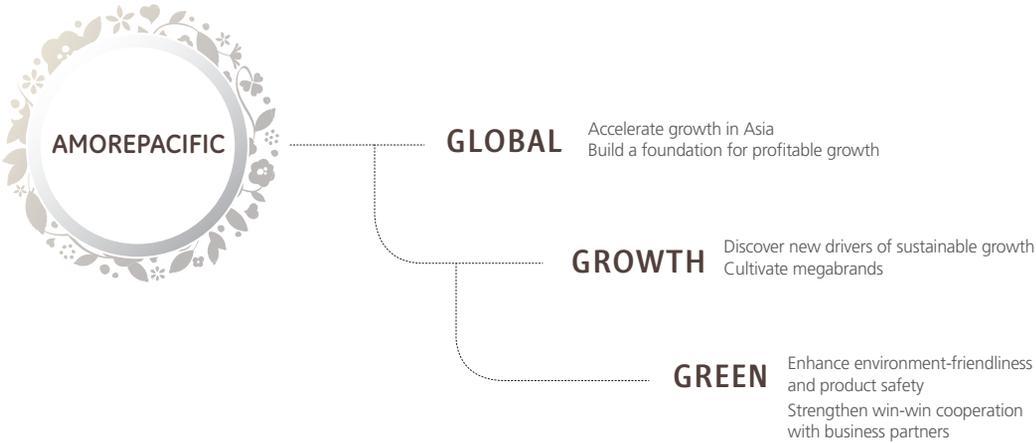
Organization Chart



VISION

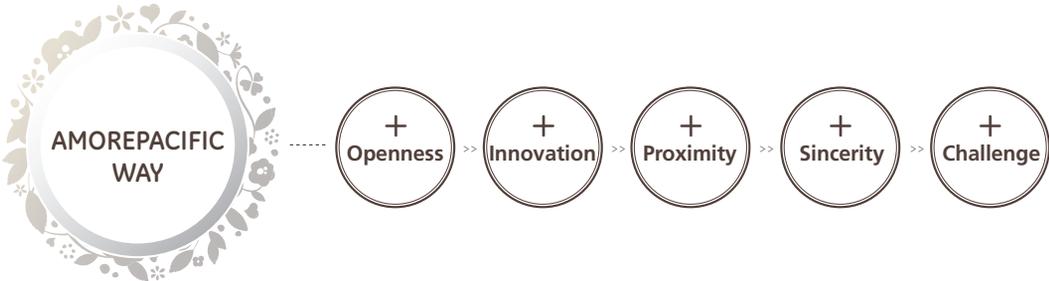
Vision 2015

AMOREPACIFIC's vision is to become a 'Global Total Care Provider of Beauty and Health'. Our strategy is to grow into one of the world's top ten cosmetics companies by developing ten megabrands. We will build a foundation for sustainable growth by continuously searching for new growth drivers. Based on our core competency in Asian beauty, we are developing products that satisfy the demands of the global market. At the same time, AMOREPACIFIC is looking forward to becoming one of the most respected beauty companies that represents social contribution, environmental responsibility and positive stakeholder engagement.



AMOREPACIFIC WAY

The AMOREPACIFIC WAY is the set of core values our company represents, and the Code of Conduct that everyone who works at AMOREPACIFIC adheres to in their quest to become the 'Asian Beauty Creator'. The core values of the Way are openness, innovation, proximity, sincerity and challenge. Openness refers to our belief that true growth and innovation are achieved when we communicate openly with those outside our organization. Innovation is our passion to bring refreshing newness to the beauty industry, and Proximity is our intention to remain close to our customers and serve them as partners in beauty. By Sincerity, we mean our commitment to doing every job to the best of our ability, no matter how small, while Challenge expresses our pioneering spirit that is never satisfied with doing business as usual.



SUSTAINABILITY MANAGEMENT

AMOREPACIFIC is pursuing a vision: we are striving to become Asia's most respected company in the beauty industry by 2015. The path that will take us there is the creation of a beautiful world where people, nature and businesses can live in harmony, and where we help our customers to achieve their dreams of beauty and health through sustainability management. Part of that commitment is the preparation of our sustainability management report, titled 'Creating a Beautiful Life', in which we provide a transparent view of all our activities, and demonstrate how we listen to the needs and concerns of all stakeholders and reflect their input in our management plans.

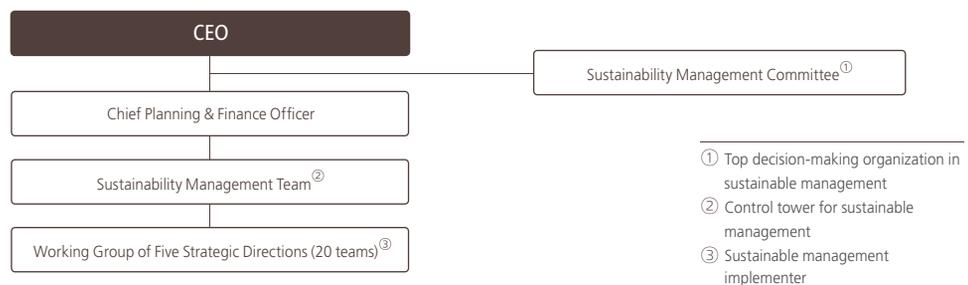
Vision for Sustainable Management



Operational Apparatus

The Sustainability Management Committee is the top decision-making body at AMOREPACIFIC, which made strategic decisions on sustainability management according to five strategic directions and key policies reviewed. It held three meetings in 2011, in February, June and October. In March, 2011, the Sustainability Management Team was created to integrate the company's sustainability management commitments with its key corporate strategies, and oversee their execution.

Sustainability Management Organization Chart



COMMUNICATION WITH STAKEHOLDERS

We seek sustainable values through open communication with stakeholders and reflect them in our decision-making process so that the company's core business direction heads in the same direction.

To achieve this, AMOREPACIFIC established its own process for stakeholder participation, to analyze and prioritize the interests of stakeholders concerning sustainability management activities through communication channels like stakeholder dialogue.

Stakeholders opinions and AMOREPACIFIC's response

Stakeholders	Communication channel	Major opinions	AMOREPACIFIC's response
 <p>Customers</p>	<ul style="list-style-type: none"> Customer satisfaction surveys CGAP (Customer Gifts for AMOREPACIFIC) CCMS (Customer Complaints Management System) Prosumer activities 	<ul style="list-style-type: none"> Development of products that strengthens customer's trust on the safety Prevention of claims by improving services Expansion of green AP campaign 	<ul style="list-style-type: none"> Implemented the recertification of Consumer Centered Management in 2011 Reinforced the awareness of environment-friendly management activities by holding the '2011 Green Tour in JEJU' for prosumers
 <p>Employees</p>	<ul style="list-style-type: none"> Regular meetings between labor and management AMOREPACIFIC 人 (Intranet) Working mom community Invitational lecture of Cornell University Johnson Graduate School of Management 2011 Stakeholder Dialogue 	<ul style="list-style-type: none"> Creation of flexible working environment Improvement of organizational and corporate culture Expansion of facilities and systems for working moms 	<ul style="list-style-type: none"> Implemented flexible working hours Introduced vacations for long-term employment Implemented 'Vium Project' to improve corporate culture Established plans to increase internal childcare facilities
 <p>Suppliers</p>	<ul style="list-style-type: none"> A-PAC¹⁾/ A-PRO²⁾ General Meetings Seminar on win-win practices for top management Win-win relationship promotion conference 2011 Stakeholder Dialogue 	<ul style="list-style-type: none"> Vitalization of support for suppliers Improvement of sustainability for suppliers 	<ul style="list-style-type: none"> Reorganized the ways of utilizing win-win cooperation fund Established the process for sharing suppliers' performances Improved communication by building a portal for win-win cooperation
 <p>Beauty Partners</p>	<ul style="list-style-type: none"> Satisfaction surveys on employees at discount stores The ASE (Newsletter for beauty partners) Online community for discount store employees 'One-heart' event for flora (discount store employees) Ritual event for Arielles/Genies Counselor 080 	<ul style="list-style-type: none"> Improvement of working conditions Acquisition of visions for long-term employment 	<ul style="list-style-type: none"> Established strategies for developing career visions and improving working conditions Established a relevant team to be in charge (HR Cooperation Team)
 <p>Local Communities</p>	<ul style="list-style-type: none"> Social contribution programs Mecenas activities 	<ul style="list-style-type: none"> Support for multi-cultural women Support for neglected women to enter the workforce Support for neglected families in local communities 	<ul style="list-style-type: none"> Implemented BB Wing of Hope Campaign Provided support for multi-cultural women's Pink Tour (health lecture), including operation expenses Implemented the Beautiful Beautrian Campaign (a program for reinforcing professional capability)
 <p>Government</p>	<ul style="list-style-type: none"> Visits to and meetings with government organizations KCA (Korea Cosmetics Association) activities 	<ul style="list-style-type: none"> Production and sales of products that comply with regulations and are safe with high-quality Support on activities for improving regulations to achieve industrial development 	<ul style="list-style-type: none"> Monitored laws and regulations and reflected them in internal compliance program Proposed improvements made on the activities of relevant institutions' committees Implemented activities for supporting governmental policy researches
 <p>NGO</p>	<ul style="list-style-type: none"> Campaigns based on cooperation with NGOs 2011 Stakeholder Dialogue 	<ul style="list-style-type: none"> Sharing of information on the right products Development of customer satisfaction products 	<ul style="list-style-type: none"> Realized the need to improve ways of sharing designs and information for the neglected people Strengthened the management of raw materials through beautiful purchasing Established strategies for sustainable packages and raw materials
 <p>Shareholders</p>	<ul style="list-style-type: none"> Regular shareholders' meetings IR (Analyst Day) 	<ul style="list-style-type: none"> Provision of business performances and business forecasts Increase of corporate access 	<ul style="list-style-type: none"> Shared the directions for medium-and long-term businesses Improved the results realized and established trusts by announcing the results and providing IR information Held the Analyst Day annually and operated a regular communication channel by holding global conferences

1) A-PAC: AMOREPACIFIC Partners' Committee

2) A-PRO: AMOREPACIFIC Raw material Organization

3) Floras: on-site customer service representatives in charge of selling AMOREPACIFIC personal care products at discount stores

4) Arielles: beauty consultants stationed at Aritaum shops

5) Genies: cosmetics sales representatives working in discount stores

2011 Stakeholder Dialogue

In order to create a healthy society that integrates environmental and social values into the company's core businesses, AMOREPACIFIC has established an organic relationship to create sustainable values together with our stakeholders. To achieve this, AMOREPACIFIC is seeking sustainable values through continuous communication with our stakeholders, including customers, shareholders, employees, suppliers, beauty partners and NGOs. Also, we have reflected them in our decision-making process so that the direction of the company's core businesses head in the same direction as our stakeholders. In 2011, we held a dialogue with stakeholders in groups to discuss our material issues, thereby strengthening the cooperation to identify diverse opinions and improve each other's values.



Strengthening of Product Safety

Developing customer safe products

The safety should be strengthened in the overall process, including cultivation of environment-friendly raw materials, management, storage and distribution. As the industry leader, AMOREPACIFIC needs to provide a stricter standard for safety standards and make efforts to reduce toxic substances.

Responsible marketing

All of the information about the product, including ingredients, usage and storage, should be provided so that consumers can know them easily. Also, it is time to shift to a marketing that provides correct use of the product instead of the existing marketing that focus on mass consumption.



Participants

Secretary-General of Consumers Union of Korea, Jung-hwa Kang
Secretary-General of Korean Women's Environment Network, Hee-young Kang
Secretary-General of Consumers Korea, Ja-hye Kim
Director of Green Consumer Network, Yoon-mi Cho
Professor of Seoul National University, Jung-sung Yeo

Presenter

Professor of KIST, Jae-cheon Ryu

Strengthening of Relationship with Beauty Partners

Due to the working condition of having to conduct sales activities of long hours in a limited space, the importance of health has increased. Moreover, in order to provide a working condition that enables beauty professional to work for long periods, it is necessary to improve the support and welfare systems on childbirth and childcare.



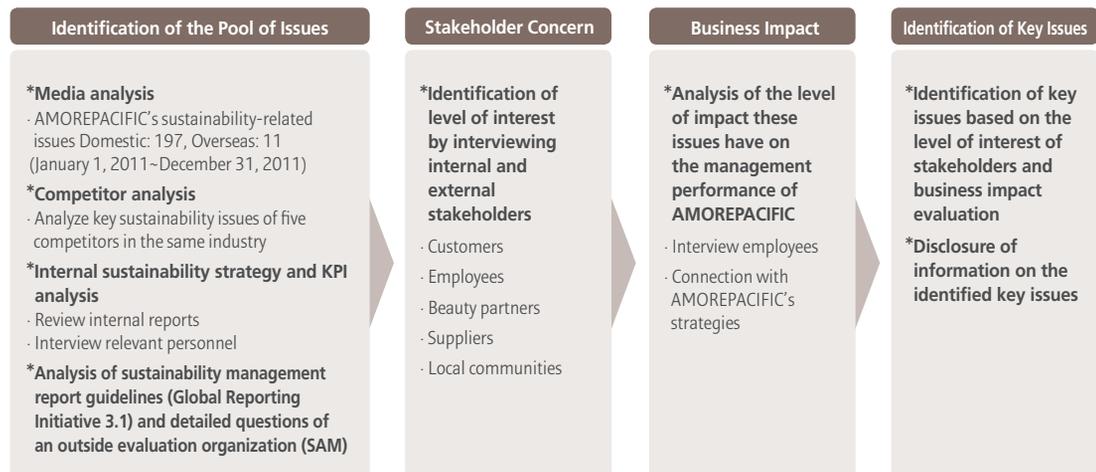
1. Arielles
2. Floras

Win-win Cooperation with Suppliers

AMOREPACIFIC should increase the persons who benefit from the win-win cooperation fund, which is being operated for its suppliers, while also strengthen the support provided for the technology development of suppliers. Also, there should be a wide variety of channels where the company can reinforce communication with suppliers and also provide support on training programs for the employees of its suppliers to enhance the competitiveness of suppliers.

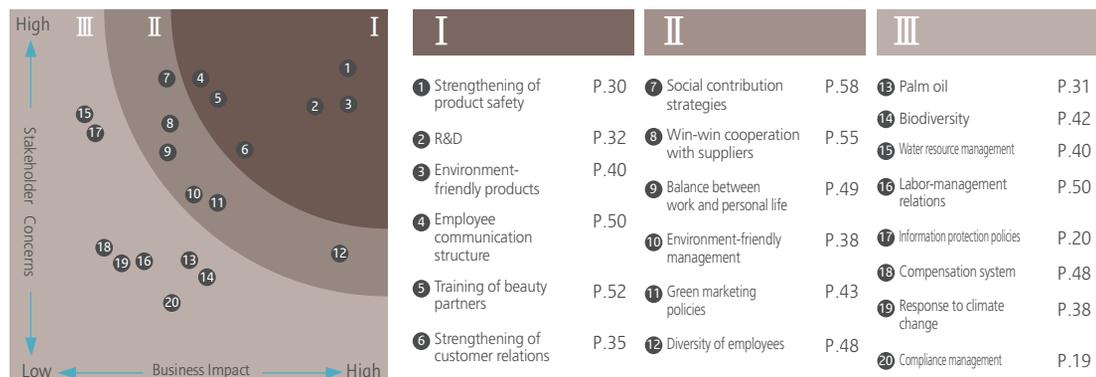
Material Issue Selection Process

AMOREPACIFIC used a four-step process to determine which issues were sufficiently material to warrant discussion in the company's Sustainability Report.



Results of Material Issue Evaluation

We identified a pool of twenty issues by implementing the material issue selection process. The issues were prioritized according to the level of interest of stakeholders and business impact, which were reflected in this report. (Please refer to the applicable pages) In particular, we identified issues with the highest degree of importance by stakeholders were products (strengthened product safety, R&D, environment-friendly products) and communication (employee communication structure, training of beauty partners and strengthening of customer relations). This report covers AMOREPACIFIC's activities in detail.



CORPORATE ETHICS

AMOREPACIFIC has announced ethical management in 2003 to maintain and promote a healthy corporate ethics and increase the scope of responsibility throughout the company. AMOREPACIFIC's corporate ethics is based on the values of AMOREPACIFIC WAY, which are the standards and norms for the consciousness and actions of Asian Beauty Creator needed to carry out the quest for beauty.

In 2011, under the slogan of 'Wider and Deeper Communication', AMOREPACIFIC implemented various activities, including the corporate ethics training program, the cartoon event for promoting corporate ethics guide, the campaign of not giving and not receiving gifts, and the support program for introducing corporate ethics to suppliers. Also, we have enhanced the effect of corporate ethics training by implementing off-line programs, including the training of strengthening ethical leadership for team leaders, the training for new employees, as well as on-line ethics training programs such as Beautiful Company and Ethical Leader. Also, besides the training programs, we made cartoons with examples of ethical dilemmas from the corporate ethics guide to develop the capabilities of employees to resolve situations involving ethical dilemma. We held quiz events so that employees can study them more easily.

Status of Participants in Corporate Ethics Training

(Unit: Persons)

Category	Participants	2009	2010	2011	Participant rate	Reference
Training program for new employees	New employees	-	-	319	100%	Group training
Beautiful Company, Ethical Leader	General employees	1,148	1,506	1,655	92%	On-line training
Training program for strengthening ethics leadership	Managers	-	-	396	97%	Group training

The campaign on not giving and not receiving gifts has been implemented as part of the ethics implementation program every year. At the beginning of the year, we send information about the campaign to our partners and suppliers to ask for their participation in the campaign. In the case where employees received gifts from stakeholders, we recommend them to first return them. However, in unavoidable circumstances where the gift cannot be returned, we hold auctions through an internal gift center and all of the money made from the auction is donated to local social welfare facilities. In 2011, we held auctions for 39 gifts received through the campaign.

AMOREPACIFIC has signed a pledge of ethical conduct with its employees and business partners to raise their ethical mindset. In 2011, we offered a variety of programs to promote ethical business practices by sharing our know-how on corporate ethics with business partners, enabling them to voluntarily adopt various measures for ethical compliance. By implementing these programs, we have fulfilled our role as a corporate citizen, which provided an opportunity for our business partners to efficiently draw up and implement the key tasks of corporate ethics.

Also, AMOREPACIFIC is receiving reports on unethical behaviors through the company's homepage and a team in charge of such reports. The cases received and handled through the homepage are disclosed transparently. The total number of reports received in 2011 was 43 cases, especially there was an increase in cases related to suppliers. AMOREPACIFIC will strive to promote a healthy ethical mindset to our employees.

Status of report on unethical behaviors

(Unit: cases)

Category	2009	2010	2011
Related to internal policies	9	14	18
Related to customers	9	6	13
Related to suppliers	4	1	12
Total	22	21	43

Status of Gifts Received

(Unit: cases, KRW 1,000)

Category	2009	2010	2011
Number of gifts received	12	24	39
Amount of contribution	432	680	1,552

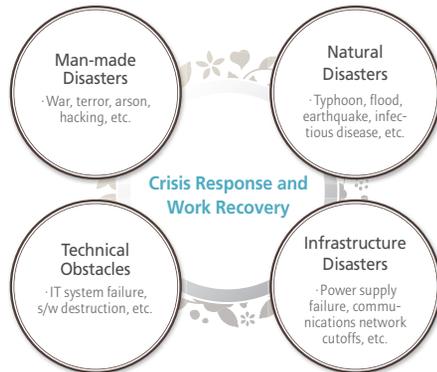
RISK MANAGEMENT

Corporate-wide Risk Management

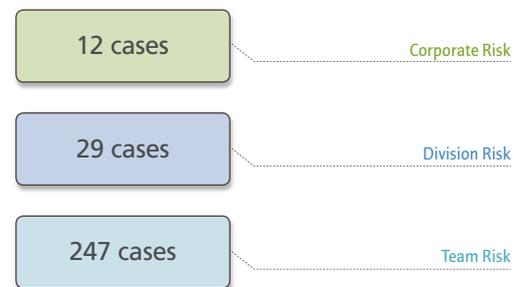
AMOREPACIFIC systematically implemented risk management to minimize negative impact on the company by practicing pre-emptive actions, such as the expansion of overseas operations, the intensified domestic and overseas competition, and the occurrence of various accidents and disasters. AMOREPACIFIC's Risk Management Secretariat identifies the corporate-wide risks according to the business importance and risk level to take actions and monitor them. The corporate-wide risk is divided into six categories: strategic, reputational, legal, operational, financial and environmental/social, and are managed accordingly. In 2011, we have selected and managed 12 cases of corporate risks, 29 cases of division risks, and 247 cases of team risks accordingly. Also, the Risk Management Committee, whose members comprise the company's senior managers, discusses ways to guide the monitoring and management of risks and make important decisions. The actual risk management activities are carried out by each business unit and working-level division.

In 2011, we closely monitored our responses every quarter to minimize negative impacts to enhance corporate-wide risk management, as well as subdivided the risks related to competition and growth to improve the management structure, thereby contributing to the generation of business results. Also, in the event of a natural disaster and man-made disaster such as fire and war, we expanded the scope of risk management by establishing the Business Continuity Management (BCM), which protects the company's manpower and assets and quickly restores normal businesses so that we can continue to provide our products and services to customers when a disaster is occurring. Also, we developed training programs for our employees to support their voluntary and active participation in risk management activities at work sites, while also carrying out communication activities through a corporate-wide bulletin board.

BCP(Business Continuity Plan)



2011 Portfolio of Risk Management



A presentation ceremony for the ISO 27001 certification



Internal Security and Protection of Customer Information

AMOREPACIFIC is actively conducting activities aimed at protecting company information by operating the Information Security Center (ISC), which prevents the leakage of important trade secrets like management know-how and protects from hacking attacks to ensure normal business operations. In 2011, we received the ISO 27001 certification from the British Standards Institution (BSI), a prestigious global institution, by re-organizing the corporate-wide information protection management system in accordance with the internal standards. During this process, we established a medium-and long-term improvement master plan that is implemented for three years to improve the company's security weaknesses.

Also, in order to protect customer's valuable personal information, AMOREPACIFIC improved the terms and conditions of membership agreements and guidelines for personal information use and held training on customer information protection for 2,796 sales representatives and employees at customer contact points. We strengthened the improvement activities and supervising roles to satisfy relevant laws and regulations, such as conducting regular monitoring on the suppliers managing computer network regarding the use of personal information. By minimizing the routes required to see customer information by a company insider, we worked towards preventing the leakage of customer information that might occur.



MAKING SUSTAINABLE VALUES

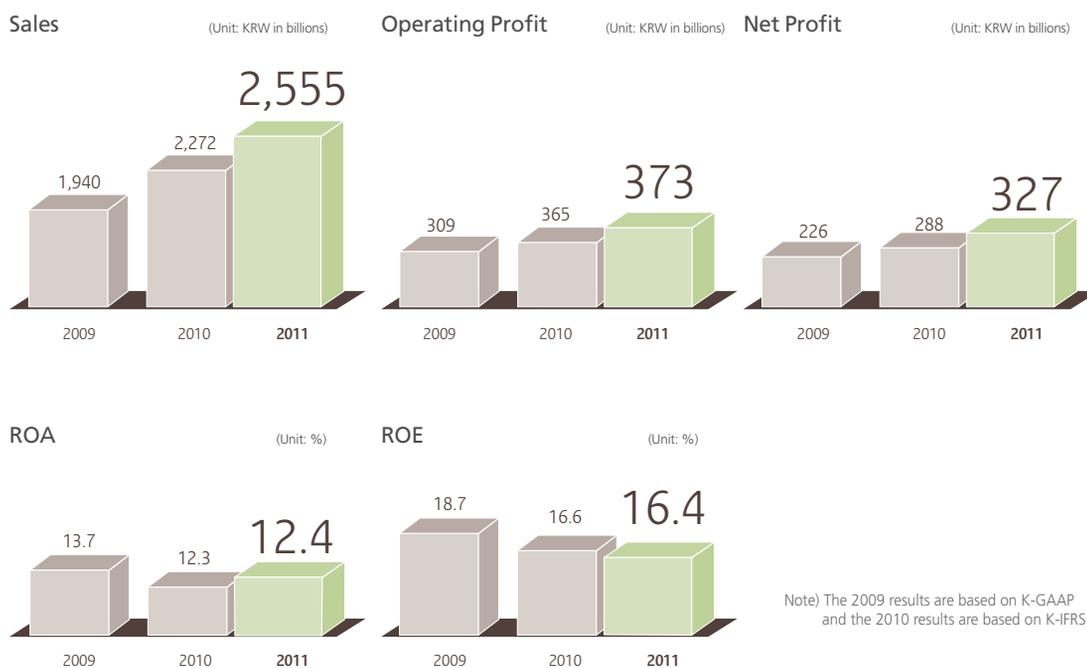
ECONOMIC VALUE

- 22 FINANCIAL RESULTS
- 23 DOMESTIC BUSINESS PERFORMANCE
- 24 GLOBAL BUSINESS PERFORMANCE
- 25 BRAND PORTFOLIO

This is a photo of bamboo purchased through 'Beautiful Fair Trade', a raw material purchasing program of AMOREPACIFIC.

FINANCIAL RESULTS

Consolidated Financial Information



Economic Value Creation & Distribution

(Unit: KRW in billions)

Category	2009	2010	2011
Employees*	276	303	338
Government**	88	98	128
Local communities	10	5	6
Creditors	3	2	2
Shareholders	38	41	45
Company	188	246	282
Beauty partners***	354	384	396
Distributed economic value	956	1,079	1,196

Note 1) The 2009 results are based on K-GAAP and the 2010 results are based on K-IFRS.

Note 2) Economic value was determined based on the consolidated financial statements of AMOREPACIFIC.

* This amount is the sum of salaries, retirement allowances, fringe benefits, etc. provided to employees.

** This amount is the sum of taxes, utility bills, income tax expenses, consolidated income tax expenses, etc.

*** This is economic value distributed to AMORE counselors, Aritaum shops, etc.

DOMESTIC BUSINESS PERFORMANCE

Despite the overall economic downturn and slowdown in consumption locally and globally in 2011, AMOREPACIFIC has achieved a double-figure growth in all business areas, including cosmetics and mass cosmetics & sulloc tea (MC&S) business, based on its differentiated brand power of mega brands and its competency in distribution channels that fully covers low to high-end segment. Also, we increased investments for future growth by establishing new production facilities and logistics center in Osan that will set the foundation for achieving the vision of becoming global top 10 beauty company.

1. Primera counter in Lotte Department Stores' main branch
2. Hera boutique in Cheongdam
3. Aritaum shop in Gangnam



Cosmetics Business

AMOREPACIFIC's cosmetics business reinforced its market leadership by outperforming the market growth. In 2011, the polarization of the Korean cosmetics market became more visible due to economic recession; therefore, the low-end cosmetics market got bigger compared to before, while the luxury brand market continues to maintain steady growth. Meanwhile, AMOREPACIFIC led the growth of luxury segment due to the strong performance of the duty free business and department stores. Also, the outstanding sales growth of the specialty stores (Aritaum) and online channels enabled the company to maintain its strong leading position in the mid to low-end segment. As a result, AMOREPACIFIC achieved KRW 1,891 billion in sales, up 11% from 2010.

We achieved sales growth of more than 10% in the door-to-door sales and department store, thanks to the outstanding product power and distinctive brand power of leading luxury brands, such as Sulwhasoo, Hera and AMOREPACIFIC. In terms of the door-to-door sales, the growth has slowed a little in the second half compared to the first half due to the sluggish domestic market. With regards to the department store channel, we continued growth due to the sales increase resulting from our enhanced customer management activities and sales capacity. In particular, there was a boom in the duty-free business, which was triggered by an increase in the number of domestic and overseas travelers, as well as the increased popularity of Sulwhasoo in the Asian region.

The Aritaum store channel and the online & home shopping sales channel achieved sales growth of more than 15%, driven by customer communication via social media and increased marketing activities for our customers. In particular, the growth was triggered by the strong brand power of our premium brands such as Laneige and IOPE. The 1,300 Aritaum shops across Korea increased the number of first-time and repeat visitors with systematic and

differentiated customer management and marketing activities, while striving to strengthen the sales capacity of franchisees by introducing training programs to foster them. In the online & home shopping sales channel, we showed high growth with profits as there were active and regular online purchases. On the other hand, the sales of the discount store channel decreased a little due to the growth slowdown of major discount stores and the increased consumption of low-end brands.

Mass Cosmetics & Sulloc Tea Business

In 2011, AMOREPACIFIC's Mass Cosmetics & Sulloc Tea (MC&S) business recorded KRW 403 billion in sales, representing annual growth of 18% over 2010. This impressive performance was driven by our top hair care brands, Ryo and Mise-en-Scene, which expanded its line of functional products to cater to more customized individual needs. As a result, we have the number one position in the shampoo market. In addition, AMOREPACIFIC's top cleansing line, Happy Bath, has further solidified its brand concept of natural and organic products, and became a representative body care brand by expanding the market share of its established body cleansing line as well as moisturizing products. In the green tea business, sales of leaf-form and organic tea premium products increased in 2011, especially at our O'sulloc Teahouse theme cafes and O'sulloc Teashops in department stores. Also, we increased opportunities for young customers to experience O'sulloc products through online malls and communities, while also working on increasing the number of potential customers by strengthening brand awareness.

Sales by Business Unit

(Unit: KRW in billions)

Business unit	2009	2010	2011
Cosmetics	1,474	1,709	1,891
MC&S	295	349	403
Total	1,769	2,058	2,294

*Drawn up based on AMOREPACIFIC's individual financial statements.

GLOBAL BUSINESS PERFORMANCE

1. Sulwhasoo counter in Shin Kong Place Department Store in Beijing
2. Laneige counter in Chungyo Department Store in Beijing
3. Lolita Lempicka counter in Sephora
4. Annick Goutal



Asian Market

In Asian countries and especially in China, AMOREPACIFIC continued its growth trend by focusing on strengthening the brand recognition of Laneige and expanding distribution channels for Mamonde. Also, in 2011, we launched Sulwhasoo in the Chinese market to make it into a global brand. With the number one store at Beijing's Parkson Department Store, we have opened seven Sulwhasoo stores in China, including Shanghai and Tianjin, which has enhanced the brand status into a global brand together with the stores in Hong Kong and New York.

We have established Laneige as a young, premium brand for the Chinese market. For Mamonde, we have established it as a high quality mass brand in China, while Sulwhasoo has positioned itself as Asia's representative luxury brand through differentiated VIP marketing activities. AMOREPACIFIC has raised its sales capabilities through strengthened CRM activities and training programs for our sales staff in China. We are also working on improving our brand awareness through active marketing campaigns and promotions.

As a result, our Chinese subsidiary achieved sales of KRW 189 billion in 2011. In addition to China, we are planning to enter into the ASEAN region, the next growth market after China, to increase our business. We are also expanding the duty free business in hub cities such as Hong Kong and Singapore with plans to enter into major emerging countries in 2012, including Indonesia, Malaysia and Vietnam.

Advanced Markets

In the US, AMOREPACIFIC brand has achieved strong growth at high-end department stores, such as Bergdorf Goodman and Neiman Marcus, as well as the premium specialty store chain Sephora. Furthermore, we have installed a Sulwhasoo sales counter at department store and increased AMORE shops aimed at Asian customers in the US, which resulted in sales of KRW 16 billion, up 34% from 2010.

In France, strong performance by Lolita Lempicka and efficient cost management allowed us to operate in the black. Also, AMOREPACIFIC acquired 100% ownership of the luxury fragrance brand, Annick Goutal, which is its first acquisition of foreign brand. Through this, AMOREPACIFIC strengthened its brand portfolio for global operations and we plan to make further efforts to raise our brand awareness and sales capabilities. We have high expectations that AMOREPACIFIC will continue to expand its business in the Asian and global markets by offering diverse products.

Sales by Region

(Unit: KRW in billions)

Category	2009	2010	2011
China	115	136	189
France	97	96	100
US	12	12	16
Asia (Except China)	76	89	109

*Drawn up by adding up the individual statements of overseas subsidiaries, including the sales of local subsidiaries which had been excluded from the consolidated financial statement of K-IFRS.

Hannule

Wisdom and beauty of oriental medicine

Based on Asian herbal medicine ingredients, Hannule exemplifies Korean thinking on health and beauty. The main ingredient, Yulleyodan, is grown 100% locally and restores the natural rhythms of the skin. Hannule is designed specifically for Korean skin types. www.hannule.co.kr



Laneige

The science of water and light for Asian women

Laneige products are meant for Asian women who want to create a unique look that is unconstrained by convention. Laneige is especially known for its 'Water Science' skin care line and 'Snow Crystal' makeup line that give skin a snowy transparency. www.laneige.com / www.laneigechina.com



Happy Bath

Natural, healthy mass-market cosmetics brand

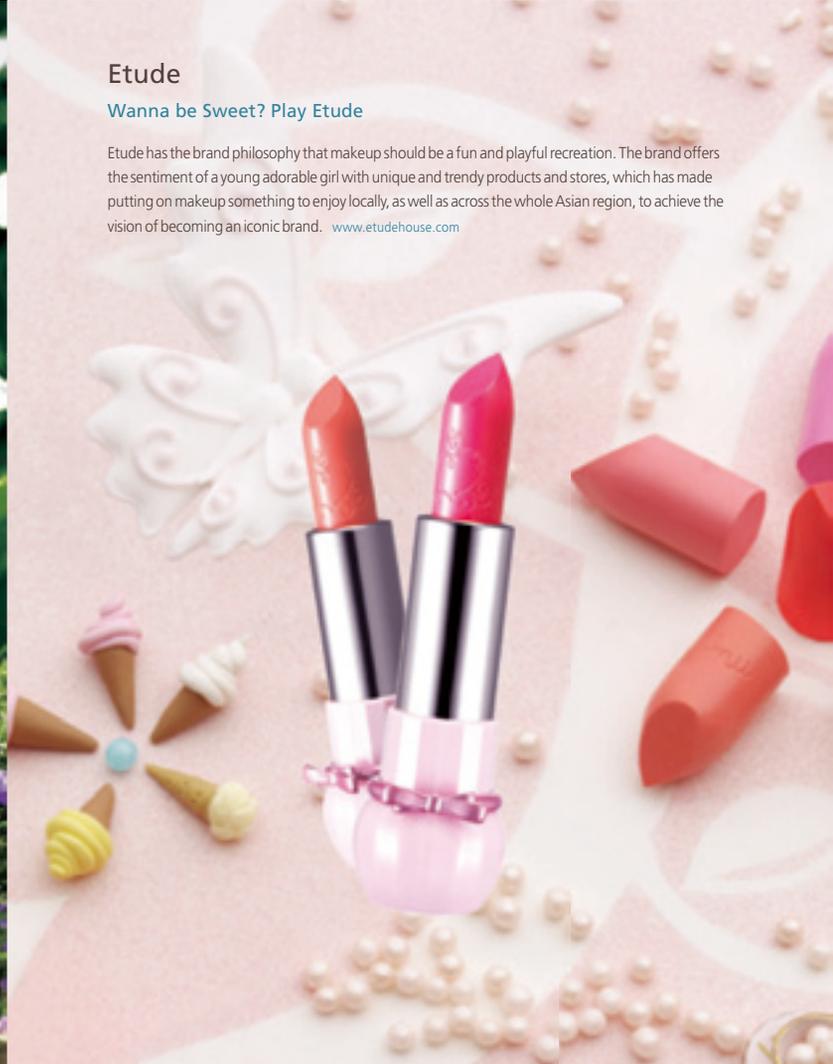
The Happy Bath brands are environmentally responsible, top-quality beauty products crafted with pleasing natural fragrances, giving them a competitive edge in the mass-consumption market. www.happybath.co.kr



Etude

Wanna be Sweet? Play Etude

Etude has the brand philosophy that makeup should be a fun and playful recreation. The brand offers the sentiment of a young adorable girl with unique and trendy products and stores, which has made putting on makeup something to enjoy locally, as well as across the whole Asian region, to achieve the vision of becoming an iconic brand. www.etudehouse.com



IOPE

The science of skin rejuvenation

IOPE is a cosmeceutical brand that promises effective solutions to a variety of skin problems. IOPE products are scientifically formulated to treat skin conditions and restore users' clear, wholesome complexions. The brand family includes the Retinol, Super Vital and Plant Stem Cell lines.

www.iope.co.kr



Mamonde

A beautiful name for women's wisdom

The Mamonde brand, with its emphasis on bright and lively femininity, has been hugely popular in the Korean and Chinese markets. Products contain naturally-derived ingredients that supply moisture to the skin to give a smooth, natural look. www.mamonde.com.cn



Lirikos

Inspired by the ocean

Lirikos is a prestigious maritime-themed brand originally from France. The very essence and value of Lirikos is our accumulated know-how that has combined cosmetics with deep ocean water that is rich with essential minerals as well as marine placenta ingredients that were gained from the ocean, which embodies the mystery of life and birth. www.lirikos.com.cn



Lolita Lempicka

The romantic perfume brand of Parisian sensibility

Developed in Paris, Lolita Lempicka is a global brand that remains popular for its romantic fragrances and artistic container design. It delivers, in a mystical way, the contrasting attractiveness of a young girl and a sensual woman, which is widely loved as a fragrance that captures the genuine merit of women.

www.parfumslolitalempicka.com



AMOREPACIFIC

True skin care

AMOREPACIFIC brand's rare Asian botanical ingredients and innovative formulation technologies are applied to promise customers the healthiest and most beautiful skin possible. In global trend-setting markets, such as Japan and the US, AMOREPACIFIC brand enjoys steadily increasing brand value and recognition. us.amorepacific-cosmetics.com / jp.amorepacific-cosmetics.com

Sulwhasoo

Beauty products that embody the wisdom of oriental medicine

Sulwhasoo cosmetics products have been created as a meeting point of ancient oriental skin care therapies and modern clinical science. It is a traditional oriental medicine brand that provides healthy skin by revitalizing and illuminating skin of any age or condition. Unchallenged in its segment in Korea, the line's overseas sales are growing steadily, based on rising international demand for naturally-derived cosmetics products. us.sulwhasoo.com / www.sulwhasoo.com.cn



Primera

Natural energy contained in seeds gives vitality to skin

Primera was made by capturing the magical potential that is released at the moment a seed sprouts. It is a brand for promoting healthy and green consumerism that is made from AMOREPACIFIC's research experience on seeds and its differentiated technology. www.primera.co.kr



HERA

Confidence developed through awe-inspiring beauty

Hera's unique beauty has created its own modern aesthetic by reaching for the deep, inner beauty of women. It has established itself as the brand of choice for confident women with a clear sense of their identity and value. www.hera.co.kr





Mise-en-Scene

Hair that gives you the confidence of a supermodel

Mise-en-Scene products are suitable for iconic styling that define trend, beauty and life style like a composite art that expresses the spirit and culture of the era. It also contains the belief that you can make a stylish hair by purchasing the product. www.mjsen.co.kr

Ryoe

Premium hair care based on traditional medicine

Ryoe is an herbal medicine hair care brand. The name alludes to a rhythmical balance of Yin and Yang to keep the scalp in its optimal condition. Based on the methods and technologies on beauty that have been accumulated over many years, the product not only help prevent hair loss but also provide hair with a healthy sheen. www.ryoe.co.kr



VB Program

Healthy beauty in everyday life

The VB Program was developed based on AMOREPACIFIC's philosophy that the quest for external beauty must begin on the inside. AMOREPACIFIC offers a wide variety of convenient menu options to suit the lifestyles of beautiful, healthy people. www.vbprogram.co.kr



O'SULLOC

High-class tea culture created from the best ingredients of nature

O'sulloc, Korea's leading green tea culture brand, uses tea cultivated exclusively on plantations in Jeju to produce high-quality products that are available in leaf, teabag and powdered form. Customers can also enjoy the healthful benefits of these products at the O'sulloc tea House chain. www.osulloc.com



TAKING SUSTAINABLE ACTIONS

WITH CUSTOMERS

- 30 DEVELOPMENT OF SUSTAINABLE PRODUCTS
- 31 SUSTAINABLE PURCHASING
- 32 R&D INNOVATION
- 34 OPEN INNOVATION
- 35 STRENGTHENING OF CUSTOMER COMMUNICATION
- 36 ACTIVITIES FOR CUSTOMER SATISFACTION



This is a photo of green tea, the core raw material of AMOREPACIFIC.

DEVELOPMENT OF SUSTAINABLE PRODUCTS

AMOREPACIFIC is striving to provide sustainable products to customers through creative innovation activities. Our sustainable products are aimed to achieve three principles: provide safe products to our customers, minimize environmental impact, and pursue the harmony with local community. Since the development of sustainable products in 2008, we have launched 139 products to our customers and we plan to expand the number and revenue of sustainable products annually through endless researches.

'AMOREPACIFIC PROMISE' certified mark



AMOREPACIFIC Promise

AMOREPACIFIC has established an internal guideline based on strict principles to meet the standards of external certification by defining products that are friendly to customers, environment and society as sustainable products. Among the products that met the guideline, we labeled the certification mark 'AMOREPACIFIC Promise' so that our customers can identify our sustainable products. The certification mark 'AMOREPACIFIC Promise' has the meaning of creating a beautiful earth by displaying the camellia blossom, representing AMOREPACIFIC's origin, superimposed on the earth, representing 'Safety Earth'.

Strategies for the Strengthening of Raw Material Sustainability

AMOREPACIFIC has been striving to strengthen the sustainability of raw materials. In 2011, we carried out the preparations needed to establish the framework for sustainable raw materials. The direction for the strengthening of material sustainability was divided into focusing on their customer-friendly, earth-friendly and society-friendly characteristics. The major strategic direction for strengthening customer-friendly characteristics was expanding the

use of natural raw materials, while we will reinforce earth-friendly characteristics by increasing the use of renewable raw materials and focus on preserving biodiversity. Also, the major strategic direction for strengthening society-friendly characteristics is to increase raw materials supplied from 'Beautiful Fair Trade', an in-house fair trade program, and prohibit animal testing of raw materials. The profile of individual raw material is inputted and managed by our internal system (SAP). As a result, it is possible to have a systematic management and also identify the content of natural origin in products. In 2011, AMOREPACIFIC R&D Center received supporting documents from suppliers of raw materials to clearly identify the level of sustainability, which is expected to be completed by 2012.

Strategies for the Strengthening of Packaging Sustainability

After establishing the eco-design guideline for packaging materials in 2005, AMOREPACIFIC has worked towards reducing the impacts that our product's packaging materials have on the environment.

In 2011, in order to make an internal definition of sustainable packaging and enhance work efficiency between teams, we established a cross functional team (CFT) to identify the current status and come up with implementation strategies. Sustainable packaging follows the direction for sustainable products, that is customer-friendly, earth-friendly and society-friendly characteristics. Customer-friendly characteristics mean to minimize toxic substances and give assurance to customers. Earth-friendly characteristics are implemented in four directions, including Reduce, Recycle, Reuse and Renewable. If we go into details, Reduce is aimed at reducing packaging resources by eliminating excessive packaging; Recycle means using recycled materials and design the products to be easy for recycling; Reuse is aimed at reducing packaging resources through developing containers for refilling and replacing; and Renewable means the use of plant-based materials.

Based on this, AMOREPACIFIC will strive to establish sustainable packaging structure for all our future products.

Types of Sustainable Products and Development Status

	Types of Sustainable Products	Representative Products	Number of Items
Customer-friendly products	Additive-free products Products that give assurance and trust through the strengthening of safety for customers	Hera Cell Lift Serum	23
	LOHAS certified products Products that pursue a healthy and sustainable lifestyle	Songyeum Cheongadan toothpaste	12
	Organic products Products that received outside certification or met internal standards by using organic materials	Primeria Organience Cure Serum	19
Earth-friendly products	Ecosystem preservation products Products that received the certified Korea Eco-label from Korea Environmental Industry & Technology Institute	Happy Bath body cleanser of really natural and gentle type	18
	Resource reduction products Products that reduce environmental impacts by reducing contents and packaging materials	Ryoe Hambitmo Shampoo	1
	Carbon footprint products Products that received the certified Carbon Footprint Labelling from Korea Environmental Industry & Technology Institute	Mamonde Age Control Cream	16
Society-friendly products	Products that are considerate of socially underprivileged Products that are considerate of the needs and convenience of socially underprivileged such as physically disabled (Products of universal design)	Mise-en-Scene Essential Damage Rinse	50
	Total		139

SUSTAINABLE PURCHASING

AMOREPACIFIC has worked on making the company's development to contribute to the development of society and environment. We are trying to fulfill our social responsibility not only in the economic activities but also in the overall value chain. As part of these efforts, we are implementing the sustainable purchasing to fulfill our social and environmental responsibility from the purchasing stage.

Beautiful Fair Trade

Beautiful Fair Trade is a fair trade program developed by AMOREPACIFIC. It is aimed at making positive contributions to the environment and society by keeping the three important principles: safety of raw materials, environmental preservation and contribution to local communities. AMOREPACIFIC provides profits to local communities through Beautiful Fair Trade while protecting the ecosystem through environment-friendly cultivation methods. Also, we give assurance to our customers by providing transparent information about the place of origin.

In February 2010, AMOREPACIFIC made the first agreement for Beautiful Fair Trade about Camellia of Sinheungri, in Jeju island. Since then, we have entered into Beautiful Fair Trade agreements about a total of seven raw materials. In 2011, we signed Beautiful Fair Trade agreements about three raw materials, including nutmeg tree of Jeju, lotus of Jeongeup-si, Jeollado, and bean of Paju-si, Gyeonggido. Jeju Songdangri's nutmeg oil is applied in Innisfree's anti trouble products because of its high antibacterial activity. In order to minimize the envi-

ronmental impacts, we chose the method of only picking up berries of nutmeg trees that are more than 20 years old. In the case of lotus seeds, it was a raw material that was rarely used before, but we provided a new source of revenue for Jeongeup-si. Bean is one of the three key raw materials of AMOREPACIFIC, which contains cure bean ingredients with antioxidants. The beans of Tongilchon in Paju-si are being cultivated in a clean area inside the Civilian Control Line.

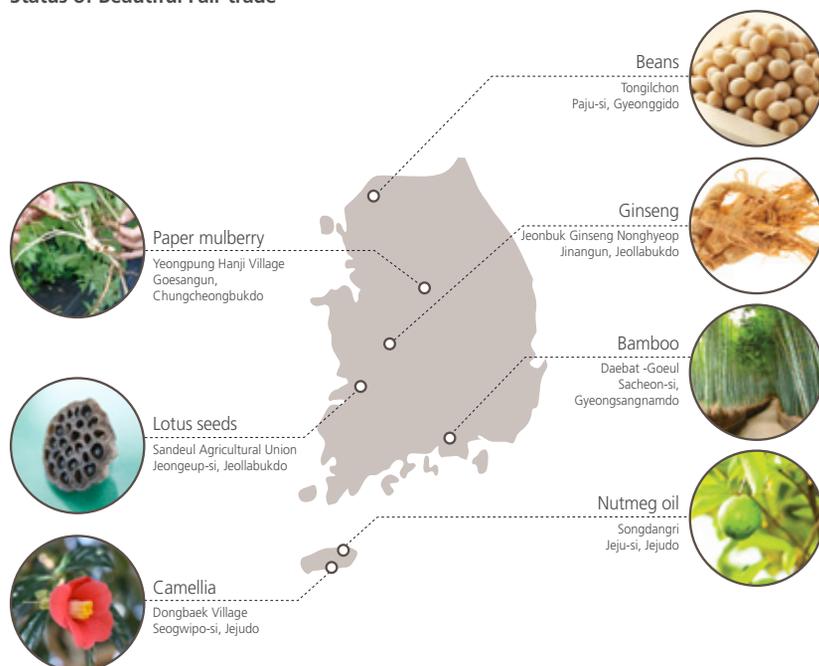
Besides using the applicable raw materials, AMOREPACIFIC also sells specialties of local communities to facilitate the economy of local communities. In 2011, we contributed to local communities by selling Jeju Dongbaek Village's tangerine and Chungcheongbukdo Goesangun's apples to our employees.

Purchasing of Sustainable Palm Oil

AMOREPACIFIC has shown interest on environmental and labor issues due to the reckless cultivation of palm tree. We doesn't directly use palm oil, but we have been using raw materials that are originated from palm oil. Therefore, in 2011, we have made efforts to identify the processing companies and place of origin for raw materials that have been used by our company. As a result, we were able to track down 9 raw materials out of 11 raw materials that were directly processed from palm oil. Also, we confirmed that all of our 8 palm oil suppliers are directly or indirectly participating in the Roundtable on Sustainable Palm Oil (RSPO)*. We will work towards tracking down suppliers of raw materials that directly processed palm oil to improve the sustainability level of raw materials originated from palm trees.

*RSPO : a non-profit organization that is established to facilitate sustainable production and use of palm oil

Status of Beautiful Fair trade



R&D INNOVATION

Based on its accumulated know-how and excellent technology, AMOREPACIFIC R&D Center has conducted researches on Asian beauty, which is aimed at achieving harmony between nature and people. We combined natural materials with our advanced biotechnology to develop 'Asian beauty products', as well as developed our own specialized technology by making lots of investments and efforts to take the lead in establishing a new field of material and technology research. In particular, in 2011, we conducted researches on the skins of Asian people, especially China, and worked on developing related products to reinforce our R&D competitiveness by communicating with Asian customers.

New Research Papers by Year

Category	2009	2010	2011
No. of research papers	48	57	57

New Patents by Year

(unit: case)

Category	2009	2010	2011
Domestic	Pending	272	263
	Registered	49	53
Overseas	Pending	95	113
	Registered	19	14

AMOREPACIFIC's overall status. The patent results stated in the 2009 and 2010 Sustainability Report are based on the results collected by R&D Center.

R&D Investment Outlays

(Unit: KRW in millions, %)

Category	2009	2010	2011
R&D Expenditures	56,209	66,215	73,396
Percentage of Sales	3.18	3.07	3.03

Development of Technology for Evaluating Skin Effectiveness by Using Artificial Skin

Since 2008, AMOREPACIFIC R&D Center has conducted researches to develop models of our own three-dimensional artificial skin models. Using these models, we evaluated the effectiveness in various areas, including whitening, anti-aging and skin regeneration.

The artificial skin is a model that reproduced human skin by recombining the constituents of skin, such as keratogenesis cell, fibroblast, and collagen, with tissue engineering technology and three-dimensional cell cultivation technology. There are a lot of structural and functional similarities between actual skin and artificial skin, so it is even used in skin grafting. Therefore, the artificial skin has emerged as a key factor of skin researches because it can overcome the limitations of the existing cell experiments and supplement clinical experiments. The evaluation on skin effectiveness using artificial skin can produce results that have the same level of accuracy as conducting the experiment on actual human skin. Since the accuracy of the experiment is high, it can re-

place animal testing.

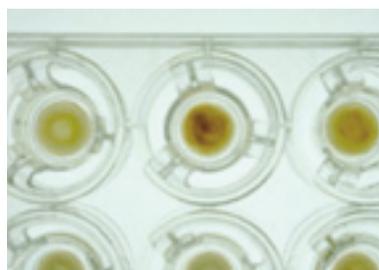
AMOREPACIFIC will expand the models and fields of using artificial skin by continuing our R&D. Through this, we will provide solutions that are suitable for a wide variety of skin troubles.

Development of Genetic Anti-aging Technology by Using Amentoflavone

Due to the population aging, the importance of anti-wrinkle products have increased in the cosmetics industry. In particular, the development of technologies in relevant industries, such as pharmaceutical products, resulted in identifying the gene causing skin aging and making concerted efforts to find active materials that eliminate such gene.

AMOREPACIFIC is focusing on 'biflavonoid', a substance that exists in small amounts in ginko trees and selaginella*, where lots of researches have

Three-dimensional Artificial Skin Model



been conducted in terms of anti-inflammatory properties, anticancer and easing degenerative diseases and medical applications. We have worked on conducting researches to identify its effectiveness and commercialize them into products. By conducting researches on the relationship between active skin cells and aging phenomenon, we found out the fact that one of the reasons why aging makes the skin loose elasticity and create wrinkles is decline of skin cell's vitality and the gene lamin A, which controls all of this in the cell. We identified the fact that a rare ingredient of biflavonoid called 'Amentoflavone' is effective in inhibiting the increase of lamin A, which is mutated by ultraviolet rays. Also, besides prohibiting damages made to the DNA of skin cells from ultraviolet rays, amentoflavone also has an effect of improving skin aging in cells. This research results resulted in the development of technology for improving wrinkles and skin elasticity, which was applied in producing IOPE Super Vital Cream.

*Selaginella: a perennial of lycopodiales for vascular plant that is mostly found in Asian region and inhabit in dry surface of rocks.

Participated in the 22nd World Congress of Dermatology

In May 2011, AMOREPACIFIC participated in the 22nd World Congress of Dermatology (WCD). It is called the Olympic of dermatological science field that is held once every four years. During the congress, AMOREPACIFIC held a symposium under the theme of Asian skin aging for about 400 prominent domestic and international dermatological scientists (theme: New Insights in Skin Aging for Asian Beauty). Also, we announced 39 research papers on dermatological science, including the research on the skin effectiveness through three key materials, beans, ginseng, and green tea, and the results of technology researches applied to brands entering into the Chinese market, including Sulwhasoo, Mamonde and Laneige.

Research By replacing animal testing

AMOREPACIFIC has implemented research activities to replace animal testing. By replacing animal testing, we met the social demands for improving animal welfare, as well as fulfilled the fundamen-

tal role of securing the safety of raw materials and products.

AMOREPACIFIC has conducted researches on replacing animal testing for a list of five items, including skin irritation, skin sensitization, eye irritation, skin phototoxicity, and skin absorption. Through continuous researches, we have developed a total of 11 replacement testing methods and applied them in evaluating our cosmetics materials and products.

There are 11 type of testing methods including: phototoxicity (a test to determine the phototoxicity effect of a test article in the presence or absence of UVA light: 3T3 NRU assay); eye irritation (HET-CAM, BCOP, a test using human cornea cell, a test using artificial cornea); skin sensitization (a test to determine the possibility of a test article causing allergic skin reactions: THP-1 cell test, peptide re-activity test, LLNA test); mucous membrane irritation (a test using mucous membrane of an artificial vagina); primary irritation of skin (a test on artificial skin); and skin absorption (Franz cell).

We have improved the accuracy and predictability of assessing researches conducted on alternatives for animal testing by including additional researches to each item of assessment.

IOPE Super Vital cream



The 22nd World Congress of Dermatology



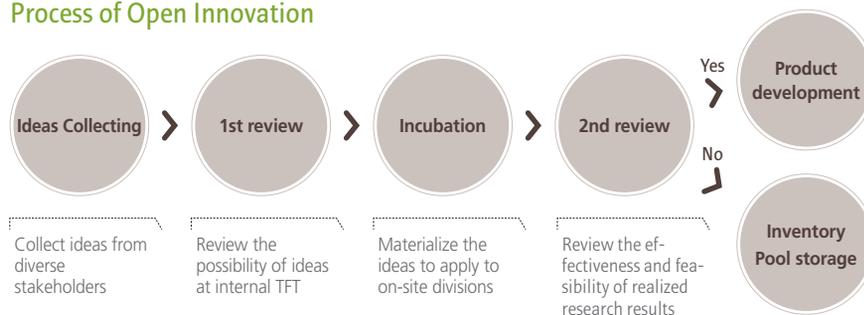
OPEN INNOVATION

In order to innovate its products, technology and services, AMOREPACIFIC has actively gathered the ideas from the outside. Through our homepage, we opened sites where people can make suggestions about their Connect & Development (C&D) ideas without restrictions on time and space. Also, we established the setting for providing ideas by holding marketing contests every year and R&D Center actively works together with research institutions, national projects and suppliers. Recently, we worked closely with Chinese research institutes to receive professional advices.

2011 Progress Update on Major Open Innovation

Contents	Partners
In order to improve communication with Chinese customers and strengthen R&D competitiveness, AMOREPACIFIC established the Chinese Dermatological Scientist Advisory Committee and conducted joint skin researches on Chinese customers. In February 2011, we held the launching ceremony and conducted researches on Chinese women's skin characteristics, hair characteristic, skin sensitivities, behaviors and beauty methods with dermatological scientists at hospitals in six locations in China (Beijing, Guangzhou, Shenyang, Chengdu, Wuhan).	Chinese Dermatological Scientist Advisory Committee
To identify scientific researches and effects of oriental medicine we have been working on incorporating it into our cosmetics. As part of these efforts, we signed an agreement with the Basic Medical Research Center at Shanghai University of Traditional Chinese Medicine to develop applied beauty methods and products. Through the signing of this agreement, we secured the infrastructure for researches on traditional Chinese medicine and conducted joint researches, which will help develop products that are more suitable to Chinese people's culture and preference.	Shanghai University of Traditional Chinese Medicine
In order to identify the rare Korean beans and restore them systematically for researches, AMOREPACIFIC signed a research agreement in March 2011 with GUmeherb, which is a research institute for oriental medicine and natural resources. As a result, we have cultivated rare Korean beans in an environmentally-friendly way to establish gene data base, which contributed in preserving resources as well as enabled us to conduct researches for developing products.	GUmeherb

Process of Open Innovation



Stakeholders and Channels for Participating in Open Innovation

Domestic and foreign(university) research centers · Implementation of various joint researches with C&D TFT of R&D Center	Suppliers · Receive suggestions on ideas regularly at the win-win cooperation portal from suppliers · Conduct various joint researches with R&D Center
Ordinary person · Make suggestions on ideas regularly at the homepage · Participate in the process of product development through prosumer activities	Employees · Make suggestions on ideas regularly at the in-house intranet

STRENGTHENING OF CUSTOMER COMMUNICATION

Lifetime Customer Campaign

AMOREPACIFIC is expanding its Lifetime Customer Campaign activities to continuously strengthen the company's relationship with its customers because we value the relationship we have made with every single one of our customers. Through the campaign, we implement activities that enhance our customer values by conducting customer management that is suitable to individual customer needs to provide optimized products and benefits through diverse communication channels at all contact points. Also, we are implementing the Lifetime Customer Campaign globally to communicate with about 2 million customers in six countries, including China, Taiwan, US, Japan, Singapore and Malaysia. In 2011, we sent customer-oriented publications and e-publications, while we shared AMOREPACIFIC's professional customer management know-how with the customer management staff in each region by holding global CEM workshops. In the future, we plan to communicate with global customers from a total of ten countries by expanding the campaign to Vietnam, Indonesia, France and Thailand. In line with the changing digital environment, we will utilize digital channels like mobile, web and e-mail to increase contact points with customers, as well as increase customer asset values by always communicating with customers.

Participation in World Organic Fair

AMOREPACIFIC has made concerted efforts to increase the use of organic raw materials. As part of these efforts, AMOREPACIFIC was the official sponsor of the 17th IFOAM World Organic Fair, which was held in Namyangju, Gyeonggido between September 26, and October 5, 2011. Also, we participated in the organic cosmetics and organic tea sections of academic conference, which was held by theme in 8 cities across the nation. The academic conference for organic cosmetics was held in Namyangju where we reported on the development of cosmetics using naturally originated ingredients and the methods of ensuring the safety of cosmetics through using oleanolic acid, which is a functional ingredient for improving wrinkles, in environmentally-friendly ways. The academic conference for organic tea was held in Jeju, announced AMOREPACIFIC's actual application examples and results on cultivating organic teas, including the

eco-friendly insect pest control, the methods of organic fertilizer and the methods of removing weeds without using herbicides. Also, we made on-site visits to Seogwangdawn in Jeju island where organic cultivation were taken.

Skin Care Application 'Skin Forecast ++'

In January 2011, AMOREPACIFIC launched a mobile application called 'Skin Forecast ++', which provides information that helps in skin care based on the weather information of the current location. The 'Skin Forecast ++' provides information on skin care for free of charge by utilizing skin indicators based on the skin characteristics of Koreans and climate statistical data collected by AMOREPACIFIC for the past six years. The information on skin indicators consists of dryness, greasiness, ultraviolet damage, pollution and sensitivity. It is indicated the five major indicators in the graph form by reflecting the weather information, skin condition and age. AMOREPACIFIC has obtained patent on relevant technology of the current location.

A Participatory Donation Application Called 'Pink Ribbon Guinness'

The Pink Ribbon Guinness, an application for smart phone, was launched to raise awareness about breast cancer among young people in their twenties and thirties and collect actual support for breast cancer patients. The donation money that is accumulated by uploading a photo taken with pink ribbon is given to breast cancer patients. Also, in order to promote the importance of daily checkup on breasts for women, there are various information provided, including examination methods and precautions to be taken.

Distribution of Leaflets on the Sustainability Management

In order to share sustainability management activities with its stakeholders, AMOREPACIFIC made a leaflet called 'Beautiful Harmony, Beautiful Tomorrow', which introduces the sustainability management activities implemented in May 2011 and January 2012. It is located at more than 1,800 Ari-taum stores, department stores and discount store counters. Also, we made QR codes so that people can see our sustainability management activities through mobile channels.

[Leaflet] Beautiful Harmony, Beautiful Tomorrow



QR code



Pink Ribbon Guinness image



ACTIVITIES FOR CUSTOMER SATISFACTION

Prosumer Marketing Activities

From product development to delivery, AMOREPACIFIC has been conducting prosumer marketing activities where customers take part. About 300 prosumers participate directly and indirectly in developing products, including on-line surveys, Focus Group Interviews (FGI), and product evaluation meetings. In 2011, a total of 134 opinions were reflected in developing our products. In particular, the Melody Cream, which was launched to celebrate the 66th anniversary of founding, was created by actively reflecting prosumers' opinions through in-depth interviews and product evaluation meetings. Melody Cream is a product that contains our secret method accumulated over 60 years, which is a modern reinterpretation of AMOREPACIFIC's first brand product. Also, we selected 36 Chinese students as a prosumer group 'China Beautizen' to identify the needs of young Chinese people and global customers.

AMOREPACIFIC will continue to establish a partnership with prosumers who represent our customers to implement customer-oriented management philosophy and also we plan to reflect our customers' valuable opinions in our management activities.

Activities for Resolving Customer Complaints

Customer Gift for AMOREPACIFIC (CGAP) is AMOREPACIFIC's specialized activity for managing customer complaints to promptly collect, resolve and improve customers' complaints. AMOREPACIFIC has considered complaints from our customers as presents to the company and aimed to create an environment where our products can be used safely by preventing even the smallest complaints. Each year, we held an exhibition where CGAP cases were disclosed so that our employees can listen to a variety of Voice of the Customer (VOC) that took place over the year, resulting in having a better understanding about customers. In 2011, the 5th exhibition was held under the theme of 'Retail Renaissance', which was an opportunity to realize the importance of listening to VOC by listening to customer's complaints, suggestions, and compliments, in attendance by employees of AMOREPACIFIC and subsidiaries.

Also, AMOREPACIFIC reviewed the customer service level and satisfaction trends for each quarter

through the customer satisfaction surveys conducted by Korea Management Association Consultants (KMAC), which were reflected in upgrading our duties and improving service quality. In 2011, we introduced the Quality Assurance Analysis (QAA) system to professionally manage the quality of customer calls to provide one-on-one evaluation and feedback by each consultant so that customers can receive improved customer services.

Recertification of Consumer Centered Management (CCM)

In 2009, AMOREPACIFIC has acquired the certification for Consumer Complaints Management System (CCMS) from the Fair Trade Commission. After the introduction the CCMS in 2009, there has been continuous activities to improve the quality, which reduced customer complaints on an average of 23% per year. Also, in order to promptly resolve claims made by overseas customers, we established a customer complaint management process for our overseas subsidiaries to provide quick responses to customer complaints. Based on these efforts, we acquired the recertification of Consumer Centered Management (CCM) in 2011.

Operation of Prevention System

Prior to the release of any new product, we subject it to the Prevention System to evaluate it against historical complaint records, and thereby preemptively remedy any anticipated problems. Through such approaches, AMOREPACIFIC is being proactive rather than reactive in reducing and managing customer complaints, taking action ahead of time to prevent complaints right from the product development stage.

In 2011, we utilized the prevention system in developing a total of 123 products and there are plans to make better use of the system by enhancing its convenience and strengthen training on product developers.

Complaint resolution rate = Number of complaints received / Number of complaints resolved (unit: %)

Category	2009	2010	2011
Improvement rate	99.1	97.7	99.1

Survey Results for Evaluating the Quality of Consultation Services (unit: point)

Category	2009	2010	2011
Results of evaluation	94.5	94.1	95.9

Status for Managing VOC (unit: case)

Category	2009	2010	2011
Telephone	131,681	157,177	138,173
Internet	13,623	13,893	10,843
Others	443	472	801

TAKING SUSTAINABLE ACTIONS

WITH ENVIRONMENT

- 38 RESPONDING TO CLIMATE CHANGE
- 40 RESOURCE CONSERVATION
- 41 GREEN BUILDING
- 42 PROTECTION OF BIODIVERSITY
- 43 GREEN COMMUNICATION
- 44 ENVIRONMENTAL PERFORMANCE RESULTS



This is a photo of lotus purchased through 'Beautiful Fair Trade', a raw material purchasing program of AMOREPACIFIC.

RESPONDING TO CLIMATE CHANGE

AMOREPACIFIC recognizes the harmony between humanity and the environment as a core corporate value as a company that pursues human health and beauty. AMOREPACIFIC's environmental philosophy is the declaration of "Unlimited Responsibility for the Environment", made in 1993, and AMOREPACIFIC's green movement as part of the declaration while we make our desirable corporate image. We will work towards achieving harmonious relationship between our business activities and the environment to meet the customers' expectations on environmental protection.

GHG (Greenhouse Gas) Reduction Activities

With the creation of our in-house Climate Change CFT (Cross Functional Team) in 2007, AMOREPACIFIC launched its corporate-wide commitment to GHG reduction and tabulation of GHG inventory. The GHG inventory was built up at SCM units (production and logistics), as well as our R&D Center and sales business units (corporate headquarters and sales offices), which received the third verification of our emission records from Det Norske Veritas (DNV), an international institution for verifying GHG emissions. In 2011, we established the mid-to-long term GHG reduction plans for our SCM unit (production and logistics), which is aimed at reducing 30% of GHG according to basic unit of sales by 2020 compared to 2010 by upgrading environmental management system, increasing GHG reduction activities and applying renewable energies.

Activities to Reduce GHG Emissions in the Manufacturing Process

In 2011, AMOREPACIFIC's mass cosmetics production sites implemented restructuring construction with the basic concept of energy saving by making investments to reduce energy losses, such as installing facilities and establishing buildings, resulting in GHG reductions.

In addition to the existing boilers of 5 tons and 4 tons, we installed two 3 tons booster boilers, which had the effect of reducing the LNG use by 15% in production units compared to the previous year by increasing operational efficiency through establishing operation plans according to each unit's capacity. Also, we improved the efficiency of heating and air-conditioning load by installing partitions to lower the existing ceiling height. Besides these, we substi-

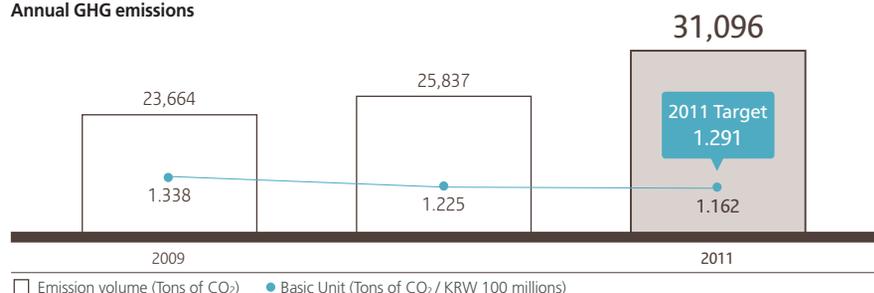
tuted the existing pumps and lamps at our plants with high efficiency facilities.

Activities to Reduce GHG Emissions in Distribution Processes

AMOREPACIFIC has made concerted efforts to realize green logistics. In particular, we installed the EMS (Eco-driving Management System) to vehicles in 2011. This device amended the problems found in the existing Green Starter so that real-time information can be collected, including the installation of air spoilers as well as driving information about the driver (number of hours and times for idling, high speeding, abrupt stopping, abrupt starting, etc.). The data gathered is shared periodically and used in incentivizing drivers to follow environmentally responsible driving practices. Before the introduction of EMS, the result of the pilot test that took place for 8 months (January ~ August, 2011) showed that there has been a 5.3% increase in the average fuel efficiency of our delivery vehicles.

We plan to complete the installation of EMS in our delivery vehicles across the nation by March, 2012, which is expected to reduce the annual GHG emissions by about 125 tons.

Annual GHG emissions



*Scope of the GHG emissions is SCM (production & logistics), R&D Center, and Sales division (Headquarters & Regional Offices)

Activities to Reduce GHG Emissions at Company Buildings

AMOREPACIFIC has been implementing activities to reduce GHG emissions at company buildings. For example, in the Busan Regional Office, we found that the energies being used on the weekends and holidays were 40% of the energies consumed on weekdays from our energy analysis. Therefore, we found ways to reduce energy consumption through energy audit sheet. All of the employees participated in energy reduction activities with a total of 22 categories, including the adjustment of operating hours for exhaust fans at the machine room, the installation of timers to water purifiers and bidets, and the change of operating standards for elevators during the weekdays and weekends. The reduction activities were carried out from April to December, 2011 resulting in the reduction of energy consumption over the previous year, including 108,998 kwh of electricity supply and 15,476 Nm³ of gas supply. The GHG reduction activities of Busan Regional Office selected as the winner of the Green Management Award, an in-house ceremony, to be shared and promoted throughout the company.

Activities to Reduce GHG Emissions in the Products

In order to reduce GHG emissions caused by the production of AMOREPACIFIC's products, we are thinking about the GHG emissions from the design stage. Also, we provide information about eco-friendly products to our customers by acquiring credible certifications, including Eco-Label and Carbon Footprint Labeling. Also, we analyzed the GHG emissions of diverse product lines to reduce GHG emissions from products, and based on this, we established reduction plans. In 2011, Happy Bath's Lavender Relaxing Body Wash applied a total of 23 cases of reduction plans, including the change of raw materials, the replacement with high-efficiency utilities of suppliers, the change of fan motors, the use of PCR* PET and PCR* PP, and the upgrading of manufacturing processes, to develop low-carbon products that reduced GHG emissions by 6.3%.

*PCR: Post Consumer Recycled

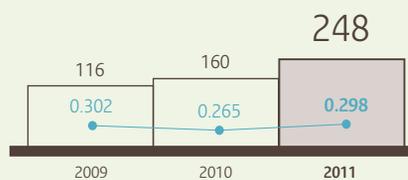
Development of Low-Carbon Products



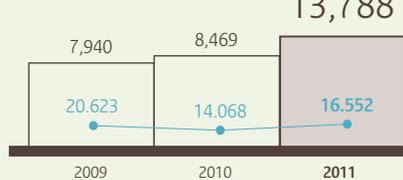
ENVIRONMENTAL PERFORMANCE RESULTS: Shanghai Production site

AMOREPACIFIC's Shanghai production site is located in Shanghai, China. Some of the Mamonde and Innisfree products being sold in China are made here. Since it is expected that the business in China will expand, there will be increased production from the Shanghai production site as well as an increase in environmental impacts. AMOREPACIFIC will establish a sustainable environmental management system in Shanghai production site to ensure it meets domestic level of environmental management system.

Energy Consumption



Water Consumption



□ Energy Consumed (TOE*) ● Basic Unit (TOE / Tons of Product)

□ Total (Tons) ● Basic Unit (Tons / Tons of Product)

*TOE(Tons of Equivalent): A unit of energy. The amount of energy released by burning one ton of crude oil

RESOURCE CONSERVATION

Water Resource Management

In 2011, AMOREPACIFIC established water CFT (Cross Functional Team) to respond to water related issues and reduce the company's water consumption. Through the CFT activities, we plan to establish a long-term road map for water management as well as reduce water usage at each business site and systematically respond to water issues.

Measurement of product's water footprint

AMOREPACIFIC is making concerted efforts to reduce water consumption in the overall process of products from production to consumption stages. Starting from 2011, we are participating in the pilot project for water footprint held by the Ministry of Environment to measure the water consumption of products arising from the overall process including production and consumption. We are measuring the water consumption of Mise-en-Scene Shampoo and developing guideline for water footprint measurement protocol of shampoo product lines. Based on this result, AMOREPACIFIC plans to develop products that can reduce water consumption by seeking ways to reduce water consumption when producing products.

Improvement of Recycling Rate of Wastes

AMOREPACIFIC has made continuous efforts to reduce resource use and increase operational efficiency by recycling wastes arising in the production process. In particular, we investigated a list of wastes that are not being recycled from our wastes and came up with improvement plans in 2011. There were oil ingredients contained in the wastes of cream and lotion types that are produced in large amounts during the production of skincare lines, which were classified as wastes that cannot be recycled before. However, we provided these wastes as raw materials to places that can use them as heat sources by combining it in solvents with high heating value. By using these methods, we began to recycle wastes from hair dye and returned products from mass cosmetics production sites. Also, the mass cosmetics production site worked together with the soap research center to find ways to develop fragrances for soaps from shampoo, rinse and body lotion wastes that used to be incinerated before. As a result of these efforts, AMOREPACIFIC improved the recycling rate of wastes to 71% in 2011 from 59% in 2010.

Product Analyzed for Water Footprint



Mise-en-Scene Shampoo for Damage Care

Development of containers made with PCR PET material by supporting facilities and technologies of supplier

AMOREPACIFIC developed containers using 40% of PCR PET (recycled plastics), eco-friendly material. These containers have same functions and level of durability in comparison with other containers, but less GHG emissions during the production process. We installed the facilities for producing containers using PCR PET raw materials at companies supplying us with packaging materials by providing them financial support through the matching fund. As of 2011, five of our products are packaged in PCR PET materials. As a result, we expect the same effect as cutting down on CO2 emissions of 273 tons per year. *PCR PET: Post Consumer Recycled PET, recycled plastics

Examples of Products Made of Recycled Plastics



Ryoe Heugyusaenggi Rinse



Mise-en-Scene Style Green Shampoo



Mise-en-Scene Anti-aging Shampoo



Mise-en-Scene Damage Care Shampoo

GREEN BUILDING

Establishment of the New Plant in Osan

In 2011, AMOREPACIFIC relocated the Suwon production site (skin care division) and Gimcheon production site (makeup division) to Osan to establish an environment-friendly production site (AMOREPACIFIC Beauty production site)*, which has become a landmark in Osan region. The AMOREPACIFIC Beauty production site is designed to minimize environmental impacts by introducing solar power facilities, reusing rainwater, and implementing energy saving designs.

*The main building of AMOREPACIFIC Beauty production plant completed the preliminary certification for Green Building in September, 2010. The accredited certification is expected to be completed in May, 2012 when the construction of the production plant is finished

Streamlining of Energy Management

AMOREPACIFIC Beauty production site established a Total Energy Management System (TEMS), which manages the use of electricity, gas, steam, and water for each production site, as well as the consumption of CO2 and renewable energy in real time. The system identifies the overall flow of energies and minimizes the losses through real-time monitoring of unnecessary energy usage. Also, it realizes efficient energy supply system by analyzing the annual energy use trend. Not only that, the AMOREPACIFIC Beauty production site operates the energy patrols during the daytime at the business sites so that all employees can participate in the energy saving campaign for facilities and also improve their awareness.

Reusing Rainwater

AMOREPACIFIC Beauty production site established a rainwater storage and rainwater treatment facility of 1,400 tons in size to protect water resources, resulting in reducing the use of water and energies needed for water consumption.

Development of Sustainable Building Guideline

In accordance with the company's growth, AMOREPACIFIC established a guideline for sustainable buildings that think more about the environment and lead to future generation when constructing company buildings and implementing interior projects.

AMOREPACIFIC Sustainable Building Guideline consists of a sustainable building guideline for buildings and a sustainable store guideline for stores. It covers the overall process from site selection to maintenance of building after completing the construction. In particular, in the case of the guideline for stores, there are programs for a sustainable environment for sales staff and customers. AMOREPACIFIC Sustainable Building Guideline will be applied widely after verifying its appropriateness through pilot tests.

Introduction of Renewable Energy and Energy Saving Design

The AMOREPACIFIC Beauty production site introduced solar power facilities, which uses renewable energy. There is a solar module on the rooftop of logistics building, which can produce electricity of 200 kw per hour. The electricity that is produced from the module is supplied and used by the main building and childcare center. Through this, we generated about 200,000 kw of power, which helped reduce 89 tons of GHG emissions annually by reducing electricity consumption. Also, we introduced the thermal storage tank so that the daytime air-conditioning used the water stored in thermal storage tank by using nighttime electricity during the summer season. About 7,000 tons of water in thermal storage tank is turned into cold water of 4°C by operating the freezer during the nighttime (23:00~09:00).

This cold water is supplied to each of the production building for air-conditioning purposes during the daytime. As a result, we reduced the operating hours of the freezer during the daytime, resulting in the reduction of 1,836 kw electricity per day. Besides these, we increased natural light to minimize lighting energies during the daytime. Also, by installing solar powered streetlights in the outskirts and LED lights in underground parking lots, we minimize GHG emissions in lightening.

1. Solar power facilities
2. Main screen of TEMS system
3. Solar powered streetlight



PROTECTION OF BIODIVERSITY

AMOREPACIFIC has contributed in protecting biodiversity through various activities based upon the purpose of the Convention on Biodiversity. We are investigating and researching on biodiversity through a partnership with a research institute for biodiversity and supporting research on indigenous species native plants. Besides these, we are cooperating with local communities to utilize the biodiversity the region in a sustainable way and distributing profits generated in the process of its use.

Research on Biodiversity

AMOREPACIFIC is developing 'Asian beauty product' by incorporating natural ingredients and high-tech biotechnologies and making efforts to conduct sustainable R&D. Also, we established a new field of material and technology research by continuously developing our own specialized technology.

Creating a Beauty Bean Garden to Conduct Research on Rare Beans

AMOREPACIFIC has created a beauty bean garden of 850 pyeong (2,809 m²) in Paju City, Gyeonggi Province to restore rare beans and conduct basic research on beans. At the Beauty Bean Garden, there are researches conducted with 132 types of rarely cultivated beans by signing a memorandum of understanding (MOU) for R&D with Jiyu-Boncho. The productivity of rare beans and growth characteristics are analyzed. We have completed the selection of 67 types of Beauty Bean candidates by analyzing the productivity, growth characteristics, titles, and outer characteristics.



Panoramic view of Beauty Bean Garden

Restoration of the World's First 'White Mother Chrysanthemum' and developing as a Raw Material for Whitening

AMOREPACIFIC is the world's first to restore 'White Mother Chrysanthemum', which is currently in being developed into raw material for whitening. Mother Chrysanthemum is the only chrysanthemum that can be used for eating and medical purposes out of about 500 types of chrysanthemums in the world. It has the effectiveness of herbal medicine, such as removal of fever, reduction of pains, detoxification, treatment of skin-related diseases and troubles as well as eye diseases. According to Donguibogam, a Korean traditional medical book,

it is recorded that 'White Mother Chrysanthemum are better' than other chrysanthemums. AMOREPACIFIC restored this rare species in Donguibogam, which is the world's first, through a joint research with Gukya Farm, and registered at Korea Seed & Variety Service as AMOREPACIFIC's independent product (Kukyusulhwa, Kukyasuyul). We have also applied for the patent on the White Mother Chrysanthemum.



White Mother Chrysanthemum

Nagoya Protocol

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 (called the Nagoya Protocol)' was adopted at the 10th Conference of Parties to the Convention on Biological Diversity in 2010. It will soon take effect as an international agreement that regulates the mandatory implementation of the access to genetic resources as well as the sharing of benefits arising from their utilization. In order to secure the national rights on biological generic resources after the Nagoya Protocol takes effect, AMOREPACIFIC has been working on acquiring the sovereignty on domestic biological generic resources and traditional knowledge by implementing the Beautiful Fair Trade since 2009 and conducting researches on capitalizing biological diversity. Also, we have established our own guideline for sharing benefits by managing intellectual property rights, including securing domestic generic resources and acquiring the rights through patent application and sharing the benefits of patents, thereby establishing the response strategies for monitoring related domestic and foreign laws and reflecting them in our strategies for intellectual property rights.

GREEN COMMUNICATION

In order to promote environmental protection activities to customers and facilitate its implementation in daily life, AMOREPACIFIC has carried out various green communication activities. We have provided the opportunity for customers and employees to experience environmental protection activities in person through green communication activities, and also provided the opportunity to apply them in our daily life.

Campaign for Recycling Empty Bottles

AMOREPACIFIC's campaign for recycling empty bottles started with the purpose of protecting the environment by recycling resources together with our customers. In 2009, the campaign began as part of the event for collecting empty bottles at Innisfree stores, which later expanded to Aritaum stores in 2010 and department stores and large discount stores in 2011. AMOREPACIFIC is implementing the resource circulation of our products through the recycling of empty bottles. In order to strengthen environmental responsibility and implement the resource circulation on our products, AMOREPACIFIC is implementing recycling activities together with recycling companies. The amount of empty bottles collected in 2011 was 72.1 tons (including Innisfree), resulting in a total of 97.5 tons in accumulation since the campaign began in 2009. By carrying out the campaign, we have created the same effect as planting 777 pine seedlings by saving 86.3 tons of CO₂.

Happy Bath 'Green Fence' Campaign

AMOREPACIFIC's natural brand, Happy Bath, implemented the "Green Fence" campaign together with E-mart and Korea Environmental Industry & Technology Institute (KEITI) in June 2011 to raise awareness of disasters and environmental problems, resulting from forest destruction caused by forest fire, reckless logging and development, and intensified desertification. Diverse brands of AMOREPACIFIC, including Happy Bath, Mise-en-Scene, Ryoe, and Median, participated in the campaign to hold experience booths for each brand. The money made from the campaign by collecting 1% of the sales profit amounted to KRW 8 million, which was given as donation to the KEITI's Eco-Tree Campaign, a tree planting activity.

Empty Bottles Collection Unit



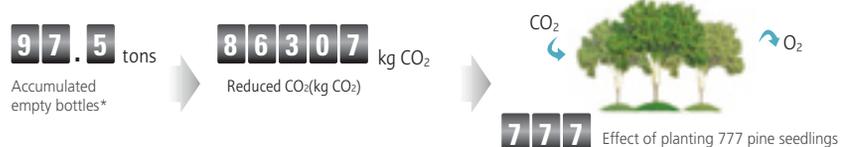
View of "Green Fence" Campaign



Process for Recycling Empty Bottles



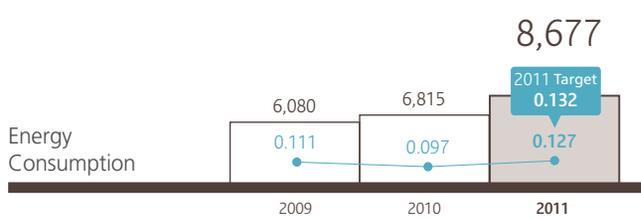
Amount of empty bottles collected in accumulation until 2011



* Amount of accumulated empty bottles is including the amount of empty bottles which is collected from Innisfree.

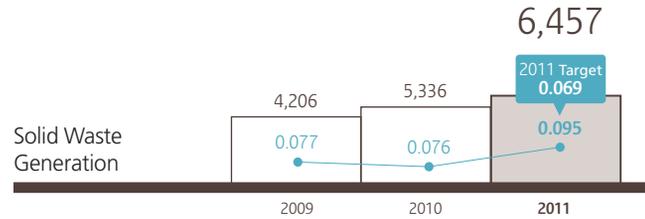
ENVIRONMENTAL PERFORMANCE RESULTS

The scope of the Environmental Performance Results is five production sites, including the skin care, makeup, mass cosmetics, Sulloc tea, and AP beauty.

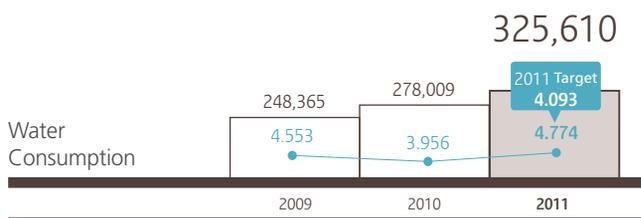


□ Energy Consumed (TOE*) ● Basic Unit (TOE/ Tons of Product)

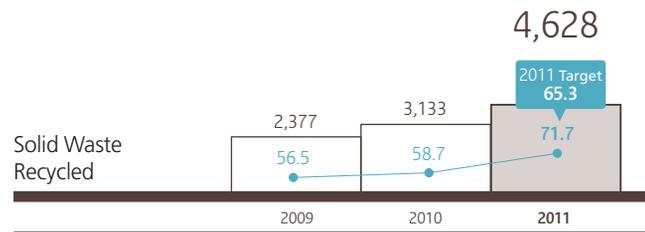
*TOE(Tone of Equivalent): A unit of energy. The amount of energy released by burning one ton of crude oil



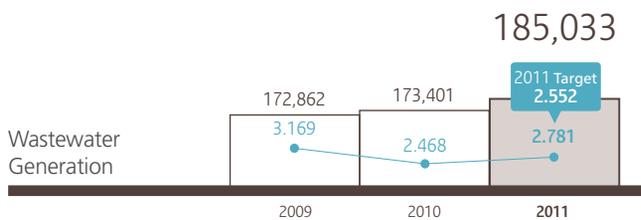
□ Total (Tons) ● Basic Unit (Tons/ Tons of Product)



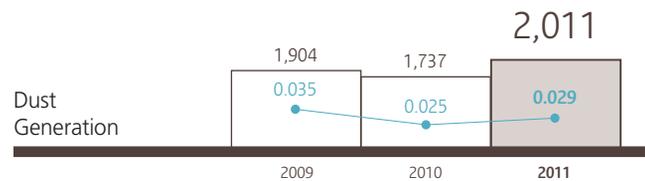
□ Total (Tons) ● Basic Unit (Tons/ Tons of Product)



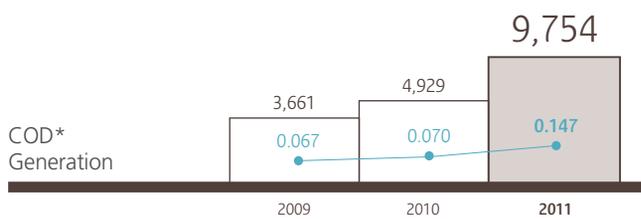
□ Total (Tons) ● Recycling Rate (%)



□ Total (Tons) ● Basic Unit (Tons/ Tons of Product)

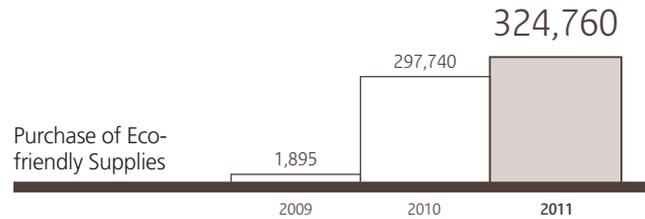


□ Total (kg) ● Basic Unit (kg/ Tons of Product)



□ Total (kg) ● Basic Unit (kg / Tons of Product)

*COD : Chemical Oxygen Demand



□ Eco-label and GR mark purchases (KRW in millions)

*Starting from 2010, the results of purchasing packaging materials have been included since we expanded the verification for harmful substances to all suppliers

* In addition to the relocation of the new business site in Osan and the remodeling of mass cosmetics production site, we have increased the size of our business and introduced a logistics automation system. As a result of these, we have not achieved the 2011 targets in some of the environmental indexes. Also, it is expected that the consumption of energy and water as well as the generation of wastewater and wastes will increase in 2012. However, we will continuously implement reduction activities to achieve long-term environmental targets by 2020.

For details on AMOREPACIFIC's environmental management activities, please visit the company's website (www.amorepacific.com). Details are available in the "For Our Environment" section of "Sustainability Management".



TAKING SUSTAINABLE ACTIONS **WITH EMPLOYEES**

- 46 TALENT MANAGEMENT STRATEGY
- 47 TALENT DEVELOPMENT
- 48 EMPLOYEES & HUMAN RIGHT PROTECTION
- 49 BALANCE BETWEEN WORK AND PERSONAL LIFE
- 50 EMPLOYEE COMMUNICATION

This is a photo of bean purchased through 'Beautiful Fair Trade', a raw material purchasing program of AMOREPACIFIC.

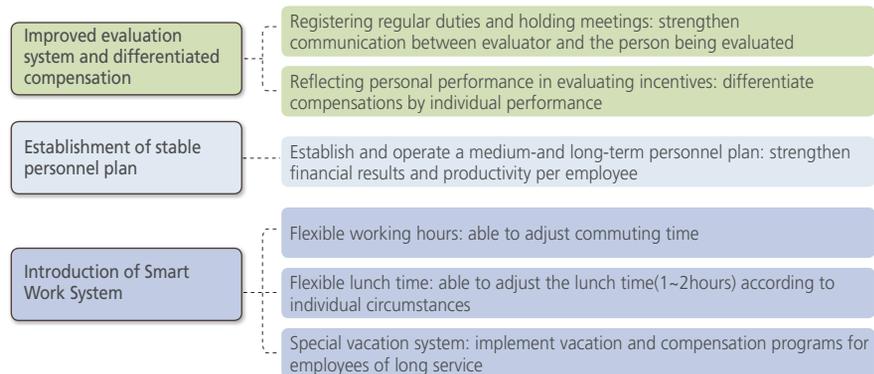
TALENT MANAGEMENT STRATEGY

AMOREPACIFIC believes that employees' capabilities are the key to its growth engine. To ensure employees can focus on their duties and showcase their abilities to the fullest, we will do our best to achieve our vocation as the 'Asian Beauty Creator'.

Establishment of New Personnel System

In 2011, AMOREPACIFIC established a new personnel system to allow the employees to use their abilities to the fullest. We have strengthened the performance-based evaluated system and established a long-term stable personnel plan, while created a creative working environment for our employees by introducing the Smart Work System.

Key Points of New Personnel System



AMOREPACIFIC Talent Features



Global Talent Development

In order to secure the competitiveness of global business, we have strategically developed global talent. AMOREPACIFIC's representative global talent development strategy in 2011 was the 'Hyecho Project'.

We have been developing global business professionals by sending talented people to other countries, which follows the challenging spirit of 'Hyecho' who was a monk about 1,300 years ago that wrote the diary of a journey to five countries of India (Wang ocheonchuguk jeon) by going abroad for the first time in Korea. In 2011, 63 employees were sent overseas through the Hyecho Project. The dispatched employees learned about the other country's language and culture, including Chinese and English, as well as implemented our overseas market entry strategies and local market research. The Hyecho Project aims to develop 300 talented persons by 2017.

Creation of One AMOREPACIFIC Corporate Culture

AMOREPACIFIC has strived to make its own culture and value stronger, while continuously implemented activities to spread this to overseas subsidiaries. In a situation where time and space is different, it is too risky to manage the employees under the same method. In order to resolve this, we have specified our core values and culture and spreading them to the employees of overseas subsidiaries. In particular, AMOREPACIFIC China(AMOREPACIFIC Trading Co., Ltd.) established the AMOREPACIFIC CHINA WAY to promote our corporate culture values to suit the Chinese subsidiary's culture and characteristics. As a result, we were able to strengthen a sense of belonging by giving common value and vocation to all employees. Besides this, we established AMOREPACIFIC's corporate culture by setting the foundation for sharing corporate culture through the 'ASEAN Culture Pre-seminar'.

TALENT DEVELOPMENT

Based on individual development, AMOREPACIFIC has worked on developing its employees to achieve the growth of the company. We are helping our employees to develop their global competencies as well as their job competencies.

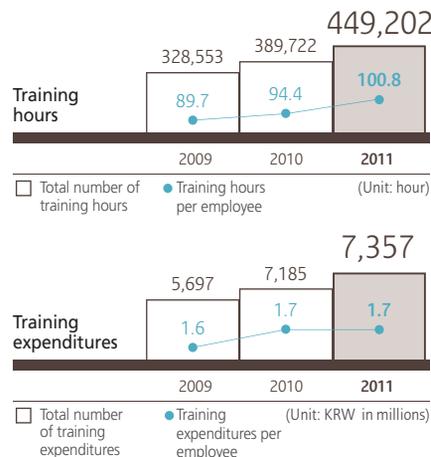
Improvement of Employee's Capabilities

AMOREPACIFIC has established diverse training programs for developing leadership and global competencies of employees, while also operating the Learning & Development (L&D) Center to provide learning support suitable for each individual. In terms of job training, we are focusing on improving the job competencies, such as knowledge, skill and work performance. To achieve this, we identified the learning needs based on the duties by division or function. The results were reflected in operating a differentiated training program of basic, advanced and specialized courses. Also, in order to improve the training effectiveness, we created new Measuring Indicators for it. The person who took the course and the superior can evaluate an improvement in job competencies after the training with the Measuring Indicators.

Starting from 2011, the employees realized a training productivity of low-cost high-efficiency through smart learning, which is also referred to as mobile learning. Also, it resulted in achieving an additional benefit of establishing regular learning culture. By collaborating smart learning and off-the-job training, we made persistent efforts to develop plans for improving learning effects.

AMOREPACIFIC's core value, develop next-generation leader, and strengthen global competencies. In 2011, we operated the 'One AMOREPACIFIC Leader Course' where outstanding talent of local and overseas employees can learn together so that they can develop management knowledge and leadership needed to become a global leader. Also, we implemented multifaceted diagnosis of leadership for 230 team leaders in the company to allow them to have a better understanding about themselves.

Training hours & training expenditures of employees



Development of Global Leader

AMOREPACIFIC has established a Global Leadership Center. It provides training programs that are customized for each leadership stage to promote

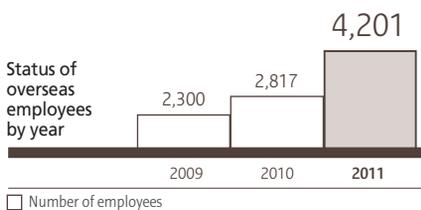
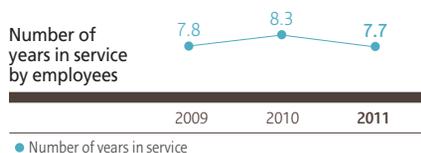
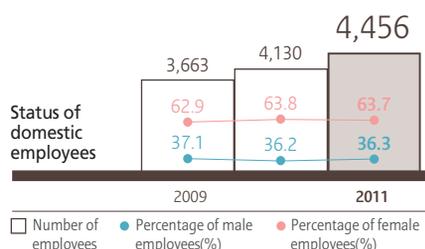
1. Training for New Employees
2. Job Training



Job Training Structure

Category	General Skills Course			Professional Development Course	Common Job Competencies
	Basic	Advanced	Specialized		
More than 8 years			Advanced Level	<ul style="list-style-type: none"> · Cosmetics Retail Professional · Cosmetics Counseling Professional · MBA for MC&S SSEP Coach 	<ul style="list-style-type: none"> · Competency for Information Gathering / Analytical Mindset · Competency for Planning/Problem Solving · Competency for Project Management / Building Relationship · Competency for Communication / Bargaining Power · Competency for Change Management / International Mindset
More than 4~7 years		Intermediate Level			
New ~ 1 year	Elementary Level				

EMPLOYEES & HUMAN RIGHT PROTECTION



Category	2009	2010	2011
Number of accident occurrence	6	4	0
Accident rate	0.14	0.10	0.00
Accident frequency	0.65	0.49	0.00
Accident rate of domestic manufacturing industry average	0.70	0.69	0.65

Employment Status

As of the end of December 2011, the domestic AMOREPACIFIC workforce numbered 4,456 persons. The ratio of female to male is 64 to 36. Also, the ratio of female executives and managers showed steady growth each year.

Employees at Overseas Business Sites

The overseas AMOREPACIFIC workforce numbered 4,201 persons as of the end of December 2011. Locally-hired persons are the majority in all ranks, including top management, to ensure we operate a personnel operation structure closely linked with the local region.

For detailed information on AMOREPACIFIC's labor and human rights policy, please visit the company's website (www.amorepacific.com). The information is available in the "Corporate Ethics" section of "Sustainability".

Maintaining Diversity and Preventing Discrimination

Regulations set forth in Chapter 4 of AMOREPACIFIC's Code of Ethics stipulate that equal opportunities be provided to employees based on individual capability and qualifications. All employees are to be judged fairly with regard to their work performance, and compensated accordingly.

Also, gender, region, academic background, physical disabilities, and nationality may not be used as reasons to discriminate against any employee in terms of hiring, work assignment, or promotion. In 2011, not one case of discrimination was reported to the company's Ethics Secretariat or relevant departments. AMOREPACIFIC strictly abide by all children labor and forced labor prohibition regulations stipulated by the International Labor Organization and domestic laws and regulations; therefore, the relevant division faithfully monitors whether we have complied with them. As of 2011, we have hired 14 disabled persons and 64 persons with national merits.

Labor and Human Rights Policy

In order to prevent discrimination and sexual harassment at the workplace, AMOREPACIFIC has been implementing the prevention training regularly for each business site. In 2011, we held training programs for employees working at the head office and regional office by playing video footages and handing out printouts during monthly meetings. For

sales staff working at department stores, we implemented prevention training by using some of the monthly sales training hours to play video footages and handout printed materials.

For detailed information on AMOREPACIFIC's labor and human rights policy, please visit the company's website (www.amorepacific.com). The information is available in the "Corporate Ethics" section of "Sustainability".

Strengthening of Employee's Health Management

AMOREPACIFIC has been operating a health care program to enhance employee's health. Starting from June, we provide stress diagnosis service and blood test service at the company's medical room at all times so that employees can find out their cholesterol, blood sugar and liver status. About 20% of our employees at the head office used these services to conveniently check their health.

Also, we expanded the scope of health examination, which was applied only to our employees, to spouses of more than 35 years old, allowing them to enjoy overall health examination. The health fund also operates the 'Health Plus Program' so that employees show higher interests on anti-aging care (physical age), dieting and quitting smoking. In 2011, 83% of 117 participants succeed in achieving their goals.

Workplace Safety Management Activities

AMOREPACIFIC has formed a Labor-Management Council and Industrial Health & Safety Committee at each worksite to act as decision-making bodies on the maintenance of safe and congenial working environments for all AMOREPACIFIC workers. In 2002 and 2004, the Korea Standards Association has granted K-OHSMS 18001 certification for the health and safety management systems at the skin care production site and the mass cosmetics production site.

All four domestic work sites (plants) are closely monitored for occurrence of workplace accidents, compliance with health and safety regulations and incidences of work-related illness. There was no one injured or diagnosed with job-related diseases in 2011.

BALANCE BETWEEN WORK AND PERSONAL LIFE

AMOREPACIFIC changed the name of Great Work Place (GWP) activities, which has been implemented since 2010 into 'beautiful workplace that adds happiness, Happy Plus'. By implementing the 'Happy Plus' activities, we are striving to find a balance between work and personal life for our employees, including achieving shared growth for the company and our employees, establishing a culture of respect and consideration, and providing a differentiated welfare system for our employees.

Happy Plus Mini Concert



1. Childcare facility in AP beauty production site in Osan
2. Resting room for female employees at the head office

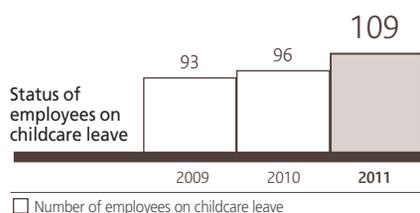
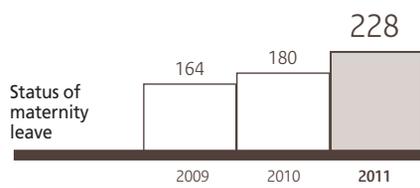


Establishment of Family-friendly Corporate Culture

Operation of childcare center | AMOREPACIFIC has been operating childcare facilities at the workplace of three business sites (head office, Yongin, Osan) to ease the female employee's burden in raising and educating their children, and plans to increase the numbers of such facilities.

Installation of resting room for female employees | AMOREPACIFIC has been operating resting room for female employees in a total of nine business sites, including the head office, regional office, and production plant. Facilities for breast feeding, including breast pump and feeding bottle sterilizer, are installed inside the resting room, as part of the efforts to protect maternity of female employees with infants.

Consideration of working moms | AMOREPACIFIC ensures working moms are not discriminated when they come back to work after childcare leave. Since the operation of flexible working hour system in 2011, AMOREPACIFIC employees have received lots of help in self-development and raising children. Also, we have established an internal internet community space for working moms called 'AMOREPACIFIC Working Mom Community' to share their know how at work, childbirth and childcare, as well as get psychological stability by easing the stress from work and household chores.



Flexible Working Hours and Special Vacation

AMOREPACIFIC's employees may freely use vacations of more than 21 days according to their needs, including summer vacation, annual paid holidays, and refresh vacation. Besides this, we have introduced the flexible working hours and vacations for long-term employment

Work-Life Coaching Program

AMOREPACIFIC has been operating the Work-Life Coaching Program through external counseling institution to improve the quality of life and increase their engagement by proactively enhancing our employee's psychological status. Through this, we provided counseling on personal issues at work and home. In 2011, 230 employees used this program. Regarding the subjects of the counseling, career development and stress from duties were both raised by the employees. On the other hand, counseling on personal matters covered financial matters and personal relations.

Strengthening of Welfare Benefits

AMOREPACIFIC provides scholarships to our employee's children as well as give loans of housing funds at low interest rates. Meanwhile, the company and employee committee share the happiness and sorrow of our employees during various family events. Also, we operate a welfare benefit system customized to suit each person, a welfare cafeteria, to use a certain amount in various fields for the year, including self-development, children' education, medical and recreational reasons. The system helped in creating an environment where employees could focus on their work with a sense of belonging.

Flexible Working Hours and Special Vacation

Category	Contents
Smile Lunch Time	Widen the opportunities for self-development by adjusting lunchtime (within 1~2 hours) and create a flexible working environment
Smart Working Time	Provide opportunities for self-development and increase childcare opportunities for working moms through flexible working hours (07~10)
Special Vacation	Implement vacation and compensation programs for employees of long services (10 years/20 years/30 years)

EMPLOYEE COMMUNICATION

We have established a corporate culture where our employees can freely communicate in a horizontal method while enjoying their work by being engaged in diverse themes.

Main screen of AMOREPACIFIC 人



AMOREPACIFIC 人's theme for creating a company that is loved



Results of Employee Engagement Survey (unit : %)

Category	2009	2010	2011
Employee engagement	82.0	81.0	75.0
Wellbeing index	-	58.0	53.0
Rate of Participation	57.5	45.8	45.2

Status of Membership Rate (unit : %)

Category	2009	2010	2011
Number of labor union members	2,029	2,231	2,278
Membership rate	55.4	54.0	51.2

Internal Online Community Space -AMOREPACIFIC 人

In 2010, we created an internal on-line community space called AMOREPACIFIC 人 (Chinese character for people), which was made for the purpose of 'making suggestions about 'ideas' and 'communication'. By ensuring the protection of anonymity, employees have proposed various ideas concerning working conditions, welfare benefits, products, sales and customers. These ideas are actually reflected in developing AMOREPACIFIC's innovative products, implementing effective business activities and Smart Work system.

In 2011, about 2,000 suggestions were made for the themes like 'creating a company that is loved' in February and 'conducting sales activities to make a cool summer' in April. Among them, the management put the selected ideas into action by making prompt decisions. The sales representatives were given cooling scarves, while the names of the new Osan production site and the internal purchasing system were made by our employees.

Not only that, AMOREPACIFIC allowed the employees to make horizontal communication. In particular, the CEO personally uploaded in 2011, which resulted in about 100,000 hits and 100 comments. There were many ideas proposed about AMOREPACIFIC's development. In the future, we will communicate more actively with our employees, suppliers and customers to realize various ideas that come out from the communication.

Promotion of Employee Participation Activities

AMOREPACIFIC's research clubs provide our employees with the opportunity to pursue various themes besides their assigned duties. In 2011, 24 research clubs consisting of our employees to seize the Middle East and Central Asia market increased their global insights by conducting research on global markets for about two months. Also, there were lectures on subjects with lots of interests for our employees. In 2011, we invited outside lecturers to hold special lectures on four subjects, including investment, self-development, culture and lifestyle, which included 'real estate market outlook and asset strategies', and 'secret of wines popular for dating'.

Employee Engagement Survey

AMOREPACIFIC has conducted employee engagement surveys since 2008 to ensure that the opinions and needs of employees are reflected in the decision-making process of the company's top management. In 2011, the survey comprised of 80 questions in 12 categories, including the level of engagement, image and leadership.

The results indicate a 75% engagement rate, which is similar to the national norm of 74%. In 2010, we added the wellbeing index to manage the qualitative satisfactions of individual employees, aside from the employee's focus on their work. AMOREPACIFIC considers the engagement survey as an opportunity to make improvements rather than a simple survey. In particular, we reflected our employee's opinions to introduce the flexible working hours and Smart Work System in 2011, while we are making efforts to harmonize work and personal life through health funds and themed lectures.

Win-Win Cooperation between Labor and Management

Until 2011, AMOREPACIFIC has kept its promise of being an exemplary company of win-win cooperation between labor and management as a worksite without any disputes for the past twenty years. Every AMOREPACIFIC worksite has its own Labor-Management Council to discuss matters on performance-based compensation, employee welfare, dispute settlement, health and other concerns. As of the end of 2011, the percentage of employees who joined the labor union is 51%, which has the general binding force of collective agreement. All employees are subject to the collective agreement between labor and management, which is signed every other year. Each quarter, AMOREPACIFIC's labor union holds communication meetings between the business division leaders and the labor union leaders. Also, we hold labor-management meetings between the business leaders and opinions leaders of each business unit to communicate with on-site workers. In order to fulfill the social responsibility of the company and labor union, the labor and management are jointly carrying out activities for low-income neglected people, including supporting goods and creating a matching fund by donating part of the salaries.

TAKING SUSTAINABLE ACTIONS

WITH BUSINESS PARTNERS

52 SHARED GROWTH WITH BEAUTY PARTNERS
55 SHARED GROWTH WITH SUPPLIERS



This is a photo of green tea (flower), the core raw material of AMOREPACIFIC.

SHARED GROWTH WITH BEAUTY PARTNERS

AMOREPACIFIC has maintained a close relationship with beauty partners to create a healthy and beautiful society, while also establishing and implementing medium and long-term strategies for shared growth with beauty partners.

Strategies for Shared Growth

Beauty partners have been the foundation of AMOREPACIFIC's continuous growth as our valuable partners. They are establishing good relationship with our customers by providing beauty solutions at all customer contact points and meeting the needs of our customers. In order to grow together with beauty partners, we have improved the working conditions of beauty partners, while also strengthening the welfare benefits to ensure their financial stability. Also, we are providing training programs so that beauty partners can receive beauty training and obtain certificate of qualification, enhancing their pride and professionalism as a beauty professional. Not only that, we have implemented social contribution activities together with beauty partners, which allowed the company and beauty partners to contribute to the development of society, as well as improve their pride as a professional.

on-site in Arita-um franchise stores, and the Genie and Flora sales representatives provide knowledge on beauty as well as provide information on our products to customers at large discount stores.

Improving Professional Competencies

AMOREPACIFIC established the AMOREPACIFIC Beauty University to strengthen the training for beauty partners so that our beauty partners can provide the best services and professional counseling to our customers.

AMOREPACIFIC Beauty University provides systematic and professional training programs that are composed of different colleges for each area of expertise. Through this, all beauty partners can develop into beauty professionals who can deliver beauty and health to our customers. Also, we are operating the 'ABU Advanced Course' starting from 2011. This is a course of industry-academic collaboration that has been established by Ewha Womans University and AMOREPACIFIC to foster professional knowledge of on-site leaders and to improve sales competencies of on-site workers.

We are implementing training programs of different themes, including economy, marketing, services, and humanities, by selecting the best on-site leaders for a course of ten weeks. As a result, we have developed excellent on-site leaders every year. Also, we have operated a credible system for certificate of qualification so that beauty partners can work with more pride and professionalism, while our customers are provided with a more professional beauty service.

Status of Beauty Partners

AMOREPACIFIC's beauty partners include: the 'AMORE counselors' who carry out door-to-door sales; the Arielle beauty consultants who work on-site in Aritaum franchise stores; the Genie, Flora and Tearator sales representatives located in large discount outlets; and the 'tea-sommeliers' who work at O'Sulloc tea houses.

As partners of AMOREPACIFIC for the past 50 years, AMORE counselors are working towards becoming a life-time beauty partner who can share a beautiful and healthy life with our customers through our door-to-door sales activities.

Arielle beauty consultants provide customized beauty counseling for our customers by working

1. AMORE counselor
 2. Aritaum Arielle



Status of Beauty Partners

Category	Divisions	Beauty Partners	Number of person
Cosmetics Counseling	Cosmetics Counseling	AMORE counselor	37,073
	Lirikos	Beaurator	2,325
Cosmetics Retail	Aritaum	Arielle	1,474
	Discount stores	Genie	1,009
MC&S	Mass Cosmetics	Flora	1,233
	Sulloc	Tearator	216

* As of the end of December 2011

Strengthening of Compensation and Welfare System

AMOREPACIFIC is implementing a variety of welfare benefit systems to ensure improved welfare for beauty partners. We joined a group accident insurance for Arielle, Genie and Flora who are working on-site at stores to ensure they get treatment for safety accidents that occur during work and various diseases resulting from sales activities. Also, we are providing personal consulting services called work-life coaching so that beauty partners can resolve personal problems and other work problems. Also, in order to provide better welfare benefits for beauty partners, we are running a welfare cafeteria system so that each person receives welfare points that can be used throughout the year, while we are striving to enhance the pride beauty partners by im-

proving their quality of life so that they can focus on their work, such as providing various extra pays, holiday gifts, and goods for various family events. The counselor welfare card and the Beauty in Life (welfare mall), which were introduced for improved welfare benefits of counselors, provide support for sales activities, health management and children education of counselors. Until 2011, a total of about 6,600 counselors have received the welfare card, and about 7,000 counselors are using Beauty in Life.

AMOREPACIFIC will continue to expand welfare benefits of beauty partners to provide better working conditions for them.

AMORE Counselor Welfare Card



Beauty Partner Training Structure

Category	New Entry	Selective Major Courses	Qualification Tests	Liberal Arts Course
Beauty College		· Makeup · Esthetic	· Makeup Master · Esthetic	
Food College		· Inner Beauty · O'Sulloc	· Inner Beauty	· Communication · Customer Understanding · Organizational Activation
Sales College	ABU New Employee Training	· SSEP · Coaching · POP Design	· Counseling Master · Professional Lecturer · POP Design	· Self-Management · Advanced Coaching · Leadership · Advanced Course for Leader Competencies
Foreign Language College		· English · Chinese		

Beauty Partners with a Professional Certificate

(Unit: persons, %)

Category		2009		2010		2011	
		Number of Certification Acquired	Acquisition Rate	Number of Certification Acquired	Acquisition Rate	Number of Certification Acquired	Acquisition Rate
Counseling Master Certificate	Arielle	143	12.0	190	13.5	279	18.9
	Genie	-	-	29	2.8	110	10.9
	Flora	-	-	-	-	57	3.7
Makeup Master Certificate	Arielle	-	-	19	1.4	48	3.3
	Genie	-	-	37	3.6	72	7.1

1. AMOREPACIFIC Beauty University
2. Aritaum Academy



1. AMORE Counselor Nanum (Sharing) Day Activities
2. Multi-Cultural Memoir Contest



MC&S LIVE



Social Contribution Activities of Beauty Partners

AMORE counselors have consistently shown generosity and love by taking part in Nanum (Sharing) Day at their business sites.

In 2011, 178 business sites across the nation participated in various volunteer activities for local communities, including taking part in gimjang volunteer works (preparing kimchi for the winter) for needy neighbors; visiting welfare facilities for senior citizens to help the elderly take a bath, eat their meals and receive massages; providing free haircuts to the disabled; and providing free makeup services to the center for protecting women. Our beauty partners also participated in the 'Makeup Your Life' campaign, providing beauty services for 1,814 women cancer patients at 50 hospitals across the nation, including making a visit to cancer patients who cannot go outside to provide makeup services.

Besides this, in order to provide support to women of multi-cultural families, we held a contest to collect memoirs of multi-cultural families and gave expenses to six winners to allow them to visit their home country.

Aritaum stores held a 'Let's Pink Lipstick' campaign, which was participated by Arielles, store-owners and student volunteers. The campaign is aimed at cheering mothers who are physically and emotionally tired from many years of struggling against their children's illnesses so that it can also help in a quick recovery of children suffering from cancer. In the campaign held in October of 2011, we provided makeup service, skin analysis and yoga programs to make mothers of pediatric cancer patients smile.

Establishing Mutual Communication Channel

To provide a better working environment for our beauty partners, AMOREPACIFIC has established online and offline communication channels to listen to complaints and proposals made by beauty partners in their sales activities.

Aritaum established an online communication channel called 'Aripas' in the POS system for Arielle who are working at about 1,300 stores across the nation. Also, we share about 9,300 cases of opinions and information from on-site through the 'MC&S Live' for Flora beauty consultants working at large discount stores. All of these communication channels are receiving good responses from our

beauty partners.

Also, the counselors who are implementing door-to-door sales activities are resolving the complaints coming out from their sales activities through the help desk called 'Counselor 080', which is installed at the Headquarters. Through this, we provide various support to our beauty partners, such as improving working conditions, improving welfare benefits and developing job competencies, while also enhancing the career vision and pride as a beauty professional.

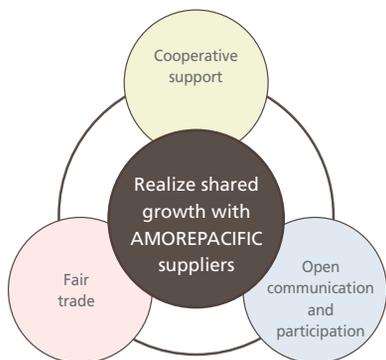
Strengthening Communication with Beauty Partners

In order to resolve the complaints of beauty partners working on-site at various customer contact points as well as achieve shared growth with the company, AMOREPACIFIC established a HR Cooperation Team in January 2012. The HR Cooperation Team establishes plans to provide long-term career vision to beauty partners ensure job stability and to improve the satisfaction level of beauty partners through continuous improvement of working conditions.

In Addition, we have established online and offline communication channels to listen to the complaints and opinions of beauty partners who are working on-site at various sales channels, strengthening smooth communication between beauty partners, suppliers and the headquarters.

SHARED GROWTH WITH SUPPLIERS

AMOREPACIFIC is striving to create a sound corporate ecosystem and to achieve shared growth with our suppliers by realizing win-win cooperation that is aimed at taking a long-term perspective. We provide open communication with our suppliers and established a culture of participation for everyone, which facilitated mutual cooperation and support as well as fair trade so that AMOREPACIFIC can realize the corporate ethics of coexistence and coprosperity, as well as achieve the sustainability management strategy of win-win cooperation with our business partners.



AMOREPACIFIC's Win-Win Cooperation Portal



For more details, please visit AMOREPACIFIC' win-win cooperation portal.
<http://winwin.amorepacific.com>

Road Map for Shared Growth with Suppliers

AMOREPACIFIC has established a strategic management structure of win-win cooperation to achieve shared growth with our suppliers, which include diverse support programs from economic, environmental and social aspects. We provide financial support for management innovation and technology development, while also implementing shared growth activities by securing financial stability through purchasing cooperation, making mutual exchanges on personnel and providing training supports. In 2011, we established a road map for shared growth with raw materials and packaging suppliers, and OEM/ODM, strengthening the activities for creating a close partnership relationship, such as establishing stricter fair trade, reinforcing support and increasing communication and participation, based on mutual trust. Also, we established a corporate ethics structure by introducing ethical management structure to our suppliers to provide support on preventing ethical risks.

Through this, we strengthened the ability to propagate for our suppliers so that they can have competitiveness locally as well as internationally, while we strengthened the structure for providing support on sustainability management to ensure the employees of our suppliers can work in a better working environment.



Establishing 'Win-Win Cooperation Portal' for Suppliers

AMOREPACIFIC has established the 'win-win cooperation portal' system to share the values of shared growth and provide fair trade with suppliers and stakeholders, which composes the supply chain.

By establishing the portal, there is mutual communication between AMOREPACIFIC and its suppliers as well as between the suppliers and its suppliers, which provided an open communication channel to provide opinions and make various suggestions. The win-win cooperation portal is designed to provide close communication by handling work process with the suppliers by linking with the existing purchasing system and synchronized manufacturing system, as well as making requests for finance and training, giving technology proposals and creating communities by departments. AMOREPACIFIC will strive to facilitate the communication channel with our suppliers so that we can strengthen the competitiveness of win-win cooperation and shared growth.

Strengthening Economic Support

AMOREPACIFIC has been operating a win-win cooperation fund since 2005 to provide financial support on facility investment and to ensure stable financial management for our suppliers.

In 2011, we increased the fund size to KRW 10 billion and increased the scope of the fund to be applicable to raw materials suppliers, so that they can make investments on production facilities and quality facilities and introduce new facilities for product development. Also, we monitored global raw material prices and agreed to realistic prices that average the market fluctuations, helping our suppliers to execute stable business management.

Due to the recent fluctuation of international oil prices, in the case of related items, we reflected the increase of raw materials by deciding on the purchasing prices after a two month study instead of a three month study conducted before, which helped improve the profitability of our suppliers.

Meeting for reporting the results of Green Partnership



Leadership Development Course for Suppliers' employees



Establishing Low-Carbon Management Structure for Suppliers

From 2009 to 2011, AMOREPACIFIC has been working on the establishment of a low-carbon management structure for suppliers. To achieve this, we have operated the Green Partnership Council. The Green Partnership is a project that helps the establishment of environment-friendly management system of suppliers with the support of the Ministry of Knowledge Economy by establishing eco-friendly purchasing guideline and advising eco-friendly manufacturing process and transferring of eco-friendly production technologies.

The results of Life Cycle Assessment of AMOREPACIFIC's products revealed that the carbon emissions in the stages of manufacturing raw materials and packaging materials accounted for more than 80% of the whole process. Through this, we established the basic foundation for producing low-carbon products, as well as provided an opportunity to establish the environmental management system of suppliers and to strengthen our responses to climate change risks. Also, by implementing global green partnership, we established a low-carbon and eco-friendly system with 3 packaging suppliers and 2 raw materials suppliers in China. We provide support so that these suppliers can eliminate the risks of a new market and successfully enter into the market.

Support for Supplier Innovation

AMOREPACIFIC has supported the innovative activities of our suppliers by utilizing an innovation infrastructure owned by the company. Since 2010, we launched a project for synchronizing suppliers' manufacturing data to establish the web-based Supplier Information System (SIS) for our suppliers, enabling them to improve production efficiency, enhance profit structure and improve the visibility of information tracking order and delivery. SIS, which started with 6 suppliers, has expanded to 27 suppliers including A-PAC (AMOREPACIFIC's packaging suppliers) and secondary suppliers. Also, we provide consulting services aimed at improving their production quality infrastructure. These services were provided to 9 suppliers, including small-scale manufacturers, to support the establishment of an infrastructure that manages the overall quality of product, including the purchase of raw materials, the manufacturing environment, and the final product.

AMOREPACIFIC uses its own in-house evaluation tools to impartially assess their QCD (Quality, Cost, Delivery) and basic quality management procedures. Based on the results, we award KRW 200 million in prize money annually to the top-rated suppliers, which are once again used as facility investments to motivate employees at our suppliers and improve the quality of their products, aimed at establishing a structure of virtuous cycle for win-win cooperation.

Support for Talent Management of Suppliers

AMOREPACIFIC provides training programs by position to employees of suppliers with the need of such training to develop them into core talent. There are the representative training program is the 'Core Leadership Development Course' as well as the 'Six Sigma Training' and the 'Advanced Course for On-site Competencies of Quality Management Personnel'. Also, we have improved the basic understanding and standards of our suppliers concerning innovation and quality by providing training programs suited for on-site workers of various fields, including 18 CEOs and 18 core leaders who are supervising on-site business sites. Also, we support overseas training for excellent suppliers and more than 200 persons have benefited from this from 2002 to 2011. Starting from 2011, we are implementing medium-and long-term development and training strategies aimed at improving business structure through mutual communication.

Support for Ethical Management of Suppliers

AMOREPACIFIC has sponsored a number of activities designed to spread our ethical compliance attitude to our employees and suppliers by receiving ethics pledges from them. In 2011, we shared our know-how on corporate ethics with our suppliers and provided ethics training so that they can draw up and implement their own corporate ethics policies. As a result, AMOREPACIFIC has fulfilled its role as a responsible global citizen, while also providing the opportunity for our suppliers to draw up and implement their own corporate ethics policies.

A high-speed photograph of water splashing, with numerous droplets and bubbles suspended in the air against a white background. The water surface is visible at the top, with a dark, rippling line. The overall composition is clean and dynamic.

TAKING SUSTAINABLE ACTIONS

WITH COMMUNITIES

- 58 AMOREPACIFIC'S SOCIAL CONTRIBUTION
- 59 FOR BEAUTIFUL CHANGE OF WOMEN'S LIVES
- 61 FOR HARMONIOUS FUTURE WITH SOCIETY



This is a photo of camellia flower purchased through 'Beautiful Fair Trade', a raw material purchasing program of AMOREPACIFIC.

AMOREPACIFIC'S SOCIAL CONTRIBUTION

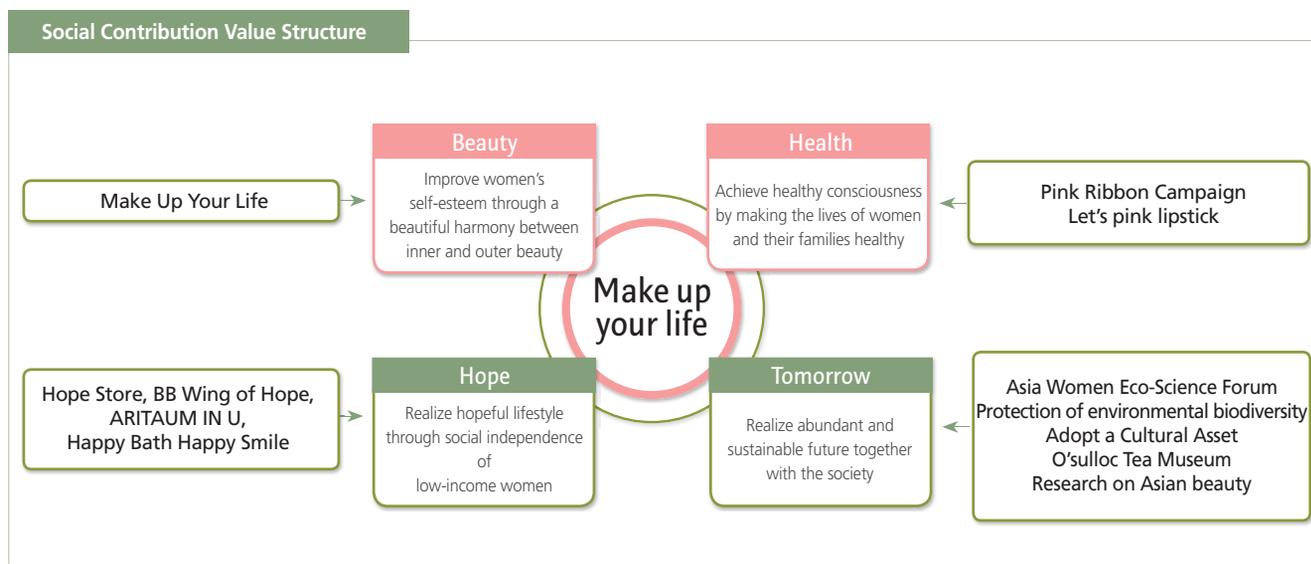
AMOREPACIFIC has been implementing social contribution activities aimed at achieving a harmonious relationship with our local communities and creating beautiful change in people's lives based on social contribution vocation of 'To bring health and beauty to women and their families (humanity) as a responsible corporate citizen'.

Social Contribution Activities

Our company's social contribution slogan is 'Beautiful People, Better Tomorrow', reflecting our determination to enrich our society with beauty and make the world a healthier and more caring place.

To achieve this, AMOREPACIFIC has conducted social contribution activities aimed at bringing beautiful change in women's lives, such as focusing on women's health issues and contributing to social independence of women and fostering talented women, while also implementing social contribution activities aimed at creating a future of harmony with society, such as carrying out sharing activities with employees, operating a non-profit foundation for public interest, and conducting businesses with external institutions. In 2011, AMOREPACIFIC implemented a variety of social contribution activities according to its social contribution strategies. Our representative campaigns aimed at achieving beautiful and healthy life for women include the Make Up Your Life and Pink Ribbon Campaign. Also, starting from 2011, we are implementing the 'BB Wing of Hope' campaign, which encourages multicultural women to participate in community activities, and the 'Beautirian Beautiful The Day' campaign, which helps the disadvantaged women to enter into the workforce.

In addition, AMOREPACIFIC has proactively implemented social contribution activities in other countries as it expanded the global business. Starting with the Make Up Your Life campaign in China, we also carried out the 'Smile Again Japan' campaign to help with Japan's recovery from the earthquake. We plan to increase the scope of social contribution activities on the global stage.



AMOREPACIFIC's Expenditure of Social Contribution Activities

(Unit: KRW in million, %)

Category	2009	2010	2011
Amount of expenditure	13,395	9,100	11,068
Ratio compared to sales	0.8	0.4	0.4
Ratio compared to pre-tax profits	4.5	2.5	2.6

*The 2009 expenditure includes the special donation for the development of local communities in Osan, amounting to KRW 5,954 million.

FOR BEAUTIFUL CHANGE OF WOMEN'S LIVES

AMOREPACIFIC has resolved social issues related to women for their health and beauty and we will work towards creating a women-friendly social environment.

AMOREPACIFIC Make Up Your Life

AMOREPACIFIC's Make Up Your Life Campaign provides our professional knowledge and skills in makeup, skin care, hair coloring and hair styling to give them positive mindset by alleviating their emotional of female cancer patients, allowing them to overcome emotionally-distressing physical changes, such as skin changes and hair loss. 2011 marks the fourth year, and 500 AMOREPACIFIC counselors volunteered to hold the campaign in 50 hospitals for about 1,800 cancer patients.

In particular, we received great response by providing visiting services to patients who found it difficult to come to the hospital. AMOREPACIFIC will continue to implement the Make Up Your Life Campaign because we are confident that hopeful messages can change the female cancer patient's attitude towards life and improve their confidence.

Pink Ribbon Campaign

AMOREPACIFIC has been implementing the Pink Ribbon Campaign to widely notify the importance of preventive checkups and raise awareness of breast cancer, as well as established the Korea Breast Cancer Foundation to ensure a healthy life for women. In 2011, we carried out the activities to promote self-test by recruiting 202 persons as 'Pink Generation' PR ambassadors. Also, we sponsored a team with a band and chorus consisting of women who recovered from cancer together with 15 institutions through 'Our Pink Ribbon Project', which is a contest for breast cancer related activities. We also developed the 'Pink Motion', an exercise for healthy breast to upgrade the campaign.

In addition, we held the most famous event of Pink Ribbon Campaign, 'Pink Ribbon Marathon Race', which took place in five major cities in Korea. There were various events under the theme of 'Love Mother, Love Wife', including the event to raise awareness of breast cancer and the event to notify the importance of checkups for breast cancer, which made it a setting for all families to participate. Also, the fee that about 24,800 participants paid to participate in the marathon was all donated to the Korea Breast Cancer Foundation, which will help spread a culture of healthy sharing by using the money in preventing breast cancer and carrying out treatments.

1. Make Up Your Life Campaign
2. Pink Generation
3. Pink Ribbon Marathon Race



Status of Makeup Your Life Campaign

Category	2009	2010	2011
Number of participants	977	1,842	1,814
Number of participating hospitals	30	49	50
Number of volunteers	215	500	500

Status of Pink Ribbon Campaign

Category	2009	2010	2011
Number of marathon participants	24,194	24,165	24,827
Number of persons who benefited from preventive checkups	2,325	987	550
Number of participants in health lectures	7,453	22,334	31,227

1. Fundraising activity for the 101th Hope Store
2. BB Hope Wing Wink Festival
3. Asian Women Eco-Science Forum



Support for Hope Store Startups

The 'Hope Store' is a leading micro credit program that operates under the financial umbrella of the Beautiful World Fund. It provides business startup loans for low-income single mothers, maximally up to KRW 40 million in value, who find it difficult to get loans from the financial industry because they don't have collaterals or credit. The Beautiful World Fund was established with money set aside by AMOREPACIFIC's founder Sung-hwan Suh, who during his life was an ardent supporter of charities that provided welfare for women and children. The funds were donated to the Beautiful Foundation (President Sang-Jeung Park) by the family of Mr. Suh in 2003. The first store was opened in 2004, and since then, there are a total of 112 Hope Stores across the nation.

In particular, in 2011, AMOREPACIFIC's employees held a donation event to collect money for the 101th store to celebrate opening more than 100 stores. About 1,500 employees collected about KRW 26 million. In addition to this, the company created a total of about KRW 52 million with the matching gift. This was enough to open the 101th store.

We expanded the people who are subject to Hope Store to include single mothers for business diversification in 2011. The 111th Hope Store, 'Sweet Four Fingers', supported the opening of stores for single mothers who received the training to be a cup-caker.

BB Wing of Hope

In 2011, the AMOREPACIFIC Welfare Foundation and the Korea Foundation for Women joined hands to implement the 'BB (Bi-cultural Bi-lingual) Wing of Hope' for multi-cultural women community. BB Wing of Hope helps multi-cultural migrant women who are socially disadvantaged so that they can become independent and positive persons through community activities.

Since July 2011, we have provided funding and

consulting services to 10 multi-cultural communities, including 'Mongolian Migrant Women's Association in Korea', 'Xin Chao Water Puppet Theater', and 'Asian Sisters Movie Club'. Also, we have held the 'Wink Festival' in December, 2011 to provide an opportunity to share the results of the activities taken place during five months, in attendance by 250 persons from the communities.

Asian Women Eco-Science Forum

In 2011, we held the Asian Women Eco-Science Forum where Asia's up-and-coming female scientists participated to share their knowledge on eco-friendly science and technology. This was an expansion from the AMOREPACIFIC Award for Outstanding Women in Science that was established to develop Korean female scientists. This is to facilitate the Asian female scientists as well as the local Korean scientists.

In 2011, about 400 female scientists from ten Asian countries, including Korea, Japan, China, Indonesia, India and Thailand announced the results of 60 researches. AMOREPACIFIC will hold the forum every year in the hopes that Asia's young female scientists will take interest in eco-friendly researches and develop into outstanding scientists in the future.

Beautirian Beautiful The Day

In 2011, AMOREPACIFIC introduced the new campaign called 'Beautirian Beautiful The Day', which is to help females living in women facilities and low-income women who have difficulty in entering into the workforce by developing them into makeup artist helpers. Beautirians are a group of beauty experts who achieve the vocation of sharing beauty by sharing their talent of professional beauty capabilities with local communities.

In September 2011, the beautirians who were selected had the professional beauty capabilities by receiving training at AMOREPACIFIC Beauty College. From October to November, 2011, we implemented the activities to share makeup talent by making visits to social welfare facilities for women, teenagers and the disabled. 21 beautirians completed the training in 2011. The outstanding beautirians received support to take part in the makeup artist course taught by a professional makeup academy.

Status of Hope Store Startups

(Unit: KRW in millions)

Category	2009	2010	2011
Number of new Hope Stores	16	38	20
Paid-in amount	672	1,273	789

FOR HARMONIOUS FUTURE WITH SOCIETY

Besides making changes for women and society, AMOREPACIFIC is faithfully fulfilling the task to make an abundant and sustainable future for the next generation. We are constantly looking for ways to actively intervene in various social issues.

Operation of Foundations for Public Welfare

In addition to carrying out direct social contribution programs, AMOREPACIFIC has established three foundations dedicated to public welfare: the Korea Breast Cancer Foundation, the AMOREPACIFIC Welfare Foundation and the AMOREPACIFIC Foundation. All three are highly active in various fields related to women's health and well-being, as well as providing support for academic and cultural research related to women.

The AMOREPACIFIC Welfare Foundation executes welfare promotion projects for low-income women and their children. In 2011, in order to improve women's welfare facilities, we subsidized the maintenance of washroom and bathing room at 9 locations, along with rest areas at 5 more. Also, we provided learning expenses in the new school year for 102 children of female users of shelters to help them enjoy their school life with confidence.

The AMOREPACIFIC Foundation is aimed at developing talented women through subsidizing researches on women's issues and concerns. Along with the implementation of long-term projects, such as 'Research on the Cultural and Historical Documents Concerning Korean Women' and 'Research on Tea Literatures', we have supplied KRW 500 million as research funds through contests, in-

cluding 10 researches topics.

The Korea Breast Cancer Foundation sponsors a wide variety of projects related to breast health, including the Pink Ribbon Campaign, lectures on breast health, financial support for breast surgery expenses for low-income women, and financial support for academic research. Since its establishment, the Foundation has helped more than 20,000 women benefit from free checkups, while also paying for the surgery and treatment expenses of about 400 low-income patients.

Employee's Social Contribution Activities

AMOREPACIFIC is striving to have a positive impact on the society as a whole by motivating its employees to participate in social contribution activities to share the value of sharing. The social contribution activities that are participated by AMOREPACIFIC's employees, include: Beautiful Sharing, which is a volunteer activity; Beautiful Saturday, which is a donating used items, Donating a Fraction of Employees' Salary, which is voluntarily donating a fraction of one's salary; Matching Gift and Adopt a Cultural Asset, which is to help with the preservation of the nation's cultural assets.

1. Improvement of Guro Women's Society
2. Opening Ceremony for Improving Guro Women's Society



Status of Project Expenditures by Public Welfare Foundations

(Unit KRW in millions)

Category	2009	2010	2011
AMOREPACIFIC Welfare Foundation	357	413	468
AMOREPACIFIC Foundation	415	442	444
Korea Breast Cancer Foundation	521	812	1,003
Total	1,293	1,667	1,915

Status of 2011 Employee's Participation in Sharing Activities

Category	Number of participants	Details of activities
Beautiful Sharing	4,543 persons	16,977 hours of volunteer activities
Beautiful Saturday	1,878 persons	20,429 items of donated goods
Matching Gift	334 persons	KRW 51 million of donation
Adopt a Cultural Asset	132 persons	4 cultural heritages

* The number of participants are indicated in accumulated numbers (annual numbers).

Beautiful Sharing Activities (at nursing homes)



Moreover, in order to promote employee's social contribution activities, AMOREPACIFIC is operating a certification system for ABC Sharing Mileage, which is reflected in employee's compensation according to their performance in sharing activities, as well as the matching gift policy where the company doubles the value of each employee's contribution by paying the same amount.

Beautiful Sharing Activities

Through the Beautiful Sharing Activities, AMOREPACIFIC's employees help out at social welfare facilities across the nation every year by sharing their talents and donating goods. The Beautiful Sharing allows employees to directly choose the facility and program in which they want to do volunteer work of sharing their talents, while the company subsidizes all of the cost and donated goods. It is AMOREPACIFIC's in-house social contribution activities. In 2011, about 4,400 employees (annual numbers) visited about 300 social welfare facilities across the nation over three times to do volunteer work of sharing their talents. They also delivered various goods to about 1,000 facilities, including daily necessities, cosmetics and green tea. Also, we are making efforts to supplement our sharing programs through a sharing messenger with 21 employees so that employees can actively participate in sharing more easily.

place for the past 4 years, to be implemented in Shanghai, China. AMOREPACIFIC China held events for female cancer patients at cancer center in June and October three times, in collaboration with Fudan University, which is located in Shanghai and prides itself as having leading authority in cancer. It was attended by about 60 of AMOREPACIFIC China's 68 members of cancer patient club.

Along with hopeful messages to cheer up female cancer patients, the events received positive responses from the hospitals and patients by holding lectures on styling and makeup and skincare and makeup tests where patients took part in person. Moreover, we provided cosmetic kits consisting of Laneige products together with educational materials to the patients who participated. In the future, AMOREPACIFIC plans to expand the campaign to other regions of China so that the positive energies are spread to all Chinese cancer patients.

Smile Again Japan

In March 2011, after Japan experienced a huge earthquake that struck the Northeastern region, the bigger problem that the country faced was how to ease the scars of the Japanese people. In May when people's interests have subsided, AMOREPACIFIC started the Smile Again Japan campaign, which was providing psychological counseling and mental treatment to help Japanese people in their psychological and emotional recovery so that they can smile again.

We held a contest in May against Japanese and Korean organizations and schools concerning activities that can be actually implemented and suits the Japanese people's sentiments. A total of 75 proposals were received. Through the contest, we selected 7 Japanese non-profit organizations (NPO), to subsidize about KRW 200 million so that they can implement the Smile Again Japan activities in various regions of Northeastern Japan between September and October. Instead of a one-time thing like donating goods or cash, the Smile Again Japan soothes the scars of the Japanese people with a genuine heart, which received good response and interest in Japan to be reported in the local media.

1. Make Up Your Life in China
 2. Smile Again Japan



Global Social Contribution Activities

In accordance with the expansion of global businesses, AMOREPACIFIC is actively implementing social contribution activities in overseas market to contribute to the local communities of each country. Our global social contribution activities are implemented to suit the social and cultural issues of the applicable country, which is the same as what we do in Korea. We plan to carry out the activities so that they can go on for long term, making the country and local community in subject to be healthier and more beautiful instead of being a one-time thing.

Make Up Your Life in China

In 2011, we have expanded the AMOREPACIFIC's MakeUp Your Life Campaign, which had taken

INNISFREE'S GREEN STORY

Under the slogan of "Natural Benefit from JEJU", Innisfree is Korea's first natural cosmetics brand that delivers our customers with the beauty and health benefits derived from its natural ingredients. Jeju is the main focus of the brand story because it is a place full of natural and pure beauty that Innisfree wants to provide to our customers. Also, preserving the beautiful values and delivering them to our customers is an important duty of Innisfree. It strives to bring beautiful experience and healthy beauty to our customers by providing the natural beauty of clean Jeju in our products at the stores.



Green Product

1. Innisfree strives to bring true effectiveness from natural ingredients.

In 2011, after introducing the eco-science anti-aging lines containing dried seaweed and gulfweed ingredients from the clean ocean of Jeju, we launched the eco-science whitening line in January 2012 to realize natural whitening where the vitamin C of Jeju's organic tangerine peel and organic green tea met together. Tangerine peel contains four times more Vitamin C than the fruit flesh of tangerine; therefore, together with the outstanding green tea of JejuSeogwangdawon, we provide products filled with the green energy of nature.



2. Innisfree thinks about the environment from production to disposal.

The annual 60,000 tons of tangerine peels being thrown away in Jeju are used in oriental medicine, fertilizers and animal feed, but there are still more being thrown away. Innisfree has used the leftover tangerine peels after extracting its ingredients to make paper packages for eco-science white C line. We have recycled the remaining tangerine peels 100% by making the package, which reduces peels being thrown away, as well as implements environment-friendly goals of protecting the environment of Jeju.

3. Innisfree makes products that coexist with local communities.

In order to get safe and clean ingredients, Innisfree is implementing a fair trade with Songdangri and Dongbaek Village in Jeju. Innisfree has participated in the Beautiful Fair Trade being implemented by AMORE-PACIFIC. It allows our customers to trust our products, while minimizing the environmental impacts and achieve harmonious relationship with local communities. In 2010, the first ingredient of Beautiful Fair Trade was camellia seeds and flowers, which are the main ingredients of Innisfree's Camellia line, and we purchased them from Dongbaek Village. In 2011, we made our second Beautiful Fair Trade to use the nutmeg, which is the main ingredient for Innisfree's Nutmeg Anti-Trouble line, which we bought from Songdangri, Guja-eup, Jeju.



[Official Sponsor of the 17th World Organic Fair]

In September 2011, Innisfree was the official sponsor of the World Organic Fair 2011, which is called the Olympic of organic industry, and participated in the photo academic conference and organic exhibition. At the photo academic conference, we widely spread the excellence of JejuSullocDawon's organic cultivation system, which is the origin of our green tea product line, while at the organic cosmetics academic conference, we conducted researches on using only natural ingredients and excluded the use of synthetic ingredients. The eco-science product applied with this research was easier to apply compared to the existing organic cosmetics, as well as attracted lots of attention because it contained high natural ingredients according to eco-cert standards.



Green Communication



1. Clean campaign participated by employees, "Innisfree Green Expedition"

Innisfree Green Expedition is aimed at protecting our environment and restoring it back to its original state by implementing eco-friendly activities by our employees. In 2011, the green expedition team met together at Suwolbong, which is one of the famous geological attraction in Jeju, where we collected wood debris as well as ocean wastes. The surrounding areas of Suwolbong are important attraction that is considered as the textbook of volcanology because you can see the remainders of various volcanic activities that took place in Jeju in the past. However, recently there are lots of styrofoams, glass bottles and waste woods found along the ocean, which calls for attention. This year's 'Clean Jeju Campaign' was a way of giving back to Jeju, which has provided us with beauty through its natural ingredients. Innisfree promises to continue implementing the activity to keep Jeju cleaner.

2. Innisfree implements environment-friendly values with our customers.

Since 2010, Innisfree has been implementing the "Eco-handkerchief Campaign", which encourages the use of handkerchiefs instead of disposable tissues, making us realize that we can protect the environment if everyone takes small actions. In 2011, we included the "Natural Environment Story" of beautiful and clean Jeju, "Weather Handkerchief Story" of hoping for beautiful weather and responding to weather phenomenon, and "JejuOlle Story" of leading a relaxing life of walking down the JejuOlle Road while worrying about the damaged ecosystem due to modern people's fast living style.

The eco-handkerchief can be used in many different ways, including gift wrapping, hair accessories, and cup holders, which help make our earth healthier by making us get the habit of using handkerchief instead of disposable tissues.

3. "Innisfree Green Christmas" implements sharing.

In order to think about the meaning of 'togetherness' and share love with the neglected people during the end of the year, we carry out the Innisfree Green Christmas campaign to establish a Christmas culture filled with warmth for everyone. In 2010, we started the sponsorship of Asian multi-cultural families together with Holt Children's Service, and also donated KRW 50 million and 3,000 socks to Save the Children by holding the Green Christmas campaign in December 2011.

The donation money was used in projects for providing support to growth development of poor children through the local children's centers. Innisfree will lead in creating a healthy corporate culture by contributing to the society through sponsorships to the neglected people by implementing sharing activities with the help of our customers.



Green Store

Innisfree realizes environment-friendly stores.

Innisfree has opened a new concept store, green stores, to provide a new purchasing experience to our customers. Green store is a completely new shopping space that is filled with sensitive 'considerations' with the concept that 'green=nice'. The interior of green store is made using eco-friendly materials to preserve the earth. Also, we used eco-friendly construction materials that are certified by the Ministry of Environment and low-energy LED lighting in all lighting equipment.

Also, in the corner of the store, there was a vertical garden decorated with plants cultivated in Jeju so that customers who visit the store can enjoy Jeju's clean nature and beauty. The Innisfree Green Store, which consists of excellent services and environment, are currently located in Appujeong, Ewha Women's University, Wangsip-ri, and YonginSuji, and we plan to expand them to other regions in 2012.





APPENDIX

66	CONSOLIDATED FINANCIAL STATEMENTS
68	INDEPENDENT ASSURANCE REPORT
70	GREENHOUSE GAS VERIFICATION STATEMENT
71	GRI INDEX

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

December 31, 2011 and 2010, and January 1, 2010

(unit: in millions of Korean won)

AMOREPACIFIC Corp.				AMOREPACIFIC GROUP		
	Dec. 2011	Dec. 2010	jan. 2010	Dec. 2011	Dec. 2010	jan. 2010
Assets						
Current assets						
Cash and cash equivalents	187,708	159,142	224,636	353,587	262,198	297,672
Financial institutions deposits	155,736	173,374	84,147	421,536	461,574	394,647
Trade accounts and notes receivable	152,435	138,402	143,120	210,741	199,985	196,726
Other receivables	13,839	12,222	6,835	16,556	17,129	11,763
Other current assets	18,163	17,099	11,110	30,161	26,124	20,961
Inventories	225,803	208,165	161,571	283,909	249,657	182,464
	753,684	708,404	631,419	1,316,490	1,216,667	1,104,234
Non-current assets held for sale	-	36,789	36,789	24,692	50,438	50,438
Non-current assets						
Financial institutions deposits	3,656	3,456	3,427	3,698	3,477	3,445
Other receivables	59,298	45,504	45,761	81,768	62,818	53,890
Available-for-sale financial assets	9,209	11,549	7,647	18,301	22,392	15,158
Property, plant and equipment	1,655,475	1,603,380	1,394,163	1,952,810	1,865,600	1,633,039
Investment in real properties	185,546	-	-	185,546	-	-
Intangible assets	115,204	48,541	42,317	625,915	556,694	548,149
Investments in associates	4,665	4,158	3,665	8,514	28,238	25,716
Deferred income tax assets	28,684	19,860	22,448	37,112	21,539	23,077
Other non-current assets	6	189	916	19	223	916
	2,061,743	1,736,636	1,520,344	2,913,683	2,560,981	2,303,390
Total assets	2,815,428	2,481,829	2,188,551	4,254,865	3,828,086	3,458,062
Liabilities						
Current liabilities						
Trade and other payables	77,987	79,891	59,438	122,768	110,771	74,357
Short-term borrowings	15,581	16,544	26,701	15,581	16,544	26,701
Other current liabilities	181,272	142,015	130,057	224,567	167,905	148,533
Current income tax liabilities	39,201	34,478	26,667	52,225	43,600	33,686
Deferred revenue	53,615	59,847	59,658	59,319	64,259	60,895
Provisions for other liabilities	5,755	13,634	19,538	11,004	21,769	24,104
Other current liabilities	52,571	34,007	36,766	64,691	42,751	46,583
	425,983	380,417	358,826	550,156	467,599	414,859
Non-current liabilities						
Borrowings	45,904	-	-	47,904	-	-
Retirement benefit obligations	40,002	35,247	26,936	49,559	43,153	31,045
Deferred income tax liabilities	138,460	92,425	80,354	199,865	138,504	124,883
Other non-current liabilities	26,776	111,659	112,911	49,789	137,804	138,393
	251,141	239,331	220,200	347,117	319,461	294,321
Total liabilities	677,125	619,748	579,026	897,273	787,060	709,180
Equity attributable to owners of the Parent						
Capital stock	34,508	34,508	34,508	44,451	44,451	44,451
Additional paid-in capital	712,702	712,702	712,702	673,096	673,096	673,096
Capital surplus	7,690	7,690	25	7,363	7,363	5,445
Other components of equity	-1,810	-1,810	-1,810	-134,136	-134,138	-133,697
Accumulated other comprehensive income	-2,435	-1,051	1,406	1,793	5,885	7,315
Retained earnings	1,377,420	1,100,479	862,694	1,258,205	1,128,940	1,019,591
	2,128,075	1,852,518	1,609,525	1,850,771	1,725,596	1,616,120
Non-controlling interest	10,228	9,563	-	1,506,821	1,315,429	1,132,682
Total equity	2,138,303	1,862,081	1,609,525	3,357,592	3,041,026	2,748,882
Total liabilities and equity	2,815,428	2,481,829	2,188,551	4,254,865	3,828,086	3,458,062

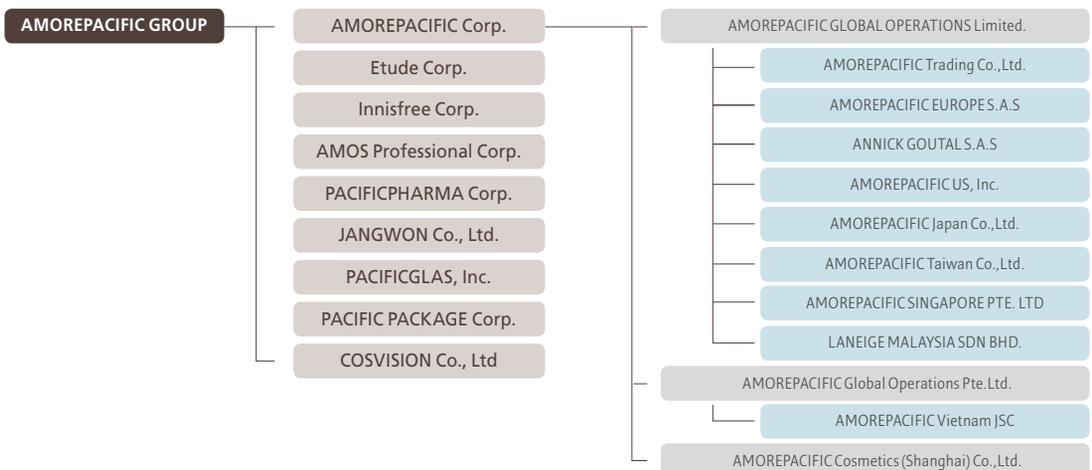
Consolidated Statements of Comprehensive Income

Year Ended December 31, 2011 and 2010

(unit: in millions of Korean won)

AMOREPACIFIC Corp.			AMOREPACIFIC GROUP	
	2011	2010	2011	2010
Sales	2,554,723	2,272,312	3,058,513	2,685,838
Cost of sales	774,623	700,160	960,632	863,832
Gross profit	1,780,100	1,572,153	2,097,881	1,822,007
Selling and administrative expenses	1,407,249	1,207,688	1,663,218	1,413,057
Operating profit	372,851	364,465	434,663	408,950
Finance income	11,165	9,426	26,138	21,125
Finance costs	1,923	2,202	2,018	2,241
Other non-operating gains(losses) - net	46,512	-6,152	49,012	-6,838
Share of profit of associates	1,037	83	2,964	3,306
	56,791	1,155	76,096	15,352
Profit before income tax	429,642	365,620	510,759	424,302
Income tax expense	102,373	78,011	134,640	95,297
Profit for the year	327,269	287,609	376,119	329,005
Profit attributable to :				
Owners of the parent	327,029	287,752	148,500	128,705
Non-controlling interests	240	-143	227,620	200,300
Other comprehensive income				
Actuarial loss on post employment benefit obligations	-8,648	-11,976	-10,671	-14,928
Change in value of available-for-sale financial assets	-376	588	-1,535	-139
Share of other comprehensive income of associates	-361	281	-2,993	286
Loss on currency translation of foreign operations - net	-739	-3,347	-706	-3,111
Total comprehensive income for the year	317,143	273,155	360,215	311,114
Attributable to :				
Equity holders of the Parent Company	316,996	273,318	139,767	121,266
Non-controlling interest	148	-164	220,448	189,848
	317,143	273,155	360,215	311,114
Earnings per share to the equity holders of the Company during the year				
Basic earnings per share for profit attributable to the ordinary equity holders	47,403	41,709	18,366	15,916
Basic earnings per share for profit attributable to the preferred equity holders	47,454	41,759	18,416	15,966
Diluted earnings per share for profit attributable to the ordinary equity holders			17,841	15,462
Diluted earnings per share for profit attributable to the preferred equity holders			17,891	15,512

Consolidated subsidiaries of AMOREPACIFIC Corp. and AMOREPACIFIC GROUP



INDEPENDENT ASSURANCE REPORT

To the AP Management

At AP (AMORE PACIFIC)'s request, we have reviewed the information presented in the 2011 sustainability report (the "Report"). The management of AP is responsible for preparing the Report. Our responsibility is to carry out a limited assurance engagement on the Report and to provide an opinion on it based on our review.

Procedures performed

We conducted our engagement in accordance with ISAE3000¹ and the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)²

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

- Evaluated AP's processes for stakeholder engagement.
- Reviewed AP's processes for determining material issues of stakeholder groups.
- Searched the media coverage of AP's sustainability issues during the applicable reporting period.
- Reviewed recent sustainability reports of the AP's global competitors.
- Interviewed a selection of AP senior managers to understand the current status of sustainability performance and the reporting process during the reporting period.
- Interviewed selected groups from regional business divisions, beauty partners, regional and group labor union, and AP prosumers.
- Reviewed selected data regarding AP's sustainability performance, supporting evidence for assertions, and information from corporate-wide systems.
- Reviewed AP's process for collecting and consolidating sustainability performance data.
- Reviewed whether financial performance data has been extracted properly from the AP's 2011 audited financial statements.

Level of Assurance

We undertook a limited assurance engagement in accordance with ISAE3000. A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the nature, timing and the extent of procedures for gathering sufficient, appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

Limitations of our review

We did not review GHG(Greenhouse Gas) emissions from environmental performance data, environmental and social performance data prior to 2011 for our limited assurance engagement. We reviewed financial performance data based on AP's 2011 audited financial statements.

Conclusion

The result of our review is outlined below.

Inclusivity

Has AP been engaging with stakeholders across the business to develop 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 AP has not applied the inclusivity principle in developing its approach to sustainability.

¹ International Standard on Assurance Published by International Federation of the Accountants Engagement: Assurance Engagements other than Audits or Reviews of Historical Financial Information

² Second AA1000 Assurance standards published by the AA1000AS (2008)- Institute of Social and Ethical Accountability

Materiality	<p>Has AP provided a balanced representation of material issues concerning AP's sustainability performance?</p> <ul style="list-style-type: none"> · We are not aware of any material aspects concerning AP's sustainability performance which have been excluded from the Report. · Nothing has come to our attention that causes us to believe that AP management has not applied its processes for determining material issues to be included in the Report.
Responsiveness	<p>Has AP responded to stakeholder concerns?</p> <ul style="list-style-type: none"> · We are not aware of any matters that would lead us to conclude that AP has not applied the responsiveness principle in considering the matters to be reported.
Completeness and accuracy of performance information	<p>How complete and accurate is the economic, customer, environment, employee, partner and local community activity data in the Report?</p> <ul style="list-style-type: none"> · Except selected performance data from the overseas operations, we are not aware of any material reporting units that have been excluded from the economic, customer, environment, employee, partner and local community activity 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 AP's reporting process. <p>How plausible are the statements and claims within the Report?</p> <ul style="list-style-type: none"> · We are not aware of any misstatements of information or explanation used to support statements and claims on AP's sustainability activities presented in the Report.
Observations and areas for improvement	<p>Without prejudice against our conclusions presented above, we believe the following matters require attention for the improved AP's sustainability report.</p> <ul style="list-style-type: none"> · AP established targets for managing several sustainability issues and organized contents based on the performance, but this must be expanded to the other material issues. · In order to reflect the diverse stakeholders, periodic communication channels must be established and through these channels, a system to decide on material issues must be improved. · In the case of some sustainability performance data, a system to generate, aggregate and report the data must be improved. · To improve completeness of sustainability reporting, the scope of the Report needs to be expanded to overseas operations.
Independence	<p>We comply with the Ethical Standard issued by the Korean Institute of Certified Public Accountants (KICPA).</p>
Our Assurance Team	<p>The assurance engagement was performed by the engagement team with a long history of experience and expertise in sustainability area.</p>

GREENHOUSE GAS VERIFICATION STATEMENT



DNV Verification Statement AMOREPACIFIC Co., Ltd Greenhouse Gas Emission Levels in 2011

Introduction

Det Norske Veritas (DNV) verified AMOREPACIFIC's greenhouse gas emission levels in 2011 based on limited assurance level. AMOREPACIFIC is obligated to prepare greenhouse gas emission level materials based on the principles set forth in ISO 14064-1:2006, WRI/ WBCSD GHG Protocol: 2004, and IPCC Guidelines: 2006, and DNV has the responsibility to carry out limited work for AMOREPACIFIC according to contract conditions. In relation to this Verification Statement, DNV disclaims any responsibility to a third party other than the contracted party.

Scope of Assurance

AMOREPACIFIC's emission data that was examined for this verification include direct emission (Scope 1 emissions) and energy indirect emissions (Scope 2 emissions) provided by the "Greenhouse Gas Inventory Report" and "Greenhouse Gas Inventory Calculation Tool". AMOREPACIFIC data verification as well as field verification was conducted.

Organizations and Plants Subject to Verification

- Production plants (Osan, Daejeon, Jincheon)
- Headquarters/Counseling sales
- Logistics centers (Gangbuk, Gwangju, Gimcheon, Daejeon, Masan, Busan, Osan, Incheon, Jincheon, Wonju)
- R&D Center/Human Resources Development Center
- Regional offices (Gwangju, Daegu, Daejeon, Busan)

AMOREPACIFIC's greenhouse gases that were reported through the Greenhouse Gas Inventory Report are carbon dioxide (CO₂), methane (CH₄), nitrogen dioxide (N₂O), and hydrofluorocarbons(HFCs).

Verification Method

The verification was carried out from February 2012 through March 2012 based on ISO 14064-3 verification principles and standards. DNV established a verification plan to acquire information and data needed to submit a verification opinion on the greenhouse gas emission levels reported by AMOREPACIFIC and completion of a greenhouse gas inventory, and conducted the verification. The sites that were visited for verification are three production plants (Osan, Daejeon, and Jincheon) and one logistics center (Osan), the R&D Center and Human Resources Development Center. For other business sites, DNV carried out data verification without making a field visit.

As part of the verification process, DNV confirmed the following:

- Greenhouse Gas Inventory Report (March 12, 2012)
- Systems used to create, collect, and manage data related to greenhouse gas emissions (AP GMIS)
- Worksheet on calculating, managing, and reporting greenhouse gas emission levels (March 12, 2012)

Conclusion

Results of the above mentioned verification indicate that the greenhouse gas emission levels in 2011 that is specified in AMOREPACIFIC's Greenhouse Gas Inventory Report are as follows. DNV did not make any discoveries that lead to the judgment that significant errors or omissions were made in the Greenhouse Gas Inventory Report.

AMOREPACIFIC Co., Ltd Greenhouse Gas Emission Levels in 2011

(Unit: ton CO₂-e)

Category	Direct emissions (Scope 1)	Energy indirect emissions (Scope 2)	Total emissions (Total)
2011	10,059	21,037	31,096

* Refer to the DNV Verification Report (Rev. 0; March 2012) for verification detail.
There can be a difference of ± 1 in the emission levels resulting from the rounding off to the nearest whole number in the Greenhouse Gas Inventory Report and Worksheet (dated March 12, 2012).

March 14, 2012

Cheol-soo Kim
Verification and Inspection
Team Manager

In-gyunn Ahn
CEO and Director
Det Norske Veritas

This Verification Statement is valid as of the date of the issuance of the Statement. There may be an incident or situation that may have a significant effect on the "Greenhouse Gas Inventory Report" and "Greenhouse Gas Inventory Calculation Tool" between the date of issuance and the point at which this Statement is perused. This may lead to a change in this Verification Statement.

Fully Reported  Partly Reported  N/A No Material

	G3.1	Indicators	Reporting Status	Page	UNGC	ISO 26000
Official Notice on Profiles						
Strategy and Analysis	1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the reporting organization and strategy		8, 9		6.2
	1.2	Description of key impacts, risks and opportunities		8, 9, 14		6.2
Organizational Profile	2.1	Name of the organization		10		
	2.2	Primary brands, products and / or services		25-28		
	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures		10, 67		6.2
	2.4	Location of organizations' headquarters		10		
	2.5	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		10		
	2.6	Nature of ownership and legal form		11		
	2.7	Characteristics of Markets served		23, 24		
	2.8	Scale of the reporting organization		10, 22		
	2.9	Significant changes during the reporting period regarding size, structure, or ownership		11		
	2.10	Awards received in the reporting period		C2,2-7		
Report Parameters	3.1	Reporting period for information provided		C2		
	3.2	Date of most recent previous report		C2		
	3.3	Reporting cycle		C2		
	3.4	Contact point for questions regarding the report or its contents		C2		
	3.5	Process for defining report content		15, 18		
	3.6	Boundaries of the report		C2		
	3.7	State any specific limitations on the scope or boundary of the report		C2		
	3.8	Basis for reporting on the entities that can significantly affect comparability from period to period and / or between organizations		C2		
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques		22, 38, 44, 58		
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		22, 32		
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		none		
	3.12	Table identifying the location of the Standard Disclosures in the report		71-73		
	3.13	Policy and current practice with regard to seeking external assurance for the report		68-70		7.5.3
Governance, Commitments and Engagement	4.1	Governance structure of the organization		11, 12		6.2
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer		11		
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and / or non-executive members		11		
	4.4	Mechanisms enabling shareholders and employees to provide recommendations or direction to the highest governance body		11		
	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance		12		
	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		11		
	4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees		11		
	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation		13, 46, 55, 58		
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance		12		
	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance		12		
	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		20, 36, note ¹⁾		
	4.12	Externally developed economic/environmental/social charters, principles, or other initiatives to which the organization subscribes or endorses		9		
	4.13	Membership in associations (such as industry associations) and / or national / international advocacy organizations		15		
	4.14	List of stakeholder groups engaged by the organization		15		
	4.15	Basis for identification and selection of stakeholders		18		
	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		15-17		
	4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns		15		
Economic						
Economic Performance	EC1	Direct economic value generated and distributed		22-24		6.8, 6.8.3, 6.8.7, 6.8.9
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		30, 39, 40	7	6.5.5
	EC3	Coverage of the organization's defined benefit plan obligations		22		
Market Presence	EC4	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.		note ²⁾		
	EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.		3, 31	1	6.4.4, 6.8
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation		10, 48	6	6.8, 6.8.5, 6.8.7

Fully Reported  Partly Reported N/A No Material

G3.1		Indicators	Reporting Status	Page	UNGC	ISO 26000
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit		22, 58		6.3.9, 6.8, 6.8.3, 6.8.5, 6.8.6, 6.8.7, 6.8.9
	EC9	Understanding and describing indirect economic impacts		52, 53, 55		6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8.5, 6.8.6, 6.8.7
Environmental						
Energy	EN1	Materials used by weight or volume		30	8	6.5, 6.5.4
	EN2	Percentage of materials used that are recycled input materials		30	8	
	EN3	Direct energy consumption by primary energy source		44	8	
	EN4	Indirect energy consumption by primary energy source		44	8	
	EN5	Energy saved due to conservation and efficiency improvements		38, 39, 41	8,9	
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services		39, 40	8,9	
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved		43, 63, 64	8,9	
Water	EN8	Total water withdrawal by source		44	8	
	EN9	Water sources significantly affected by withdrawal of water	N/A		8	
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		42		6.5, 6.5.6
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	none			
	EN13	Habitats protected or restored	N/A			
	EN14	Strategies, current actions, and future plans for managing biodiversity		42		
	EN15	Number of national conversational list species with habitats in areas affected by operations, by level of extinction risk	N/A			
Emissions, Effluents and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight		38, 39	8	6.5, 6.5.5
	EN17	Other relevant indirect greenhouse gas emissions by weight		38	8	
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		38, 39, 41	7-9	
	EN19	Emissions of ozone-depleting substances by weight		38, 39, 41	8	6.5, 6.5.3
	EN20	NOx, SOx, and other significant air emissions by type and weight		44	8	
	EN21	Total water discharge by quality and destination		44	8	
	EN22	Total weight of waste by type and treatment method		44	8	
	EN23	Total number and volume of significant spills	none		8	
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	N/A		8	
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N/A		8	6.5, 6.5.4, 6.5.6
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		39, 40	7-9	6.5, 6.5.4, 6.6.6, 6.7.5
	EN27	Ratio of recycling of sold products and relevant packaging materials		40		6.5, 6.5.4, 6.7.5
Compliance	EN28	Monetary value of fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations		none	8	6.5
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce		38	8	6.5, 6.5.4, 6.6.6
Overall	EN30	Total environmental protection expenditures and investments by type		note ³⁾	7-9	6.5
Labor Practices and Decent Work						
Employment	LA1	Total workforce by employment type, employment contract, and region		10, 48		6.4, 6.4.3
	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.		48, note ⁴⁾		
	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		49, note ⁵⁾		6.4, 6.4.3, 6.4.4
	LA15	Return to work and retention rates after parental leave, by gender.		49		
Labor / Management Relations	LA4	Percentage of employees covered by collective bargaining agreements		50	1,3	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10
	LA5	Minimum notice period regarding important operational changes		note ⁶⁾	3	6.4, 6.4.3, 6.4.4, 6.4.5
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees		50	1	6.4, 6.4.6
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region		48	1	
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, and community members regarding serious diseases		48	1	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8
	LA9	Health and safety topics covered in formal agreements with trade unions		48	1	6.4, 6.4.6
Training and Education	LA10	Average hours of training per year per employee by employee category		47		6.4, 6.4.7
	LA11	Programs for skills management and lifelong learning and assist them in managing career endings		47		6.4, 6.4.7, 6.8.5
	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.		46-48		6.4, 6.4.7

Fully Reported  Partly Reported N/A No Material

G3.1		Indicators	Reporting Status	Page	UNGC	ISO 26000
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		48	1,6	6.3.7, 6.3.10, 6.4, 6.4.3
	LA14	Ratio of basic salary of men to women by employee category		48	1,6	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4
Human Rights						
Investment and Procurement Practices	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights		19	1,6	6.3, 6.3.5
Non-Discrimination	HR4	Freedom of Association and Collective Bargaining		48	1,2,6	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		50	1-3	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor		48	1,2,5	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10
Forced and Compulsory Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor		48	1,2,4	
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	none		1,2	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		19		
Remediation	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.				
Society						
Local Community	SO1	Effectiveness of any programs and practices that assess and manage the impacts of operations on communities		58-62		6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption		19	10	6.6, 6.6.3
	SO3	Percentage of employees trained in anti-corruption policies and procedures		19	10	
	SO4	Measures taken for corruption cases		19	10	
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying		42, 56		6.6, 6.6.4, 6.8.3
Anti-competitive Behavior	SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	none			6.6, 6.6.5, 6.6.7
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations		note ⁷⁾		6.6, 6.6.7, 6.8.7
Local Community	SO9	Operations with significant potential or actual negative impacts on local communities.	none			
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		58		
Product Responsibility						
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement		note ⁸⁾		6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	none			
Product and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		30	8	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		note ⁹⁾	8	
	PR5	Practices related to customer satisfaction		36		6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary rules related to marketing communications, including advertising, promotion, and sponsorship		note ¹⁾		6.7, 6.7.3, 6.7.6, 6.7.9
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		note ¹⁾		
Customer Privacy	PR8	Total number of complaints regarding breaches of customer privacy and losses of customer data		20	1	6.7, 6.7.7
Compliance with Laws and Regulations	PR9	Monetary value of fines levied for violating laws and regulations on providing products and services		note ¹⁰⁾		6.7, 6.7.6

¹⁾ Information on AMOREPACIFIC's voluntary compliance with fair trade rules is available at http://www.amorepacific.com/sustain/justice_summary.jsp

²⁾ Minimum wage laws are strictly followed

³⁾ Environmental conservation costs amount to KRW 2,223 million

⁴⁾ Reported the Number of years in service in stead of the turnover rate, as it better reflects the employment status of the company

⁵⁾ Information on AMOREPACIFIC's benefits program is available at <http://recruit.amorepacific.co.kr/personnel/pay.jsp>

⁶⁾ Articles 13 and 19 of the Collective Agreement stipulate the minimum notice period.

⁷⁾ There were no violations of laws and regulations within the reporting period other than what is indicated in PR9.

⁸⁾ Information on AMOREPACIFIC's product safety process is available at http://www.amorepacific.com/sustain/safety_item_01.jsp

⁹⁾ Paid a fine of KRW 7.2 million in relation to the violation of labeling and advertising regulations. (3 cases)



Creating a
Beautiful Life



Report Summary

1. Purpose

This report was created to transparently disclose AMOREPACIFIC's sustainability management activities to stakeholders and to collect various opinions to reflect them in management. AMOREPACIFIC plans to issue this report every year to advance into a company that contributes to sustainable development and to engage in active communication with all of you stakeholders.

2. Standards Followed

The 2011 AMOREPACIFIC Sustainability Report has been prepared in accordance with the G3.1 guidelines set forth by the Global Reporting Initiative (GRI) and main agenda of ISO 26000.

3. Period Covered

This report covers AMOREPACIFIC activities from January 1 to December 31, 2011. Data from 2009 and 2010 were included for comparative purposes.

4. Scope

This report specifies the activities and performance of the AMOREPACIFIC Head Office, the R&D Center, Human Resources Development Center, regional offices, Skin Care Division, Makeup Division, Mass Cosmetics Division, Sulloc Tea plants, and AP beauty production site. Basic information is offered on subsidiaries, both overseas and domestic. We plan to gradually disclose information on detailed activities in future reports according to sustainability management action plans.

5. Report Assurance

To verify the accuracy and enhance the credibility of the contents of the report, we received third-party verification.

For Inquiries

Please Contact the AMOREPACIFIC Sustainability Management Team at
Hangang-ro 2-Ga 181, Yongsan-gu, Seoul, Korea
Tel. +82.2.879.3048
Fax. +82.2.709.5339
Home page. www.amorepacific.com
e-mail. csr@amorepacific.com

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





This report was used environment-friendly papers and was printed in Soy ink. The cover and interior pages are also environmentally-friendly and FSC-certified paper. FSC mark only attaches on the products used timbers which have been grown in an environmentally developed and managed forestry. In addition, as opposed to traditional petroleum-based ink, soy ink is more environmentally-friendly and is not volatilized. Then, it leads to reduce air