



A MORE
Beautiful World

2016

Amorepacific Group
Sustainability Report

2016



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Corporate Overview

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Changing the World through Asian Beauty

Since its establishment in 1945, Amorepacific Group has single-mindedly pursued its calling to transform the world through Asian beauty, which emphasizes harmony and balance. We aim to fulfill our vision of delivering the infinite possibilities and power of beauty to our customers around the world. Toward this end, we have continuously improved our business operations, and created numerous best-in-class products while also developing groundbreaking products through innovative research. We continue our journey as a great company committed to sustainable growth.

CEO Message

**To create A MORE Beautiful World,
we are fully committed to
working with diligence, honesty and patience.**



Since we were founded more than 70 years ago, Amorepacific Group has always been guided by one big dream: changing the world through beauty. To realize this dream, we have been striving to deliver the value of our unique Asian Beauty to all customers. We are proud of the performance and outstanding accomplishments we have achieved in 2016, amidst an ever-more competitive business environment and rising market uncertainties. By strengthening our leadership on digital and mobile innovation we are attracting more engagement from young tech-savvy customers who look for unique shopping experiences. This has allowed us to build a portfolio of successful brands in various global markets and to become the leading cosmetic company representing Asian beauty and its wisdom.

Even with this success, this is only a beginning. We remind ourselves every day that we will need to work harder and focus more to fully realize our dream of changing the world through beauty. By going back to the basics where we first started, it is time to reaffirm our commitment to beatifying humanity and enthusiastically embrace our role as a responsible global corporate citizen. To create A MORE beautiful world, we are fully committed to working with diligence, honesty and patience.

“2020 Sustainability Commitments” introduced in 2016 is our promise to customers, the environment, and society, and is a moral compass for our efforts for the next generation. With three focus areas and eight commitments, we seek to enrich the quality of life of our customers, ensure equitable social development, and reinforce the sustainability and health of our environment.

First, we will be pursuing numerous activities aimed at raising awareness about the importance of sustainable lifestyles and the social and environmental impacts of consumer choices. Towards this, Amorepacific Group is implementing a sustainability strategy designed to minimize our social and environmental footprint by taking into account the entire lifecycle of our products – from research and development to the end-user stage. Simultaneously, we are integrating sustainability principles into our operations in our retail stores and with our customer service experiences, while also increasing our efforts on cause-related marketing to invite our customers to participate in ethical and sustainable consumption.

Second, in order to become a sustainable company which enables inclusive growth, Amorepacific Group will continue to support the professional and personal development of our employees and business partners and double our efforts on women’s empowerment and local community development. In this regard, we will continuously focus on creating great place to work for our employees where work-life balance is respected and all of our employees can thrive. We will also contribute to inclusive growth by actively supporting our business partners and suppliers. With our strategic social investment projects, we are committed to advancing the health and well-being as well as economic empowerment and independence of women, and will contribute to creating a society where all members can enjoy the beauty and culture and live a healthy life.

Third, we will be fully integrating circular economic principles into all corporate activities and processes and using all natural resources in a highly efficient and environmentally sustainable way to demonstrate our leadership on conservation of nature and environmental ecosystem. By increasing the use of renewable energy, we will reduce our dependence on fossil fuels, ultimately lowering the emission of greenhouse gas from our business practices. We will also improve resource efficiency and increase the reusability of water waste to proactively address global water scarcity and climate change issues.

Finally, as a responsible global citizen, we support the 10 principles of the UN Global Compact regarding human rights, labor, the environment, and anti-corruption, and we are putting every effort into fully integrating these principles into our corporate strategies and operations. Furthermore, our “2020 Sustainability Commitments” will actively address various priorities of the UN Sustainable Development Goals (SDGs), and we will join the international community’s efforts on sustainable development.

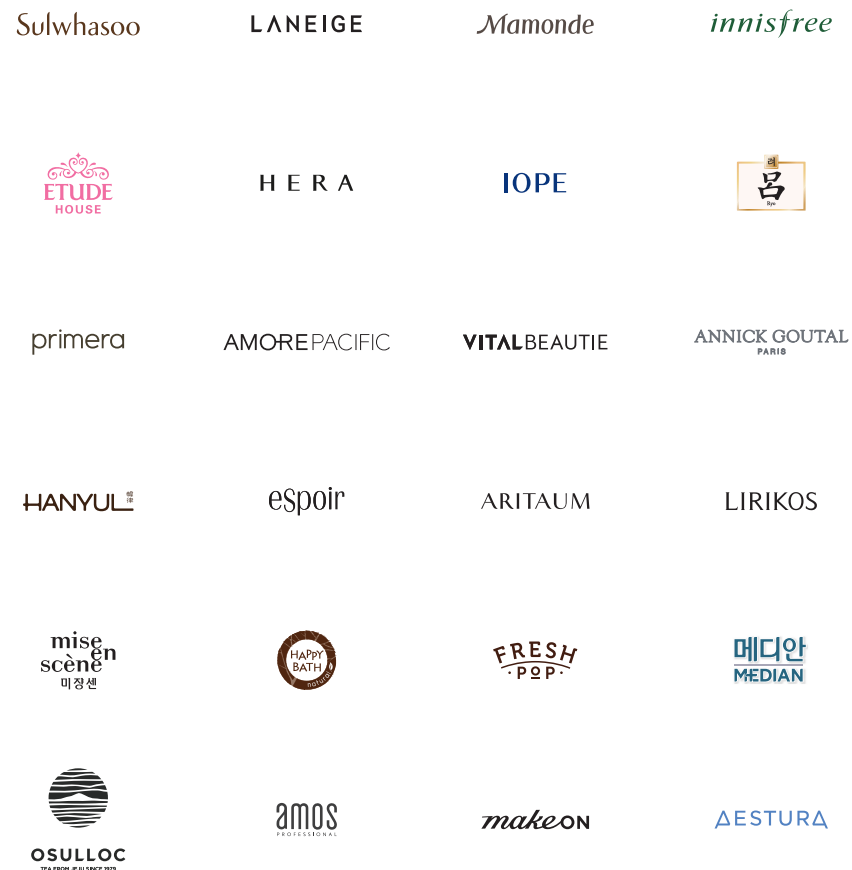
We started small when we first began our journey. We always remind ourselves that we are not only producing cosmetic products, but also increasing our customers’ joy and confidence through Asia’s health and beauty wisdom. Similarly, instead of being satisfied with our rapid growth and successful financial performance, we continuously challenge ourselves to fulfill our corporate responsibility to deliver economic, social and environmental values to our stakeholders. To become a truly great company, Amorepacific Group is prepared to travel further than we ever have before.

We would like to ask for your continuous support and interest on our way towards the greater future of Amorepacific Group. Thank you.

April, 2017

Kyung-bae Suh, Chairman & CEO of Amorepacific Group

Brand Portfolio



Sulwhasoo

**Holistic Beauty from Asian Wisdom**

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

www.sulwhasoo.com

LANEIGE



Unleash the Sparkling Beauty in You

LANEIGE pursues Sparkling Beauty. Not just only in the form of clear, transparent and glowing skin, but we also seek to unleash that dazzling charm within you. LANEIGE goes beyond the infinite possibilities of moisture. We lead with an open mind, create trends with new energy, and transform women's lives every day, making them more beautiful.

www.laneige.com

Mamonde



Presenting Blooming Beauty of Flowers to You!

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

www.mamonde.com

innisfree



Natural Benefit from Jeju, innisfree

innisfree-‘an island that gives freedom and life to our skin’-is a natural brand committed to providing customers with healthy beauty inspired by the pristine nature of Jeju Island.

As a leading eco-friendly green cosmetic brand, we pursue a beautiful dream in preserving natural wellness and healthy skin.

www.innisfree.com

ETUDE
HOUSE



Life is sweet, Make Today Sweeter!

Born as the very first make-up brand in Korea, ETUDE has been realizing every woman’s sweet dream for spreading its charming ‘fun and easy Make-up Play Culture’. ETUDE has been loved as a K-beauty brand, leading young beauty trends in the global market.

www.etudehouse.com



HERA

Exceptional Beauty from Seoul

HERA has led the superb aesthetical sense of Korean women by harmonizing the new with the beauty of the times and now, HERA is announcing a new iconic woman, Seoulista, under the theme of exceptional beauty from Seoul.

www.hera.com

primera

Sprout Energy for the Prime Moments of Skin Vitality



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

www.primera.co.kr

IOPE

Leading the Way to Vitalizing Skin through Phyto-bio Science

IOPE achieves the best possible technology for vitalizing skin through phyto-bio science and cutting-edgy scientific technology.

www.iope.com



AMOREPACIFIC

Artisan Beauty Brand that Delivers the Mystery of Botanicals Found by the Discerning Eye of Asians with Phyto-fluidics™

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

www.brandamorepacific.com



Global Premium Haircare Brand Made of Oriental Herbal Science

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

www.ryohair.com

VITALBEAUTIE

Inner Beauty Solutions for Your Healthy and Beautiful Look

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

www.vitalbeautie.com



ANNICK GOUTAL PARIS

French High Perfumery House
Inspired by Emotion

www.annickgoutal.com



HANYUL

Korean Nature by
Mother's Wisdom

www.hanyul.co.kr



espoir

Professional Makeup Brand

www.espoir.com



ARITAUM

Fast Beauty Icon!
A Reasonable and Sensational
Beauty Brand Reflecting the
Hottest Trends – ARITAUM

www.aritaum.com



LIRIKOS

Prestige Marine Brand
Conveying Sincerity of Pristine and
Vibrant Vitality of Marine Being

www.lirikos.co.kr



mise scène

A Hair Care and Styling Brand
Leading Hair Trends

www.miseenscene.com



Happy Moment: A Body Care
Brand Committed to
Delivering Happiness

www.happybath.com



FRESH POP

Healthy Hair with Fresh Pop



메디안 MEDIAN

Customized Healthy
Solutions for My Teeth

www.median433.co.kr



OSULLOC

Tea and Jeju Offer Relaxation
of Life and Spiritual Beauty

www.osulloc.com



amos PROFESSIONAL

Style Expression by Professional

www.amosprofessional.com



makeON

Prestige Beauty Device Brand
Changing Skin Care Routine

www.makeonbeauty.co.kr



AESTURA

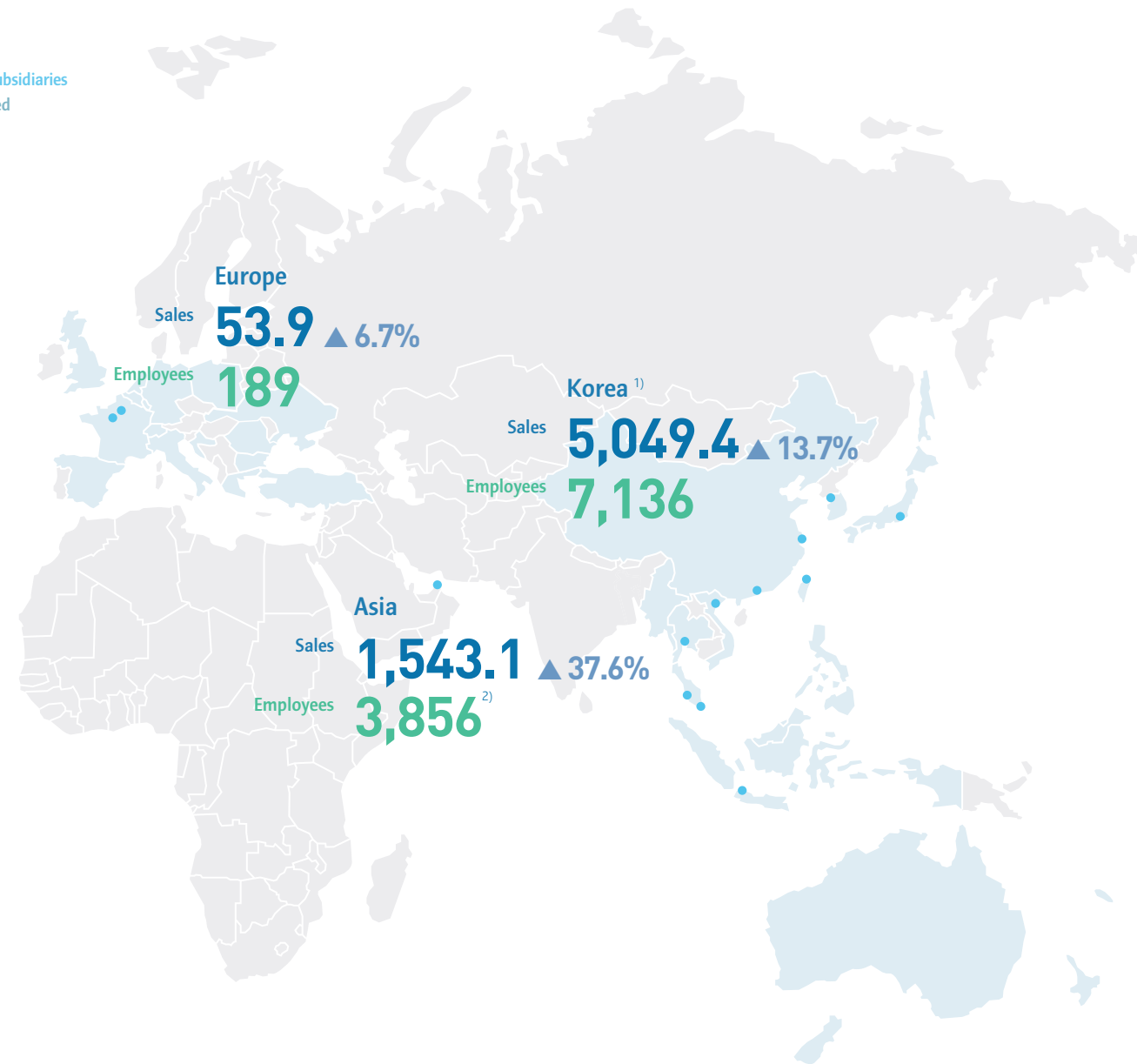
Medical Beauty Cosmetics
Leveraging Extensive Dermatology
Research and Technologies

www.aestura.com



Business Overview

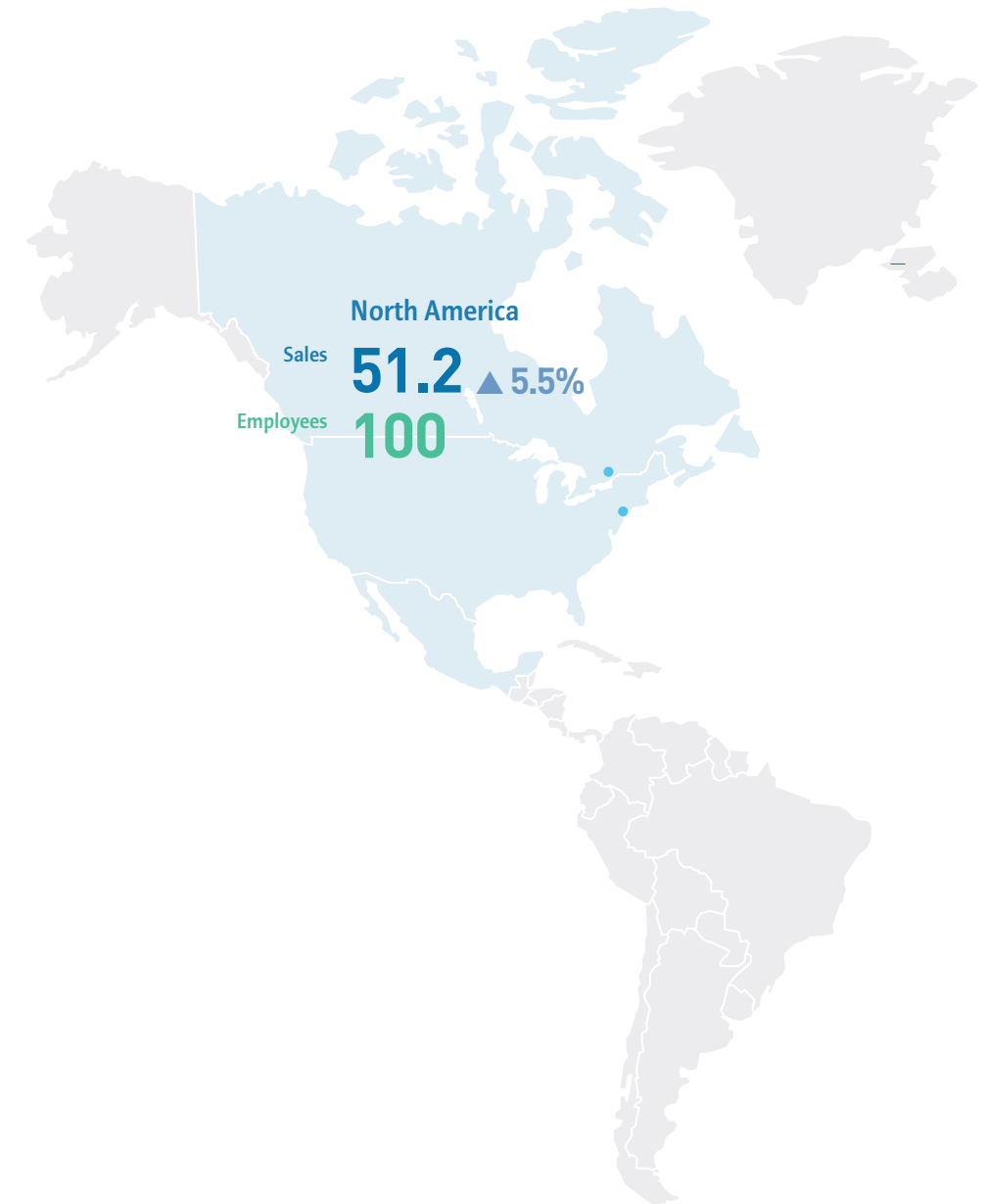
Sales (KRW bn)
 Employees (Number of Persons)
 ▲ Year-over-year change
 ● Location of Headquarter and Subsidiaries
 ■ Countries with Brand Launched



* Sales figures from the Amorepacific Group's 2016 Consolidated Statement of Financial Positions.

1) The Republic of Korea.

2) The number of Asian employees exclude those who are indirectly employed by our Chinese subsidiary (12,511 people).



Vision

In 2016, Amorepacific Group announced the "Vision 2025: A Great Company" which articulates its ambitious goal of becoming a truly great company in the global beauty market in order to contribute to making the world more beautiful and healthier. With this vision, we are further strengthening the foundation of our continued sustainable growth by focusing on global market expansion, developing innovative products, implementing digital innovation to improve customer experience, and refining the singularity of our brand. Additionally, we are accelerating our effort to be more environmentally sustainable and socially responsible by minimizing our environmental footprint and strengthening our harmonious relationship with all of our stakeholders.

Vision 2025 A Great Company

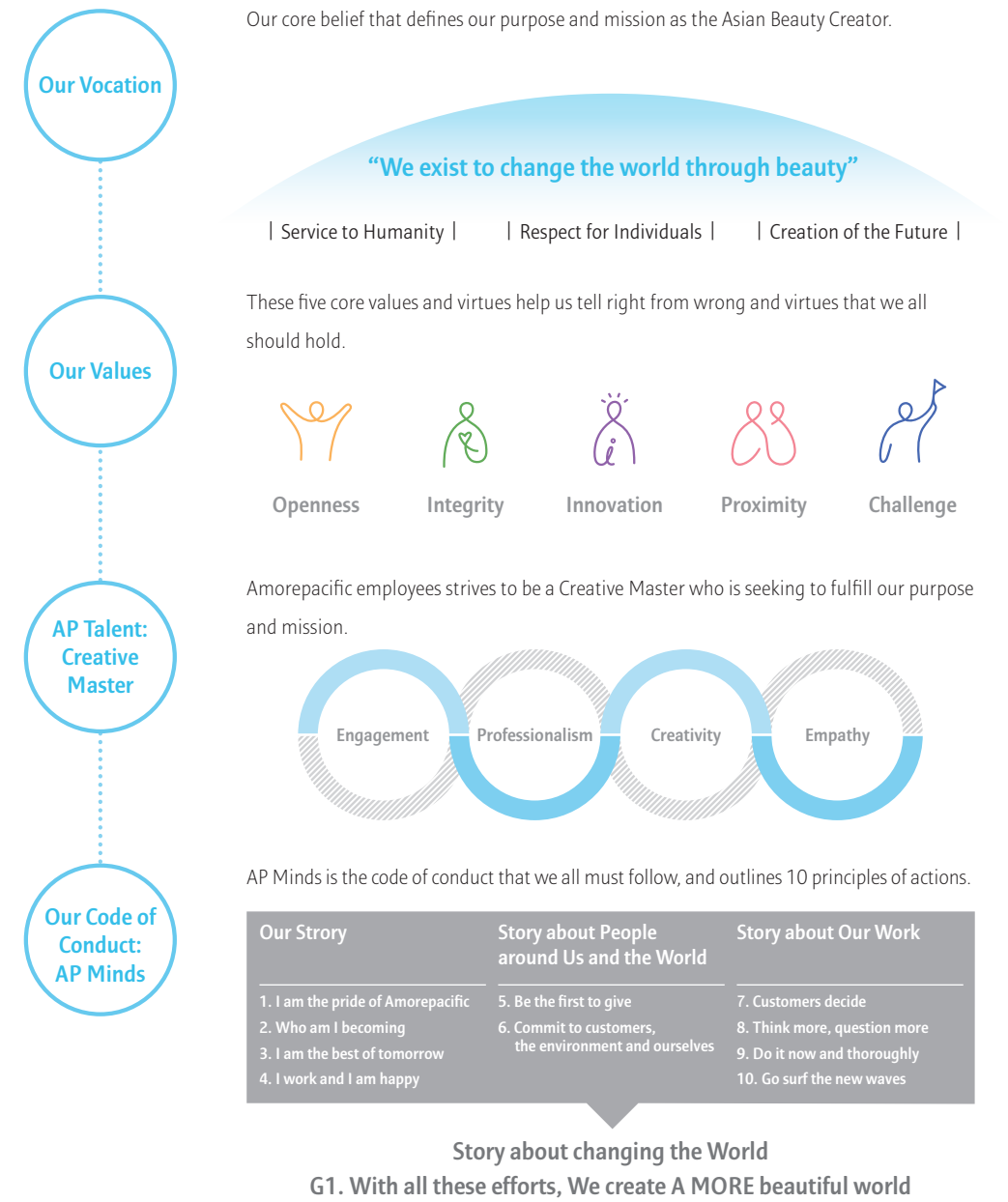
With an ambitious goal of becoming one of the global top 3 players and Asia's number 1 beauty company, Amorepacific Group is implementing a new mid-/long-term strategy to accelerate its global growth through product and brand innovation.



GREAT	<ul style="list-style-type: none"> · Attaining Qualitative Growth · Achieving Workplace and Product Innovation · Strengthening Harmonious Relationships with Stakeholders
GLOBAL	<ul style="list-style-type: none"> · Accelerating Global Growth Based on a Four-pillar Strategy (Korea, China, ASEAN, and North America) · Exploring New Global Markets (Middle East, Europe, and Australia)
BRAND	<ul style="list-style-type: none"> · Strengthening Brand Identities and Values, and Developing Engine Products for Each Brand · Enhancing the Capacity of Our Retail and Digital Sales and Marketing through Innovation · Strengthening Our Global Brand Portfolio

AP WAY

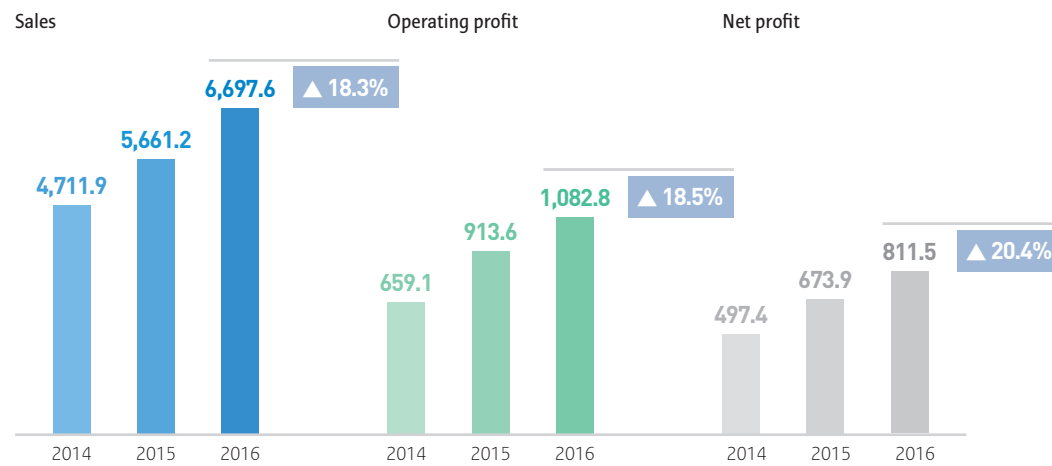
AP WAY is the essence and foundational spirit of Amorepacific Group that we have nurtured and developed since we began our business. The AP WAY articulates our core beliefs, common vision and a set of standards for action that we should embrace in our day-to-day life. We at Amorepacific Group are fully committed to integrating the AP WAY in every step of our great journey as we serve as pioneers in the world of beauty through ongoing innovation.



Financial Performance

2016 was another exceptional year for Amorepacific Group, and it achieved significant growth in sales and robust profits both in our home market and other international locations thanks to our singlehanded focus on key strategic priorities – global market expansion, digital leadership, and enhanced competitiveness of retail distribution channels. In 2016, the Group recorded KRW 6,697.6 billion in sales (18.3% year-over-year growth) and KRW 1,082.8 billion in operating profits (18.5% year-over-year growth).

Amorepacific Group (Unit: KRW bn)



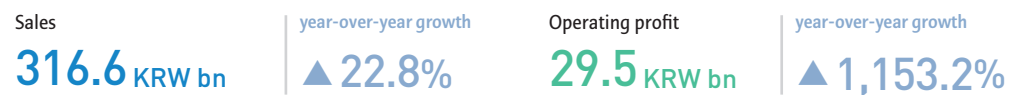
Amorepacific



innisfree¹⁾



ETUDE¹⁾



¹⁾ Financial performance of innisfree and ETUDE are calculated based on domestic sales and exports.

Domestic Business Activities

Amorepacific

Amorepacific – the Group’s largest subsidiary – further reinforced the singularity of its portfolio of brands with outstanding products and exceptional customer service experiences. The luxury division accentuated its leadership position in various markets via a portfolio of diverse and differentiated brands such as Sulwhasoo, HERA, primera, and VB (VITALBEAUTIE). It also introduced a series of organic and natural cosmetic products, and rolled out new items for senior citizens to meet the emergent demands of its customers. The premium business division, including LANEIGE, IOPE, Mamonde, and HANYUL, strengthened its customer base among young people by employing a wide range of digital marketing activities and launching innovative new products. The mass business division, including Ryo, mise en scène, and Happy Bath, continued to concentrate on strategic marketing of its signature products in haircare and body care. The mass business division also focused on diversifying its customer base by launching “Fresh Pop”, the new natural hair care brand. Osulloc enhanced its brand visibility by expanding its offerings of high-value luxury products, and refining its distribution channel. Additionally, Amorepacific further strengthened the capacity and quality of its mobile and e-commerce activities and accentuated the dynamism of its digital-based shopping environment. Especially, to reinforce the differentiated purchase experience, we increased investments in off-line store spaces and customer service programs in those stores. We also further refined our quality assurance and safety management process to offer world-class products to our customers.

innisfree

innisfree achieved significant growth in 2016 thanks to a strong sales record of its signature products and new items that focused on their affinity to Jeju Island. innisfree also garnered wider appeal by strengthening the differentiation of its customers’ experiences at retail stores (e.g., offering café services, and virtual reality zones), and delivered strong profits due to the popularity of products linked to Jeju Island.

ETUDE

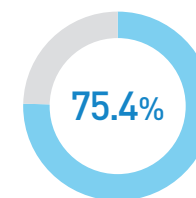
ETUDE expanded its customer base by launching innovative new products, including “Play 101 Stick,” and “Tint My Brows Gel”, and improved net profits through the strong performance of roadshops, ecommerce, and duty-free shops. Consequently, the company improved its leadership in the make-up category.

Domestic Sales

5,049.4 KRW bn

year-over-year growth
▲ 13.7%

Proportion of Domestic Sales



eSpor

eSpor delivered strong financial performance thanks to the increased sales of major make-up products that cater to the sensuality trend of the Korean make-up market. With the products developed based on the expertise of make-up artists and strong customer experience programs, eSpor strengthened its position as a professional make-up brand.

AMOS Professional

AMOS Professional had strong financial performance thanks to the continued popularity of its signature premium hair salon brand “AYUNCHE,” and it increased brand visibility through various marketing activities.

AESTRA

AESTRA achieved solid growth driven by the increased sales of its inner-beauty products as well as a positive sales record of AtoBarrier products – its signature medical beauty brand.

International Business Activities

Our overseas business continued to show solid growth due to strong performances from five global champion brands: Sulwhasoo, LANEIGE, Mamonde, innisfree, and ETUDE House.

In Asia, Amorepacific emphasized the brand uniqueness of Sulwhasoo, whose products are based on traditional Korean herbal medicine wisdom, on the 50th anniversary of ginseng research. It achieved strong growth in sales by increasing the number of retail stores and enhancing its brand visibility in various online stores.

To strengthen the brand visibility of LANEIGE throughout Asia, Amorepacific rolled out the massive global marketing campaign “Sparkling Beauty” and successfully positioned itself as the leader of a global entry prestige beauty brand.

Amorepacific introduced new Mamonde products in China to reflect the needs of Chinese customers and further strengthen brand appeal. It also launched shops in department stores in Thailand and Malaysia to expand its business activities in the ASEAN region.

innisfree achieved qualitative growth and enhanced brand visibility throughout Asia as a result of our highly successful global brand campaign that emphasized its birthplace (Jeju Island).

In addition, innisfree introduced a series of signature products in Vietnam and further expanded its business activities in the ASEAN region.

ETUDE House strengthened its brand positioning as the leading make-up brand by launching innovative new products, promoting a fun make-up culture, and opening new stores in Asia.

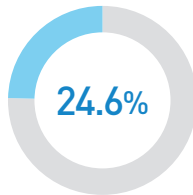
HERA offered various make-up products to Chinese customers and introduced luxury make-up items to showcase its diverse product lines.

Overseas Sales

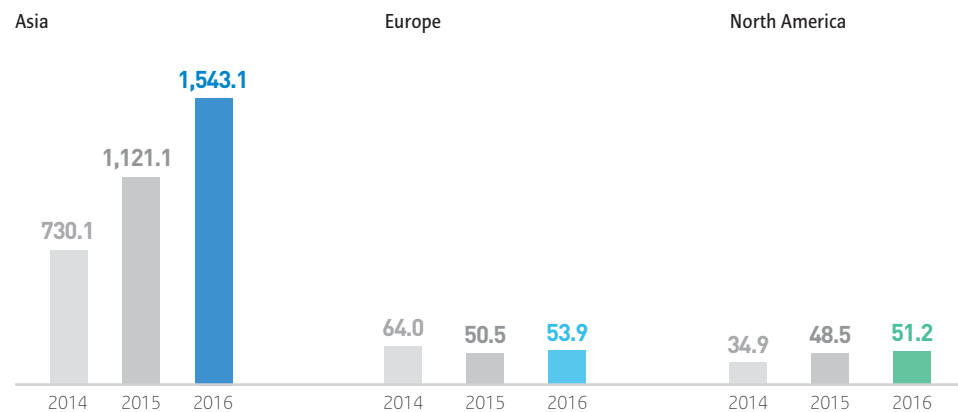
1,648.1 KRW bn

year-over-year growth ▲ **35.1%**

Proportion of Overseas Sales



Overseas Sales by Region (Unit: KRW bn)



Governance

Amorepacific Group is implementing a responsible management system for each business, which is centered on the deliberative corporate governance structure of our holding company. Our efforts allow us to professionalize and reinforce our core competency and expertise in beauty and healthcare businesses, which include cosmetic, personal care, and healthcare products. In addition, our corporate governance structure contributes to achieving shared goals for all stakeholders, including strong shareholder returns and the disbursement of management risks.

Board of Directors (BOD)

The Amorepacific Group Board of Directors (BOD) deliberated a total of 11 items during 6 meetings in 2016. The Group’s outside BOD’s attendance rate was 100%, and its inside BOD’s attendance rate was 93.8%. In 2016, Amorepacific – the Group’s largest subsidiary – convened a total of 6 board meetings and made decisions on 12 items. Its outside BOD’s attendance rate was 100%, and its inside BOD’s attendance rate was 100%. Public announcements were made through the Financial Supervisory Service and the Korea Exchange to inform stakeholders of all major decisions that were reviewed during the 2016 meetings.

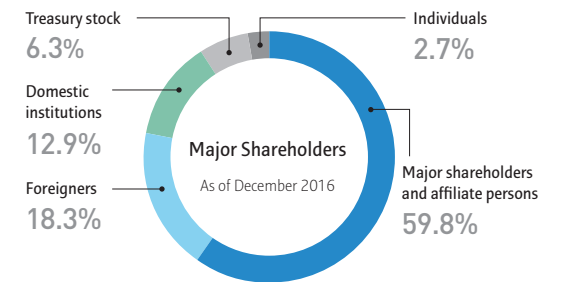
BOD Composition and Authority

As the top decision-making body for Amorepacific Group, the BOD was comprised of 6 registered members as of March 2017. Amorepacific’s BOD consists of 7 registered members. All directors on both boards are obligated to faithfully exercise their fiduciary duties and fulfill their responsibilities as good managers – based on the Commercial Act of Korea and the company’s Articles of Incorporation – to promote the interests of shareholders and other stakeholders. Each board nominated all of its members from among those with expertise and experience in their respective fields, and received approval from the shareholders at a general shareholders’ meeting before appointments are made. Each board guarantees the independence of outside BOD’s members.

Amorepacific Group

Board of Directors As of March 2017

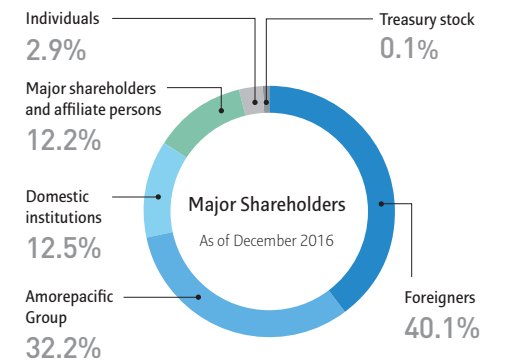
Category	Name	Position/Affiliation	Major responsibility
Executive directors	Kyung-bae Suh	CEO, Chairman of BOD	Supervision of management
	Dong-hyun Bae	President	Supervision of management
	Seung-hwan Kim	Executive Vice President	Strategies
Non-executive directors	Dong-youb Shin	Professor at Yonsei University	Chairman of Audit Committee
	Ok-sub Lee	Vice President of Bioland Co., Ltd	Audit Committee member
	Jung-il Choi	Director at Sejong Institute	Audit Committee member



Amorepacific

Board of Directors As of March 2017

Category	Name	Position/Affiliation	Major responsibility
Executive directors	Kyung-bae Suh	CEO, Chairman of BOD	Supervision of management
	Sang-bae Shim	President	Supervision of management
	Sang-mok Lee	Executive Vice President	Supervision of management support
Non-executive directors	Eun Namkung	Professor at Seoul National University	Chairman of Audit Committee
	Seong-su Kim	Professor at Seoul National University	Audit Committee member
	Young-ho Eom	Professor at Yonsei University	Audit Committee member
	Seung-ho Park	Professor at China Europe International Business School	Overall business management



Ethical Management

Revision of Code of Ethics

Amorepacific Group revised its Code of Ethics, and began to implement it as of January, 2017. The revised Code asks all employees to embrace and practice the highest ethical standards to further strengthen the company's transparency as a responsible corporate citizen. The revised Code outlines six basic principles, including respect for our customers and employees, and elaborates concrete guidelines for ethical decisions and behaviors that all employees are required to comply with both in their private and work life. Amorepacific Group plans to provide a series of in-person and online trainings to all employees.

Six Basic Ethics Principles

Caring about the customers It is essential to gain our customers' trust through our work. Our products and service must add new values that touch our customers, and give them confidence that our company always keeps our promises to them.	Respect for employees We must cherish everyone we work with, and work in a way that everyone's human rights are respected.	Management with integrity We must never deceive or hide truth. We must not undermine our sustainable long-term growth and avoid relying on non-ethical business practices for short-term profits.
Harmonious growth We must foster fair business relationships with all of our stakeholders, and pursue management practices that benefit all of our partners.	Protection of company assets We must use all of the tangible and intangible corporate assets and information only for the intended purposes, and must make our utmost efforts to protect these assets.	Responsibilities as a corporate citizen We must be an essential partner in society, and become a highly valued and respected corporate citizen.

Communication

Through various campaigns and training programs, Amorepacific Group is seeking to embed ethical management practices into the daily conduct of all employees.

No Gift Policy	· Communicate on the group's ethical stance on gifts to employees, business partners, and suppliers twice a year
Publicizing the Incidents of Unethical Practices	· Publicize and share the recent incidents of unethical practices with all of our employees to prevent the occurrence of similar cases
Employees Ethics Training	· Senior management one-to-one customized compliance training · Regular compliance trainings to all employees

| Promoting Ethical Practices with Business Partners

Amorepacific Group conducted a survey on our business procedures and relationship management activities to understand possible ethical dilemmas that our business partners face. After reviewing the feedback during our regular internal audit, we decided to focus on strengthening our processes to support our business partners' commitment to ethical management practices.

| Ethical Management Website

In 2014, Amorepacific Group launched the website to provide guidance on ethical management issues and offered an employee-hotline which employees can make a anonymous report on the violations of the company's Code of Ethics. This website is accessible through one's smartphones for easy and immediate connection to the hotline when he/she faces any ethical dilemmas or witnesses unethical situations.



ethics.amorepacific.com

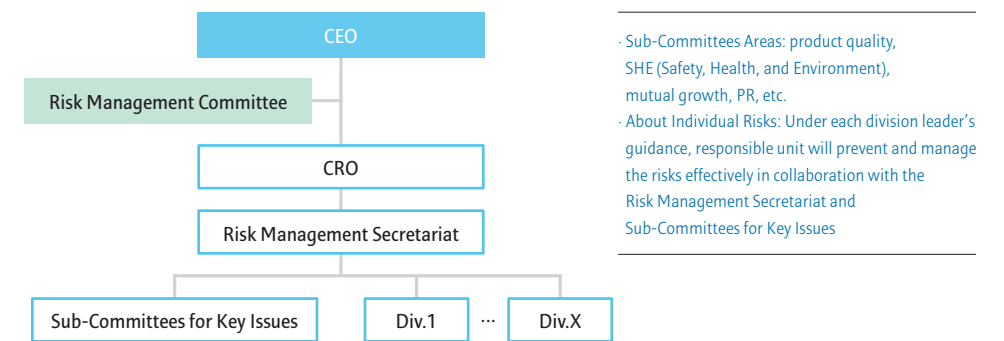
For more details, please visit the Ethical Management website.

2016 Overview on Hotline Reporting (a number of reported cases)	Business Partners	Suppliers	Employees	Customers	Others	Total
	8	6	13	15	3	45

Risk Management

Establishing an Integrated Risk Management System

As a result of several factors, including fast-changing global political and economic situations, fluctuating business and regulatory environments, the increased influence of social media, heightened expectations of stakeholders, and the complexity of materiality issues, there is a greater need for a group-wide systematic risk management system. Amorepacific Group is operating an integrated risk management system to respond to risks and crisis situations as well as to strengthening our existing capacity. To allow prompt decision-making and stable business operations, we formed a group-wide risk management committee consisting of the most senior corporate executives. The risk management secretariat and issue-specific sub-committees were also formed to prevent risks and enhance the capacity to deal with risks early in order to minimize their impact.



Risk Management Process

After analyzing the internal and external business environments that affect our business activities, the company categorizes potential risks by their importance, severity, and likelihood, and identifies core risks. All business units designate a person in charge of risk management to regularly monitor and report any possible risks to strengthen our capacity for risk prevention and response. These designated individuals are regularly trained to respond effectively to a potential crisis by following the Group's risk management guidelines.

Amorepacific Group's Risk Management Process



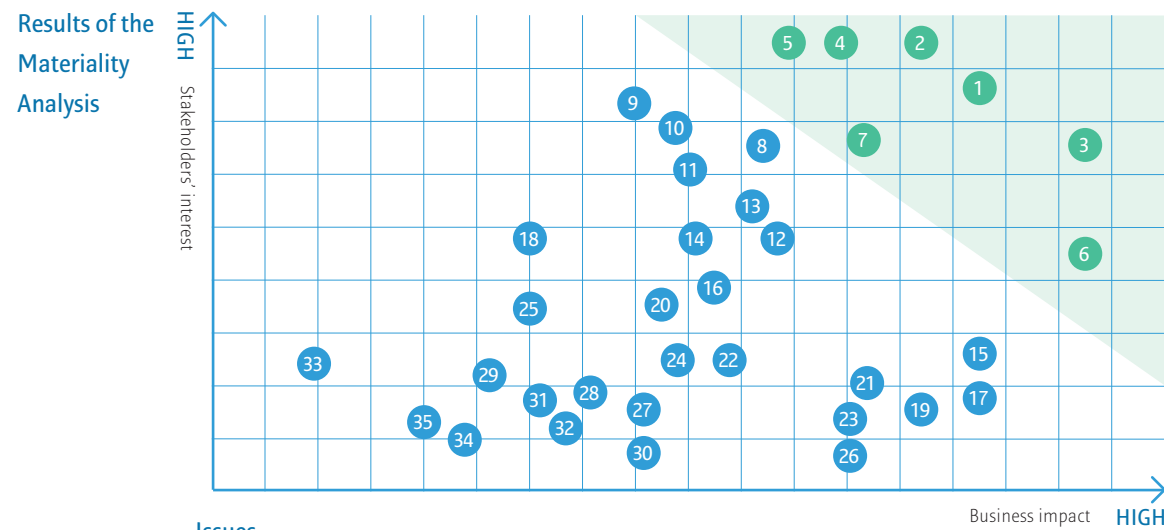
Risk Response Strategies

Throughout the year, Amorepacific Group undertakes a range of activities to effectively respond to various risks identified through our risk mitigation and management process.

	Market Risks Back-ground · Increased safety and environmental regulations of the Chinese Government · Increased possibility of occurrence of major disasters and natural calamities	Product Risks · Increased importance of managing product safety and harmful materials	Supply Chain Risks · Increased importance of accurate analysis of customer demands due to market diversification and ensuring a robust supply chain to provide products and services in time
Management Activities	· Strengthening the business intelligence unit to effectively identify any regulatory changes related to particular markets. · Strengthening the robustness of emergency responses as well as business continuity plans.	· Strengthening the system and process which verifies product ingredients	· Improving the product distribution and supply chain management system

Materiality Analysis

Materiality Analysis Process Every year, after reviewing various topics relevant to implementing our overall corporate sustainability strategies, Amorepacific Group identifies the key issues that are materially most significant to our stakeholders as well as to the company's mid- and long-term growth. In addition to integrating these materiality issues into our overall business decision making, we share our progress on each issue, both internally and externally, on an annual basis.



Issues		
1 Delivering Solid Financial and Economic Values	13 Employees Training and Personal Development	25 Transparency of Corporate Governance
2 Innovation and Digital Beauty Leadership	14 Enhancing Positive Influence in Local Communities	26 Contributing to Job Creation
3 Product and Service Quality Assurance	15 Expanding Communication with Stakeholders	27 Waste Management
4 Expanding Our Global Business Activities	16 Management and Recycle of Raw and Processed Materials	28 Engaging in Responsible Marketing
5 Strengthening Our Brand Value	17 Safe Workplace	29 Employees Diversity
6 Corporate Social Responsibility	18 Human Rights Management	30 Labor and Management Relations
7 Inclusive Growth with Business Partners	19 Sustainable Water Stewardship	31 Alternative Methods to Animal Testing
8 Reinforcing Eco-Friendly Products and Service	20 Compliance	32 Promoting Employee Health and Well-Being
9 Protecting Biodiversity	21 Ethics/Anti-Corruption	33 Implementing the Group-Wide Corporate Sustainability System
10 Socially Responsible Products and Service	22 Optimizing Energy Use and Efficiency	34 Enhancing Information Security
11 Climate Change Mitigation and Adaptation	23 Pollution and Toxic Waste Management	35 Strengthening Protection of Privacy
12 Risk Management	24 Ensuring Work-Life Balance	

Seven Key Material Issues

- Delivering Solid Financial and Economic Values
- Leading Digital Beauty and Innovation
- Response to Product Quality and Safety Issues
- Expanding Global Business Activities
- Strengthening Brand Value
- Enhancing Global CSR Activities
- Strengthening Sustainability of Partners

*These seven most significant material issues will be explained more in detail in the 2016 Highlight section (pp. 32-45).

Stakeholder Communication

2016 Annual Dialogue with Stakeholders

Since 2011, Amorepacific Group has undertaken strategic communication activities with various stakeholders to integrate their diverse viewpoints into our core business activities. In 2016, we convened a workshop with leading academics and civil society representatives to discuss key issues under the theme, "Fostering Sustainable Consumption and Strengthening Strategic Customer Communication for Better Risk Management".

Theme Fostering Sustainable Consumption and Strengthening Strategic Customer Communication for Better Risk Management

Date November 30, 2016

Participants Jae-cheon Ryu · Professor, Korea Institute for Science and Technology (KIST)
 Jung-hwa Kang · President, Consumers Union of Korea
 Myung Yoon · Secretary-General, Consumers Korea
 So-young Lee-Ahn · Policy Director, Korean Women's Environmental Network
 Yoon-mi Cho · President, CTV Consumer Research Institute
 Jae-chul Shim · Professor, Korea University

Key Discussion Points

Promoting Cooperation and Enhancing Corporate Engagement in Advancing Sustainable Consumption	<ul style="list-style-type: none"> · Diversifying communication channels and methods to further strengthen its engagement with customers · Reinforcing Amorepacific Group's sustainability leadership by continuously introducing highly innovative and sustainable products and services · Partnering with various relevant stakeholders
Effective Consumer Communication to Manage Risks	<ul style="list-style-type: none"> · Strengthening the risk management system and process to effectively address risks · Ensuring frequent, regular and open communication with various stakeholders · Developing and implementing robust strategies on consumer communication for risk prevention and management

Stakeholder Opinions and Our Responses

Target	Communication Channels	Notable Opinions	Activities in Response
Customers 	<ul style="list-style-type: none"> · Customer consultation service satisfaction survey and CGAP¹⁾ · Feedbacks from Beauty-Schumer · Corporate and brand websites and SNS 	<ul style="list-style-type: none"> · Reinforce product safety · Reinforce customer services · Expand the sustainable products 	<ul style="list-style-type: none"> · Developing sustainable products · Established and run a TF on product quality improvement
Employees 	<ul style="list-style-type: none"> · Employee engagement surveys · Regular labor-management consultation meetings · In-House online community 	<ul style="list-style-type: none"> · Reinforce work-life balance · Provide more opportunities for individual competency · Strengthen SHE management 	<ul style="list-style-type: none"> · Gratitude Relays and Hope Tree campaigns · Supported in-house clubs · Revised the group-wide SHE standard · Established AP Minds 10 to G1 (Code of Conduct)
Business Partners 	<ul style="list-style-type: none"> · Inclusive growth general assembly · Win-Win Practice seminars and general assembly · Business partners satisfaction survey 	<ul style="list-style-type: none"> · Expand mutual growth activities · Create a culture that encourages mutual communication and active participation · Improve workplace environments and capacity for beauty partners (sales associates) 	<ul style="list-style-type: none"> · Supported financial aid and human resources contributions · Conducted collaborative research projects · Operated regular communication channel
Local Communities 	<ul style="list-style-type: none"> · Group and brand CSR activities · CSR portal · Feedbacks from cultural mécénat (patronage) 	<ul style="list-style-type: none"> · Assist women in gaining healthy beauty · Assist low-income women · Provide support to the vulnerable population · Expand global CSR activities 	<ul style="list-style-type: none"> · Conducted the Makeup Your Life campaign · Conducted the Pink Ribbon campaign · Supported the Heemang Store initiative · Launched the integrated global CSR campaign
Governments 	<ul style="list-style-type: none"> · Regular visit and meetings with relevant government agencies · Participation in the Korea Cosmetic Association (KCA) 	<ul style="list-style-type: none"> · Manufacture and sell safe, high-quality products · Provide cooperation and support for regulatory improvement for industrial development 	<ul style="list-style-type: none"> · Monitored and observed the relevant laws and regulations · Supported government policy research
External Experts 	<ul style="list-style-type: none"> · Communication with external stakeholders (academic and consumer organizations) 	<ul style="list-style-type: none"> · Strengthen consumer-to-business communication · Ensuring frequent, regular and open communication with various stakeholders 	<ul style="list-style-type: none"> · Developed a strategy to strengthen cooperation and communication with stakeholders

¹⁾ CGAP (Customer gift for Amorepacific)

2016 Highlights

- Expanding Global Business Activities
- Strengthening Brand Value
- Leading Digital Beauty and Innovation
- Fulfilling Global Corporate Citizenship
- Strengthening Sustainability of Partners
- Response to Product Quality and Safety Issues



Creating a Sustainable Future with Our Stakeholders

Amorepacific Group undertakes a wide range of corporate sustainability activities focused on materially relevant issues for our long-term corporate productivity, and engages actively with all of our stakeholders.

Our sustainable business efforts seek to deliver economic and financial values while simultaneously creating social and environmental benefits to our society as a responsible corporate citizen. We believe that this will not only bring about the sustainable growth of our corporation, but also contribute to creating a sustainable future that benefits our society and the environment.

Expanding Global Business Activities

In 2016, Amorepacific Group introduced its “Vision 2025 – Great Company”, and focused on top priorities that contribute to the company’s sustainable growth, including global business expansion, qualitative growth, and digital innovation, to become the number one beauty company in Asia and one of the top three cosmetic firms in the world. As a result of the continued technological innovation and launching of various innovative products satisfying the needs of global customers, our 2016 global sales recorded KRW 1,648.1 billion – 35.1% increase compared to 2015.

Sulwhasoo

Six years after Sulwhasoo was introduced to Chinese customers in March 2011, we opened our 100th store in Chengdu City, China. This 100th store is dedicated fully to Sulwhasoo brand products with various sections that allow unique customer experience. These sections invite customers to review signature products (brand zone), luxury items (luxury zone), gift products (gift service zone), and spa products (spa cabin). The store offered the products that customers can purchase only in this particular place such as the 100th store sachet and essential balm, and enhanced VIP offerings with the gifts-wrapping service. The services provided at this 100th store enhanced differentiated brand experiences to our customers, and conveyed the feel of Sulwhasoo’s Asian wisdom and holistic beauty heritage to Chinese customers with the luxurious store ambience. We plan to accelerate our global sales and marketing activities on Sulwhasoo to become Asia’s number 1 beauty brand in Asia by 2020.

Opening the 100th Store in China



Sulwhasoo 100th Store in China

Amorepacific Group established Amorepacific ME FZ LLC to expand our business in the Middle Eastern Markets, and signed the partnership agreement with Alshaya Group, one of the largest retail companies in the region, in December 2016. In the last few years, we reviewed the business environment analyzed business feasibility, and fostered regional expertise through “Hyecho”, the group’s global talent management program, to prepare our business entrance into the region. In the third or fourth quarters of 2017, we will launch the first ETUDE House flagship store in Dubai, United Arab Emirates (UAE) – the center of the Arabian beauty trends where markets for perfumes and color cosmetics have huge potential. We are planning to introduce our products in Kuwait, Saudi Arabia, Qatar, Bahrain, and Oman to further expand our presence in the Middle East.



LANEIGE

LANEIGE convened its 2nd Beauty Roadshow to promote K-beauty in a total of 11 cities in Korea, Malaysia, Singapore, China, Canada and others. In various locations, customers tested LANEIGE’s global signature products – LANEIGE Water Bank Cream and participated in the make-up show with celebrities and free gift events. To increase our customers’ virtual participation, we also livestreamed all the 2016 Beauty Roadshow via our website and social network sites (SNS).

Convening Beauty Roadshow in 11 Global Cities



LANEIGE Beauty Roadshow in Shanghai

Mamonde

With the launch of new products reflecting local customers’ preferences and renovation of stores, Mamonde recorded the positive growth in China and demonstrated our strong global brand power. Especially, we successfully launched Youth Capture series, highly specialized anti-aging care products that are only available in China, and offered the new lines of make-up products based upon the needs of Chinese customers. We also strengthened our sales and marketing activities in the ASEAN market by opening three stores in Malaysia and three shops in major Thai department stores after its first successful launching in Bangkok’s Siam Paragon Department Store.

Launching in Malaysia



Mamonde Store in Malaysia

innisfree

innisfree continued to record the strong growth in the global market in 2016 thanks to its high-quality and innovative cosmetic products. In China, in addition to releasing the products focusing on local customers' preferences, we opened 130 additional stores in various cities. In the ASEAN market, we opened the first store in Hai Bà Trưng District of Ho Chi Minh City in Vietnam to accelerate our business activities in ASEAN mega cities. In 2017, we will focus on the U.S. market to further strengthen our global business activities while continuing to strengthen our foothold in the existing markets.

Total Brand Sales Exceeding KRW 1 trillion

Opening the 300th Store in China, the 1st Store in Vietnam



innisfree Store in Vietnam

H E R A

Following the introduction of Hera in SKP, Beijing's top luxury department store, in July 2016, we engaged in active sales and marketing activities in China. The introduction of the Hera product line to Chinese customers provides an important opportunity to position us as a global leading K-beauty brand. We also popularized Hera's brand narrative – pursuit of inner and outer beauty of women with Korean beauty wisdom – to Chinese customers who are very interested in beauty techniques, trends and cosmetics that are popular in Korea. In 2016, Hera opened a total of 10 stores in six Chinese cities such as Beijing and Shanghai, and plans to launch 8 additional stores in 2017 to introduce its bestselling products such as UV Mist Cushion and Rouge Holics and to share Asia's latest beauty trends with our Chinese customers.

Launching Hera in China



Hera Store in China

Strengthening Brand Value

With emphasis on innovative technology, high-quality products, originality, and creativity, Amorepacific Group is focusing on developing the 'singularity' of each brand. As part of the efforts to enhance the brand power, we continued to discover new customer groups and nimbly responded to the needs of customers for each brand. At the same time, we conducted various events to mark the 50th anniversary of Amorepacific's ginseng research and launched a new natural hair care brand 'Fresh Pop' inspired by the theme of super food therapy. We are also prioritizing the launch of unique products for each brand to enhance our brand competitiveness.

Marking the 50th Anniversary of Sulwhasoo Ginseng Research

Sulwhasoo has convened a series of global events in 9 countries to mark the 50th anniversary of 'ABC Ginseng Cream' – one of the first Amorepacific products that inspired the launch of the Sulwhasoo brand. In the last 50 years, Amorepacific launched several innovative cosmetic products using the properties of ginseng. After launching our first ginseng product, ABC Ginseng Cream, in 1966, we presented a series of products using ginseng, including 'Sulwha', a product highlighting the healing property of ginseng cosmetics, and Seolhwa, one of the first Asian herbal medicinal cosmetic products. All these research efforts contributed to launching the Sulwhasoo. By combining the latest dermatological science with our focused research on ginseng and other Asian herbal ingredients, Sulwhasoo became the first Korean beauty brand to generate KRW 1 trillion in annual sales in 2015. Sulwhasoo products are being offered in 11 countries and are gaining brand recognition as a luxury global brand centering on Asian beauty.



50th Anniversary Emblem of Sulwhasoo Ginseng Research



Sulwhasoo Flagship Store

In 2016, we opened Korea's largest single-brand beauty flagship store, which artistically expressed our ginseng research. This flagship store's design was inspired by lanterns, which bring light to darkness, to reflect our desire to spotlight and shine the path to beauty through our products that represent Asian beauty wisdom. In addition to conveying the brand story, this flagship store aspires to be a high-quality beauty-culture complex where customers can experience our products, spas, and beauty counseling and serves as a signature international landmark for our brand.

Launching the Natural Hair Care Brand “Fresh Pop”

In April 2016, Amorepacific Group launched Fresh Pop – a natural haircare brand designed to revitalize stressed hair and scalp under the concept of ‘shampoo made of healthy superfood ingredients for healthy hair.’ The brand name is fashioned by combining two words, ‘fresh’ and ‘pop’ to associate its brand image with energy, youthfulness, fun and excitement. As the brand name tells, Fresh Pop offers fun and refreshing hair cleansing experiences with fruity packaging and fresh herbal fragrance extracted from five main superfood ingredients. To celebrate the launching of the brand, Fresh Pop opened the Fresh Pop Shampoo stores to introduce different haircare solutions for various hair types. The Fresh Pop includes six products that address various concerns customers express based upon their hair types and scalp conditions. The products are currently available in Korea’s major supermarkets and drug stores. We also continue to develop new products and services that provide healthy and fun natural hair care experiences to our consumers.



Fresh Pop

LANEIGE Launching of Custom-Made Products

In our newly renovated flagship store in central Seoul, Myungdong, we are offering custom-made cosmetic products, including My Two-Tone Bar, which enables customers to choose their own preferred colors. My Two-Tone Bar was inspired by one of signature products of LANEIGE, the Two-Tone Lip Bar, which was launched to offer the trendy and sophisticated two tone lipstick makeup experience to everyone. To order a custom-made two tone bar, our customers will first engage in the beauty mirror application – a technology which analyzes one’s skin through digital scanning – to identify suitable colors for their skin tone. Based upon this, customers will consult our in-store make-up artists to choose the two most suitable colors and create their own Two-Tone Lip Bar. LANEIGE also offers engraved personalized messages on the packaging for special occasions. At the Sparkling Beauty Bar Zone in our flagship store, we also began offering a custom-made moisturizing cream-LANEIGE My Water Bank Cream. This service is available only to those who made reservation, as it requires the special analysis of customers’ skin conditions to identify their most optimal skin care products. Through these experiences, we attempt to offer more than a traditional, passive customer experience. We encourage the active participation of our customers to find their beauty solutions and have received very positive reviews from customers who appreciate that their personal preferences are reflected through custom-made products.



Sparkling Beauty Bar Zone in LANEIGE Flagship Store

Leading Digital Beauty and Innovation

We have launched a series of innovative marketing campaigns to appeal to the digital generation. These campaigns integrate highly experimental digital content as to maximize customer’s positive experiences while they browse and purchase our products. In addition, we launched programs such as start-up competitions and in-house ventures aimed at accelerating innovation to meet the rapidly changing demands and needs of our customers while fostering a more innovative eco-system for the beauty industry.

Digital Communication Launching the “Truth of Cushion” Digital Marketing Campaign

As the inventor of cushion products, Amorepacific Group has consistently worked to improve its R&D capabilities to make the product more appealing and convenient. To provide more detailed information on the innovative cushion technology and its history, we launched a digital campaign called “the Truth of Cushion” in November, 2016. This campaign features a number of on-line videos that provide a behind-the-scenes look at our “cushionists”, a group of experts who developed our unique cushion products, and explain the three key elements to making a high-quality cushion product. We also shared several fun stories about our cushion products along with some on-line quiz to increase customer engagement. The campaign hit 9.5 million views and attracted 460,000 visitors to our campaign website while 100,000 people participated in the quiz. Amorepacific Group will continue to improve its communication with customers through various entertaining, informative and interactive digital campaigns.



thetruthofcushion.com/main.asp | For more details, please visit the campaign website.

innisfree In-Store Virtual Reality (VR) Experience

Some of innisfree stores now have an in-store VR zone where customers can virtually experience Jeju island where the ingredients of innisfree are sourced from. Our first VR service “Jeju Flying Bike” at the innisfree store of Disney Land in Shanghai offers customers a virtual experience of traveling the beautiful island of Jeju by riding a bike. In particular, the virtual activity of flying in the sky and crossing the ocean on a bike ride is very popular among Chinese customers. Our second VR content service titled “Someday in Jeju Island” is available in our two flagship stores in Seoul, Korea. The service provides customers with an opportunity to explore Jeju island together with a very popular Korean celebrity. The VR content was viewed by 10 million users and was highly popular among our customers.



innisfree "Jeju Flying Bike" Virtual Reality

**Digital
Counseling**

ARITAUM, Integrated Digital Experience

To satisfy our customers' various needs, ARITAUM has been offering a wide range of digital counseling services to customers. Mamonde is offering the Perfume Touch sservice that helps customers to choose their favorite fragrance at the Sachet Vending Machines. This store also introduced a Nail Fit program where customers can print their preferred nail art design through high-quality and high-speed printers. IOPE is providing advice on skin solutions to each customer by using BioLap – a bio-skin solution which diagnoses each customer's skin conditions, and LANEIGE now invites customers to experience the Beauty-Mirror application.

Mamonde Perfume Touch

This customer experience service allows our consumers to test and enjoy various scents Mamonde offers. After taking a fun personality test, the Perfume Touch helps customers find the scent that matches their preferences.

Available Stores

ARITAUM flagship store, ARITAUM Gangnam, ARITAUM Myungdong Central, and ARITAUM Shinchon Yonsei University.



Nail Fit

This unique nail care service allows customers to select their preferred nail-art design from over 500 designs and colors and have it printed on their nails.

Available Stores

ARITAUM Flagship Store, ARITAUM Gangnam, ARITAUM Shinchon, and ARITAUM Shinjang.



LANEIGE – In-store Augmented Reality (AR) Zone

Following the introducing its first AR application – Beauty Mirror – where customers can test make-up through their smart phone's mobile camera, LANEIGE continues to upgrade its service by adding new functions such as tools that offer the best makeup colors that match with the customers' skin color. At its Myeongdong flagship store, there is another AR-based service called 'Play LANEIGE camera' that provides useful product information when customers take pictures of LANEIGE products.

**Supporting
In-House Venture and
Startups**

In-House Venture Incubation, Lean Startup

To respond to our customers' needs proactively and foster a culture of in-house innovation, the Amorepacific Group launched the Lean Star-Up program with more than 20 teams consisting of employees from across various departments presenting highly creative ideas. Based on creativity, execution-ability, and teamwork, we selected the two most appealing ideas, and established the Lean Start-Up taskforce team. We introduced Gaondodam, a new naturalist brand made with organic indigenous ingredients, and OutRun, a new sun protection brand for customers who enjoy outdoor sports. They are being sold on-line. Instead of following the existing organizational structure, the two innovation task force teams were given autonomy to freely focus on their research and enhance entrepreneurship. As a result, they created Gaondodam with five products and Outrun with two products. With continuous product upgrades and rigorous quality assurance, Gaondodam was recognized as the number one organic cosmetic brand by JoongAng Daily's 2016 Notable Brand competition. Amorepacific Group will continue to nurture this innovation culture within our group to present innovative products meeting our customers' needs.



가온도담, 천연 그대로의 완결함을 담다



Gaondodam

OutRun

Beauty Start-Up, AP TechUp+

To remain competitive in a fast changing market environment, Amorepacific Group is fostering and incubating notable beauty start-ups by combining the group's R&D infrastructure and business capabilities with professional start-up incubation know-how. As part of such efforts, we launched the AP TechUP+ program in collaboration with Future Play, a tech-focused venture accelerator. With open competitions, we received 110 business proposals focusing on a range of new technologies including internet of things (IoT), artificial intelligence (AI), and 3D-printing from 100 teams, and selected 5 most competitive teams after evaluating all the proposals jointly with Future Play. We plan to foster and incubate strong and high-performing beauty tech start-ups through the accelerating process. Through the AP TechUP+, we identify new business opportunities, foster innovative business culture, and offer new start-ups the funding and infrastructure to scale up their business models. We believe that encouraging creative beauty start-ups will ultimately contribute to expanding the industry's innovative eco-system.



TechUP+ Contest Announcement Poster

Fulfilling Global Corporate Citizenship

As a global corporate citizen, Amorepacific Group is seeking to create shared value that promotes local economic activities and inclusive growth. In addition to our operation in Korea, our offices in China and Vietnam have carried out various activities to have positive social impact. These activities include raising awareness about common cancers mostly affecting women through supporting prevention education, cancer screening and post-surgery care for female cancer patients. Especially, Makeup Your Life, signature global campaign, support women’s health, and nurturing inner and outer beauty of these women.

Expanding CSR Activities in China

Amorepacific Group expanded our signature campaign MakeUp Your Life which began in Korea in 2008 to China in 2011. In 2016, we undertook a range of activities that support female cancer patients to improve their quality of life by helping them recover their beauty and confidence. Especially, we offered a comprehensive program for cancer prevention, screening, and recovery to increase the public’s awareness on two common cancers (breast cancer and cervical cancer). Amorepacific China carried out Moripao (茉莉跑) Marathon – a cause-related race promoting the importance of breast health and vital role of regular check-ups in preventing breast cancer.

| 2016 CSR Activities in China

Program	Description
Establishment of the Amorepacific Fund for Women	In February, in collaboration with the China Women’s Development Foundation (中国妇女发展基金会), Amorepacific Group established the Amorepacific Special Fund for Women, and sponsored activities that prevent and treat two cancers that mostly affect women – breast cancer and cervical cancer
Support of the Medical Diagnosis and Screening Service of Breast and Cervical Cancers	From August to October, in six counties (县) in two provinces (省) ¹⁾ , we sponsored medical activities that aim to prevent and diagnose breast and cervical cancers. The free medical tests were given to a total of 12,078 women, and detected a total of 114 cases where patients had tumors. In addition, we reached out to approximately 43,500 women through a total of 95 special lecturers on breast and cervical cancers.
Sponsorship of the Women’s Health Marathon – Moripao	In April, we sponsored the 1 st Women’s Health Marathon – Moripao with the participation of approximately 3,200 people in Shanghai. Through this sports event, we contributed to promote the public’s awareness on the importance of breast self-examination and breast health.
Makeup Your Life Campaign	40 beauty partners and makeup artists of Amorepacific China volunteered by offering beauty classes to approximately 180 female cancer patients living in Ghangzu, Shanghai, and Beijing. With customized beauty know-how and health information, we helped female cancer patients and restore the confidence in their beauty.

Number of Recipients | **12,078**

Number of Participants | **approx. 3,200**

Number of Participants | **approx. 180**

1) These locations include: Xishui County, Meitan County, and Suiyang Xian County in Guizhou Province and Gannan County, Baiquan County, and Tailai County in Heilongjiang Province.



Interview with Stakeholders

“Through our partnership over the last year, we were able to witness the efforts of Amorepacific China on Chinese women’s public welfare and related outcomes. We were also able to understand the company’s keen interest in women’s health. We believe that Amorepacific’s efforts do not only help improve women’s awareness on critical health information but also encourage the public engagement in this issues and address the concrete health problems facing low-income women. Through the expansion of this program, we hope that more Chinese women can have healthier life.”

By Jianmin Zhang (张建岷),
Vice Secretary-General, China Women’s Development Foundation

“The most important thing to focus on gynecological cancers is to manage effectively their development and progress. This includes early detection and post-surgery/diagnosis recovery. These two activities require particular attention from the public on women’s health issues. I sincerely hope that Amorepacific Group’s Makeup Your Life campaign will increase the public awareness on women’s health and provide hope and confidence to more Chinese women.”

By Yu Zhang (张羽),
Medical Doctor, Chinese Academy of Medical Sciences,
Department of Obstetrics and Gynecology, Oncology & Peking
Union Medical College Hospital (北京协和医院)



Makeup Your Life Campaign in Vietnam

Since 2015, Amorepacific Vietnam has participated in the Makeup Your Life campaign. Through our campaign in Ho Chi Minh City and Hanoi, we supported a total of 125 cancer patients, and sponsored a talk show featuring female cancer patients who are going through chemotherapy including a famous female announcer who survived malignant brain tumor and a doctor of breast cancer.

The 1st Women’s Health Marathon – Moripao in Shanghai



Screening Service in China



Makeup Your Life activity in Vietnam

Strengthening Sustainability of Partners

Recognizing that our business partners' sustainability performance is beneficial for our long-term competitiveness, Amorepacific Group has been supporting our partners with various activities. These activities help them improve their sustainability innovation capabilities, and promote fair business relationships throughout our value chain. Through these efforts, we are sharing our sustainability values with business partners and creating a systematic sustainable supply chain management process as we expand our global operations.

Strengthening Supply Chain Sustainability

We require all of our business partners to comply with our sustainability assessment framework, assess their current competency, and offer capacity building and consulting support to improve their sustainability performance.

Supply Chain Sustainability Management Process



apartner.amorepacific.com

For more details, please visit the Partner website.

| Revision of the Amorepacific Suppliers Sustainability Guidelines

To ensure supply chain sustainability, we revised the Guidelines which include 27 important items for supply chain such as human rights, labor, health, safety, environmental protection, and ethical management. We include the guidelines in our contracts with suppliers and require all our partners to comply with this.

| Assessment of Suppliers' Sustainability Capabilities

In 2016, based upon the "Amorepacific Suppliers Sustainability Guidelines", we assessed 85 of our suppliers' current capabilities to implement our sustainability guidelines. The assessment was made based upon input gathered through surveys, site visits, and a series of interviews with individuals responsible for health, environment, safety, and business ethics in partner companies, and we offered consulting services to help our business partners improve their corporate sustainability practices and regularly monitor their progress.

Mapping of Suppliers' Sustainability Capabilities

	Number of Suppliers	Total Score	Detailed Score		
			Safety	Environment	Ethics
2015	92	78.9			
2016	85	83.9	88.8	83.4	80.7

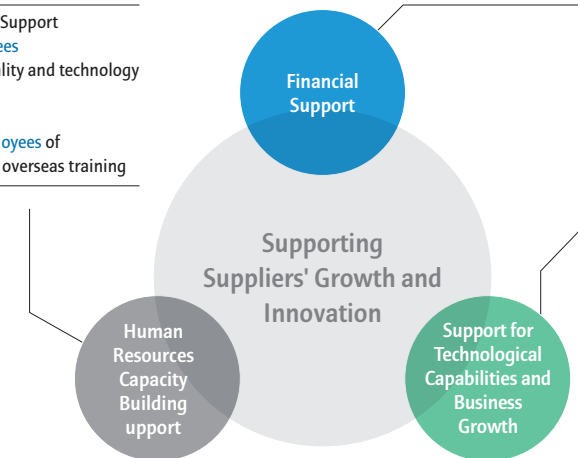
Specific Areas of Improvement and Action Plans for Improvement

Areas of Improvement	Action Plan for Improvement
Safety <ul style="list-style-type: none"> • Need to develop manuals clearly outlining the roles and responsibilities of health and safety managers • Need for effective disaster response manuals 	<ul style="list-style-type: none"> • Offering trainings and management workshops on corporate sustainability • Providing corporate sustainability manuals and sharing operational know-how on how to implement sustainability practices • Providing customized consulting services that help business partners address key areas of improvement
Environment <ul style="list-style-type: none"> • Need to develop environmental policies and strategies • Need to establish the management, collection, and monitoring system of environmental sustainability related data 	
Business Ethics <ul style="list-style-type: none"> • Need to establish internal business ethics guidelines and compliance standards • Need to enforce fair and ethical labor practices in compliance with Korea's labor laws and regulations 	

Commitment to Inclusive Growth for Business Partners

As part of our commitment to fostering the culture of fair business relationships that benefit all of our business partners, Amorepacific Group is actively pursuing activities aimed at strengthening 'mutual and sustainable' growth. Based upon our partner strategies centered on financial support, human resources capacity building, and support of technological competencies and profit increases, we undertook a series of activities for our partners. We are proud that these efforts were positively recognized by the Korean Commission for Corporate Partnership as we were ranked as "Excellent" in the Inclusive Growth Index.

- HRD Consortium Educational Support
 - 49 Courses of 2,222 employees
- Manpower dispatched for quality and technology transfer
 - 960 hours of 14 employees
- Financial support to 116 employees of high-performing suppliers for overseas training



- Operation Fund for Mutual Growth: KRW 24.6 billion
- 100% Payment in Cash within 10 Days for Suppliers agreed on Fair Trade
- Introducing the Win-Win Payment System¹⁾

- Benefit Sharing Initiative: 15 projects
- Strengthening suppliers' capacity on technological innovation
 - Joint patent application: 2 cases
 - Sharing patent free of charge: 8 cases
- Supporting high-performing suppliers' exhibition at foreign expos

¹⁾ This payment scheme allows 1st tier supplier to offer our Group's credit to 2nd and 3rd tier suppliers in order to ensure prompt payment and minimize the bankruptcy risks to small enterprises in the 2nd and 3rd tier supply chain.

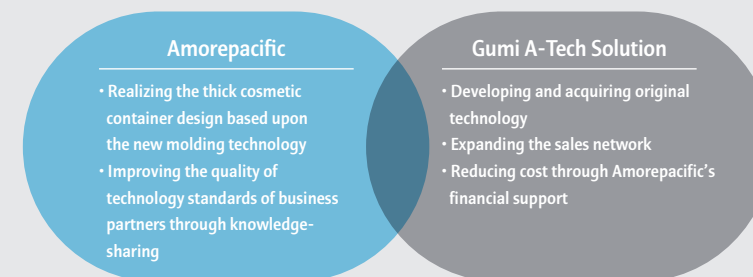
Technological Innovation through the Benefit Sharing Initiative

Since 2015, Amorepacific is implementing an incentive-based partnership mechanism to develop innovative technologies and products in collaboration with suppliers. Partners who are engaged in joint innovation tasks with Amorepacific are rewarded with additional incentives. In 2016, we undertook a total of 15 cases and shared the profits amounting to KRW 337 million.

| The Notable Project of the Benefit Sharing Initiative

Since our joint research with Gumi A-Tech Solutions began in 2015, we began producing our packaging materials with the new technology as of January 2017. The old packaging technology was not only expensive, but also had limited production capacity. With this joint effort, we further refined the unique technological know-how of plastic molding process that Gumi A-Tech Solutions developed for cellphones and applied the new technology to our packaging materials. As a result, our production capacity has improved six times.

| Expected Outcomes



PRIME RESERVE
Epidynamic Activating Creme

Response to Product Quality and Safety Issues

Recall of Our Toothpaste Products

On September 2016, Amorepacific ordered a recall of some of its toothpastes after it was confirmed that these products contained a preservative not approved by the Korean Ministry of Food and Drug Safety. We promise to further strengthen our entire safety management process from the stage of sourcing ingredients to the end stage of production and distribution. We always consider customer safety to be our greatest priority and promise to offer only the best and safe products.

Background

The safety concerns over our toothpaste products erupted because some of our toothpastes included unapproved chemicals called methylisothiazolinone (MIT) and chloromethylisothiazolinone (CMIT) mixture for its preservative. After the issue was raised, the company confirmed that the sodium laurilsulfate (SLS) surfactant that we purchased from one of our suppliers included CMIT/MIT as a preservative. CMIT/MIT have been used throughout the world, and in Europe, it is allowed up to 15 ppm.¹⁾ The amount of it found in our toothpastes was less than what the current screening method can detect. For this reason, internal and external third-party safety assurance testing methods did not find it in our products. However, we fully acknowledge our stakeholders' safety concerns over the inclusion of the CMIT/MIT in our products, and thus, ordered a proactive recall of all the affected toothpaste products to ensure customer safety and restore their trust.

¹⁾ European Commission, Cosmetics, 'Preservatives Allowed in Cosmetic Products'

Exchange and Refund

Immediately after we confirmed the inclusion of CMIT/MIT in our toothpaste products, we decided to recall all the products. On September 27, 2016, we published an official apology to our customers and stakeholders through our website and began recalling the products. We immediately banned the sale of these products and informed our customers that we either exchanged the recalled products with other toothpaste products not containing CMIT/MIT or refunded at any retail stores or Amorepacific customer centers. To further ensure the safety of our products, we re-evaluated the inclusion of CMIT/MIT in all of our products, including ODM (original design manufacturing) products, and we discarded all the affected toothpaste products (approximately 388 tons) and submitted the document confirming the full discarding of the products to the Korean Ministry of Food and Drug Safety. All the products were recalled until January 2017 (approximately 3,900 tons), and all of them were discarded as of February 14, 2017.

Timeline

Toothpaste Products Recall & Our Responses

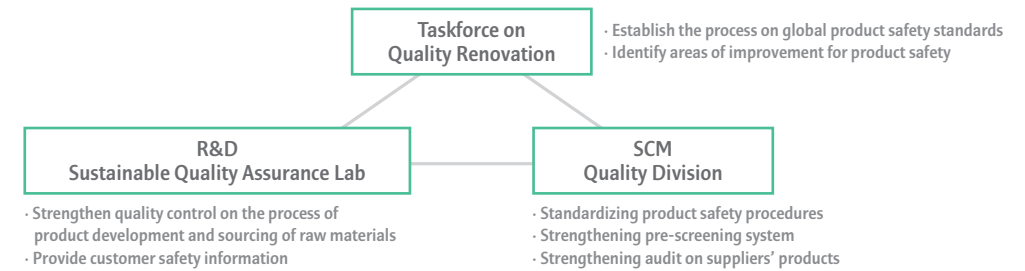
Sept 23, 2016	Confirmed that SLS included CMIT/MIT.
Sept 26	Made a list of products that contained SLS and submitted a voluntary recall plan to the Korean Ministry of Food and Drug Safety.
Sept 27	Assessed the latest status of products to be recalled in our own inventory and that of our distributors and retailers. Published the public apology to customers and information on exchange and refund policy on the website.
Sept 28	Began to voluntarily recall the products through retailers and customer centers. Sent the letter requesting to stop selling the products and informing our policy on recall of the products to three largest retail chains. (E-Mart, Homeplus, and Lotte Mart)
Sept 29	To further enhance product safety, Chinese and U.S. subsidiaries began to recall the related products.
Oct 10	A third-party inspector confirmed that the amount was less than what the currently available testing method can find.
Oct 25	Completed voluntary recalling.
Nov 14	Submitted a voluntary recall plan to the Korean Ministry of Food and Drug Safety.
Feb 14, 2017	Completed the discarding of all recalled products.

Improvement Plans

Amorepacific Group set up a new team dedicated to product quality assurance to strengthen the product safety management system from sourcing of raw materials to distribution of final products, and is making an effort to inspire customer confidence in product safety through transparent and open communication.

Strengthening the Organizational Capacity

Establishing Taskforce (TF) on Quality Renovation	We established a special TF dedicated to ensuring the company's compliance with the required global product safety standards and improving the product safety management processes. The TF will update the product safety management system.
Strengthening Organizational Capability on R&D and SCM unit	We will improve the entire product quality management process from sourcing of raw materials to development, production, and distribution of all our products. We will also strengthen our organizational capabilities to promptly identify risks and respond effectively.



Strengthening the Product Safety Verification Process

Development and Sourcing of Raw Materials	We developed the Raw Material Qualification Gate – a new raw material's safety verification process in which Amorepacific examines the safety of all the ingredients used from development to production stages.
Product Development	We launched the Product Qualification Gate to prevent the inclusion of any materials that can weaken our consumers' confidence in our product safety.
Production	Based upon the 'Product Management System Standards', we are currently upgrading our procedures, which require the detailed monitoring and reporting of all stages of product development including listing the names of producers and inspectors. The document also outlines the detailed roles and responsibilities of producers and auditors. With regular audits, we will continuously monitor the compliance and help all of our employees and partners integrate these procedures into their work. Furthermore, to ensure the consistent quality of product safety throughout the Amorepacific Group, we are running an internal committee on product safety. We will also establish the random monitoring of raw materials, packaging, and products to improve early detection and rigorous product monitoring.
	To professionalize the audit of suppliers, we will train internal experts on this and upgrade the existing supplier audit system. Furthermore, through regular product safety committee meetings, we will identify high-performing suppliers and support them.
Launch of Products	We plan to provide all the detailed information on key ingredients and our safety policies through the appropriate communication platform to ensure that our customers feel confident to use our products.

2016 Sustainability Performance

2016 Performance for Sustainability
Sustainability Management Structure

Amorepacific

- Innovation for Customers
- Harmony with Nature
- Harmonious Growth
- Sharing for Society

innisfree

ETUDE

eSpor

AMOS Professional

AESTURA

Osulloc Farm



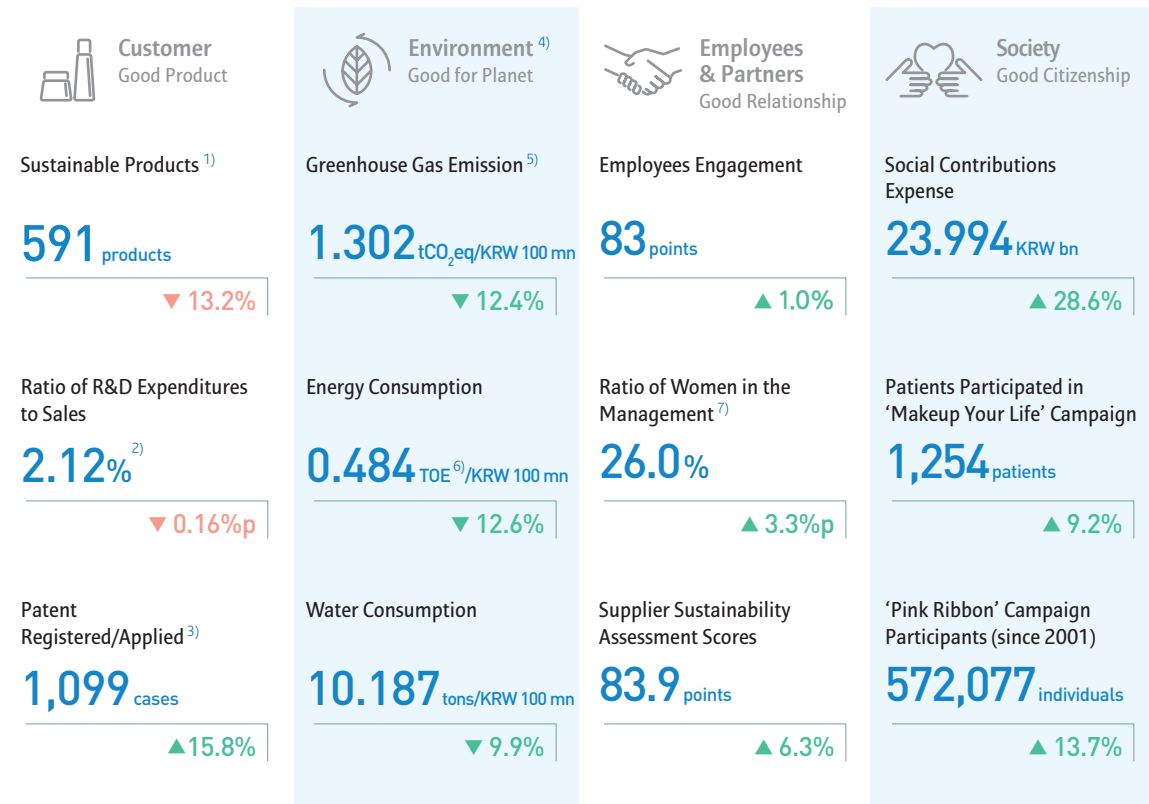
Building a Harmonious World Benefitting the Nature, People, and the Company

By fully integrating our corporate sustainability vision into corporate strategies and operations, Amorepacific Group contributes to making positive change in the corporate ecosystem. By leveraging our expertise and core competencies, we seek to address the global environmental and social challenges. We will continue our journey to create the sustainable future.

Amorepacific Group 2016 Performance for Sustainability

In an effort to create a more beautiful future to our customers and stakeholders, Amorepacific Group strives to create harmonious coexistence between people, business, and the natural environment, and to nourish these efforts together.

2016 Key Numbers of Sustainability



1) This figure includes number of sustainable products from Amorepacific and innisfree.
 2) This figure includes only ratio of R&D expenditures to sales from Amorepacific.
 3) The 2016 figure includes the outputs produced by the entire Amorepacific Group and its subsidiaries, and thus is different from the 2015 statistics.
 4) The environment impact assessment excludes our operations in France.
 5) Greenhouse Gas emission calculation methods are based upon the IPCC 2006 guideline.
 6) Tonne of Oil Equivalent (TOE): A unit of energy defined as the amount of energy released by burning one tonne of crude oil.
 7) Ratio of women in management calculated based on those working in China and Korea.

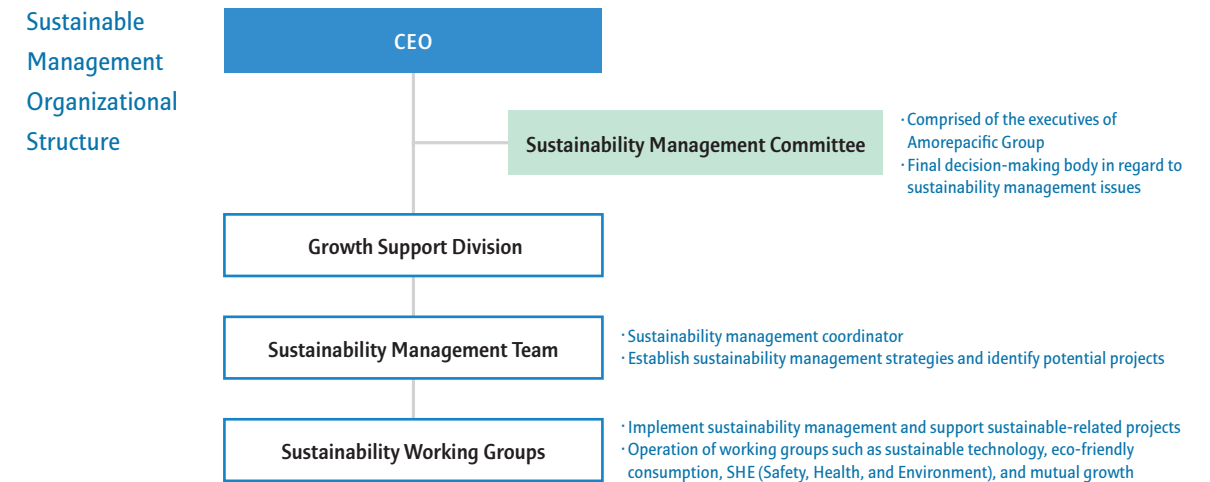
Major Awards and Recognitions



* Except for the CDP Korea award, all these awards and recognitions went to Amorepacific – a major subsidiary of the Amorepacific Group. Amorepacific Group received the CDP Korea award.

Amorepacific Group Sustainability Management Structure

Each year, we identify and implement new sustainability management activities and related targets based upon the Group's four strategic priorities – customers, environment, employees and business partners, and social contribution. Amorepacific Group's Sustainability Management Committee within our Board, which is our highest decision making body, review and make decision on strategic sustainability issues. In 2016, the Sustainability Management Committee convened two meetings and decided to integrate the progress of strategic sustainability issues into relevant senior managements' key performance indicators to strengthen our sustainable business practices.



Strategic Directions



AMORE PACIFIC

About Our Company

Since its establishment in 1945, Amorepacific has been pursuing our vocation as an Asian beauty creator by promoting the essence of Asian beauty. We opened Korea's first cosmetic research and development center, and have produced innovative products combining Asian natural ingredients and latest cosmetic and dermatological technology.

Innovation for Customers |

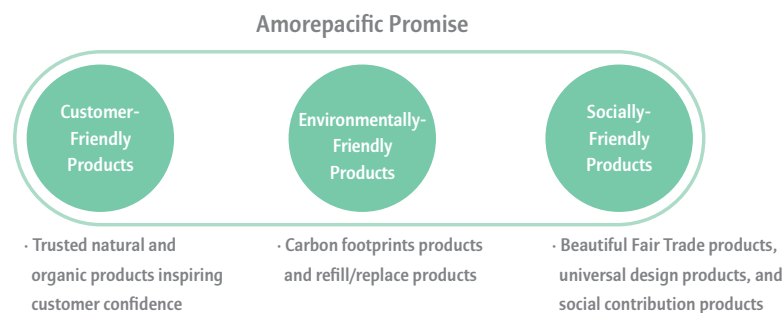
Sustainable Products

Amorepacific integrates social, environmental, and ethical considerations into the entire product lifecycle, from product development to consumption, to provide our customers with an experience of using sustainable products and to foster sustainable consumption. This focus further strengthens the environmental sustainability of our retail stores and reduces the environmental footprints of our packages. We continuously upgrade our sustainability framework to increase the positive contributions of our products and to improve our service to our customers, society, and environment.

Development of Sustainable Products

Amorepacific offers a range of sustainable cosmetic and personal care products. Our products are categorized by their impacts, which include customer-safety, environmental sustainability, and local community empowerment. We have established a set of rigorous standards for each category to increase our consumers' trust of sustainability-certified products. Our internal sustainability standards are as strict as the ones established by specialized certification organizations, and we are continuously upgrading our standards to reflect changing regulations and findings from external experts. In 2016, we offered a total of 392 sustainable products to our customers around the world.

| Types of Sustainable Products



| Notable Sustainable Products

Carbon Footprints Products ¹⁾

Happy Bath Grapefruit Essence Cooling Body Wash

For this product, we measured and certified the amount of GHG produced throughout the entire product life, and found the total GHG emission was 748gCO₂eq.

Beautiful Fair Trade Products

Hanyul Rice Essential Skin Emulsion

This product includes Korean *angelica roots* and *cnidium officinale makino* from a small farm in Seosan, Southern Choongchung province which we signed the Beautiful Fair Trade agreement, and contributes to the economic development of the area.

Universal Design Products

mise-en-scène Damage Care Shampoo

This product uses braille to help people with visual impairment distinguish between the similarly designed containers of shampoo and conditioners and enhances the accessibility of this product.

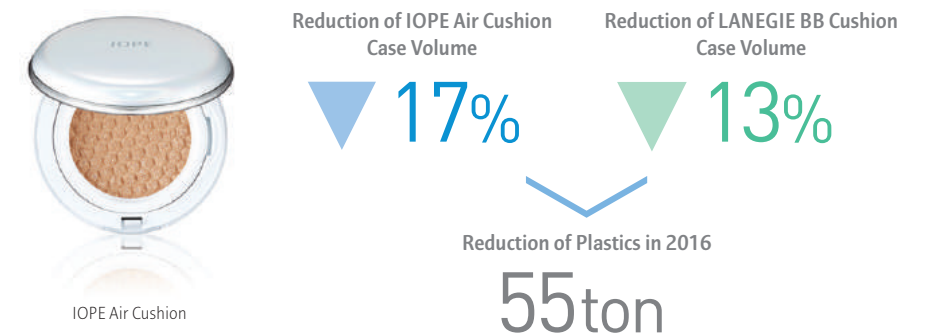
¹⁾ All of our products with the carbon footprint mark are certified by the Korean Environmental Industry & Technology Institute.

Development of Sustainable Packaging

Amorepacific continuously seeks to improve the sustainability of our packaging, and our focus areas include: reducing packaging materials through resource-efficient and sustainable design; using recycled materials; encouraging the reuse of packaging; and using packaging materials made with renewable resources.

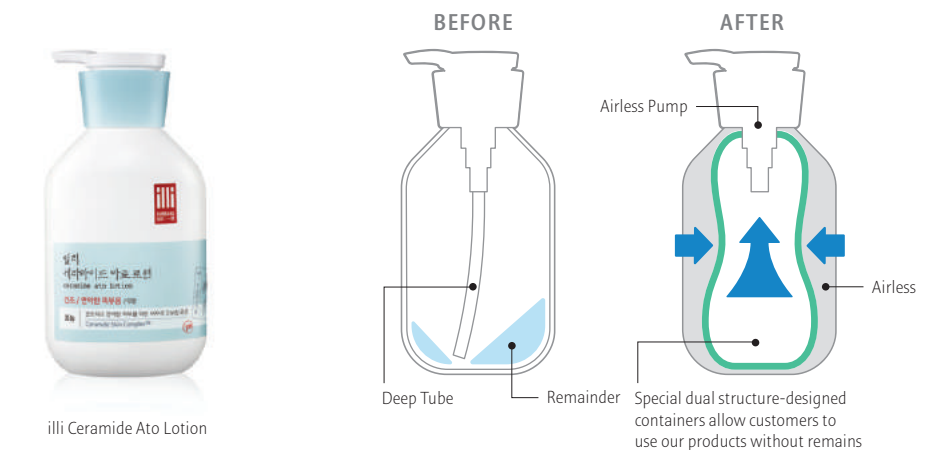
| IOPE Air Cushion and LANEGIE BB Cushion: Reducing the volume and weight of Packaging

To improve the sustainability of our cushion packaging, we introduced a new design to reduce the volume and weight of cushion cases and used high-precision injection machine to increase overall sealing ability and reduce unnecessary space between cushion cases and refill containers. As a result IOPE Air Cushion cases weighed 42% less and were 17% smaller in volume and LANEGIE BB Cushion cases were 17% lighter with 13% less volume. These changes reduced plastic use by approximately 55 tons.



| illi Body Lotion Five Sets: Innovative Packaging Design to Minimize Product Remains

Generally, regular body lotion pumps cannot expel all of the body lotion from containers, so there is a small amount of body lotion wasted when the body lotion products are disposed. To minimize the waste, Amorepacific used the airless pump technique for our containers, which reduced up to 5% of the wasted lotion in the five types of body lotion products we offer including illi Total Aging Care Intense Lotion. This effort increased the total amount that consumers can use from this product and the longevity of the product. Increased product longevity ultimately led to reduction in packaging material.

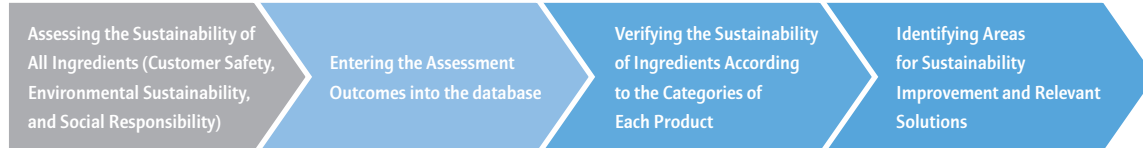


Sustainable Technology Innovation

Developing the Process and Framework for Sustainability Assessment for Ingredients

As of 2016, in addition to customer safety issues, we included environmental sustainability and social responsibility indicators in assessing the quality of ingredients. We also developed and refined specific evaluation criteria for three pillars of sustainable technology (i.e., customer, environment, and society), and focused on digitizing our evaluation process. Starting in 2017, all of our new products' ingredients will be assessed on the three areas of sustainability. In addition, we will record and save the outcomes of our sustainability assessments in a master, digital database, improve our environmental impact assessment framework, and identify additional evaluation criteria to be added. Finally, we will set up the Sustainable Technology Advisory Group consisting of biodegradability experts, ecotoxicologists, and other specialists in the field to seek their expertise and advice to further enhance the sustainability of our ingredients

Sustainability Assessment Process for Ingredients



Research on Animal Alternative Testing Methods

We have fully recognized the importance of alternative methods for animal testing before the February 2017 enactment of Korea's revised Act on Cosmetic Products that bans animal testing. Amorepacific has been undertaking a range of research projects on alternative methods for animal testing since 1997. Based on continuous research, we voluntarily discontinued all animal testing for cosmetic materials and products since 2008, publicly declared our commitment on this topic, and prohibited animal testing for cosmetics except in situations in which animal testing is mandated by local governments and their laws in 2013. Currently, we are using alternatives to animal testing for skin irritation, skin sensitization, photo-toxicity, absorption toxicity, ocular irritation, vaginal mucous membrane irritation, oral mucous membrane irritation, and endocrine disruption to assess the safety of raw materials and products prior to clinical test. In close collaboration with the Korean Ministry of Food and Drug Safety, Korean academics, industry groups, and international experts, we are conducting research on alternative methods for animal testing, and we are focused on ensuring product safety without animal testing. Additionally, to continue assuring product safety, we are strengthening our collaboration with toxicologists.



Research on Animal Alternative Testing Methods

Product Development Responding to Outdoor Air Pollution

Air pollution in Asia is quite serious, as particulate matter (fine dust), haze (which causes reduced visibility), and smog affect billions of people. The impacts of particle pollution are alarmingly severe in the Northeast Asia region that includes China and Korea. Particulate matter (PM) consists of solid and liquid particles in the air that, when inhaled or absorbed through skin, can cause serious health problems. In 2013, the World Health Organization (WHO) categorized fine PM as a cancer-causing agent. In response, since 2014, we have conducted a range of research to provide skin care solutions that can help our customers protect their skins from fine PM. To conduct this research, we compared the skin conditions of two types of customers – the ones living in PM air pollution areas and residents of areas declared to be safe from severe PM air pollution.

We also did a comprehensive analysis of about 25,000 genes in our skin cells to investigate the harmful effect of PM-related electric generation on our skin. Based upon the research, we generated the findings confirming that fine PM accelerates the skin aging process by creating substances that cause skin irritation. Then, we developed approaches to protect our customers from PM in order to address the needs of Chinese and Korean customers.

These approaches consist of the following: first, we introduce the 'skin defense technology' which helps customers protect their skin from PM when they are outdoors. Second, we provide a cleansing technology to remove the remains of PM on the skin. Third, we offer a technology to ease PM-caused skin damage. We are presenting optimal skin care solutions to our customers who are impacted by PM air pollution and have also paved the way for innovative anti-pollution beauty products.

Particulate Matter Defense Technology

Protects skin from fine dust by generating negative energy on the skin to repel particulates

Particulate Matter Removal Technology

Uses the absorption properties of a polymer to absorb and remove particulate matter from the skin



LANEIGE All Day Anti-Pollution Defensor



Mamonde Lotus Micro Cleansing Foam

Sustainable Stores



Sustainable In-Store Interior Materials

Our stores represent our brand values and are the prime way our products are introduced to customers. By focusing on the integration of sustainability thinking into all aspects of our store design and operation, we are making our utmost efforts to reduce our environmental footprints. We prioritize the use of environmentally sustainable in-store interior materials across all of our stores and regularly monitor the sustainability performance of our stores. To mainstream environmentally sustainable thinking in our store operations, we included the use of environmentally sustainable interior materials as one of the important performance indicators.

From the second half of 2015, we mandated all new Aritaum stores to use environmentally sustainable in-store interior materials. Specifically, to reduce the possibility of "Sick Building Syndrome", we only use the Korea Eco Label products for plaster boards, woodworking adhesives, and water paint. For energy efficiency, in 2016, we updated our manuals to mandate all Aritaum stores to use LED products, which use less energy. This requirement will be applied to all new stores and renovated ones.

Sustainable In-Store Interior Materials



Item	1 Plaster Board	2 Woodworking Adhesives	3 Water Paint	4 Store Lighting Fixtures
Impacts	 Improved in-store air quality by reducing the emission of toxic air pollutants such as volatile organic compounds, toluene, and formaldehyde			 Reduction of energy with highly energy efficient Lighting

Sustainable Packaging Materials

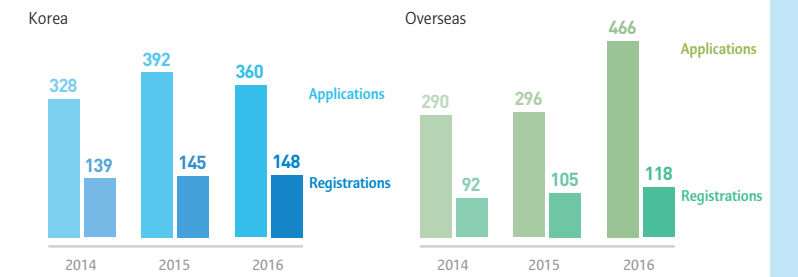
In addition to using space in a more environmentally sustainable way, we are also expanding the use of compostable wrapping papers and packing bags to further reduce our environmental footprint and raise our customers' environmental sustainability awareness. Three of the packing materials our Aritaum store use are sustainably produced, and one example is shock-absorbing packaging made of corn starch. In the future, we plan to further improve the sustainability of our packaging materials, including shopping bags, with design innovation and new technologies.

Innovation for Customers

Number of Sustainable Products



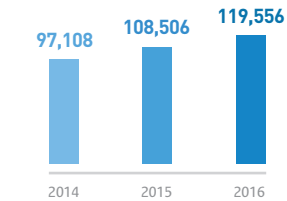
Number of Patents ¹⁾



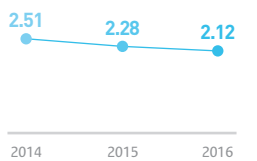
Number of Published Academic Papers ²⁾



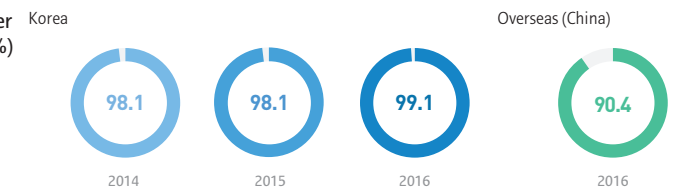
R&D Expenditure (KRW mn)



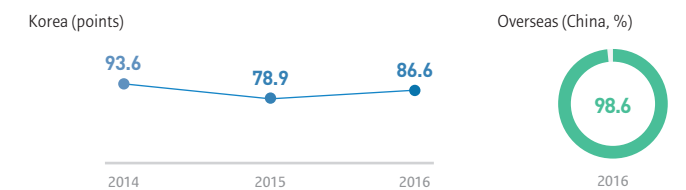
Ratio of R&D Expenditure to Sales (%)



Resolution of Customer Complaints Resolve (%)



Average Consultation Satisfaction Rate



Number of calls received by our customer service centers



	2014	2015	2016
Korea	194,633	182,502	315,505 ³⁾
Overseas (China)	15,662	33,421	52,505

1) It differs from the one in 2015 report, due to extending coverage to all over the Amorepacific.
 2) It differs from the one in 2015 report, due to change of the criteria.
 3) In 2016, our call volume increased because we began to receive calls on e-commerce related inquiries. We also received a number of calls as a result of the recall of our toothpaste products.

Responding to Climate Change

Amorepacific deeply values harmonious relations between nature and humanity. Fully recognizing the urgency and seriousness of global environmental challenges such as climate change, we are prioritizing environmental sustainability activities throughout our business strategies and operations to minimize our environmental footprints.

Product Life Cycle Response to Climate Change

Amorepacific applies rigorous environmental sustainability standards to the entire lifecycle of our products (from research and development to disposal of products) to minimize our environmental footprints. Towards this, we develop production technology requiring the minimum use of energy, optimize energy efficiency, and promote eco-driving to reduce greenhouse gas (GHG) emissions. To increase customer awareness of our eco-friendly lifestyle, Amorepacific focuses on increasing the number of products certified for carbon footprints and embarked on a public campaign on recycling cosmetic bottles.

Strategies	2016 Progress
Sourcing and Research & Development • Support business partners' low carbon production mechanism • Develop low carbon technologies	• Development of the low-temperature emulsion polymerization technology and used in 37 products
Production • Improve energy efficiency across production process • Use renewable energy	• Reduction of GHG with 76 cases of improvement of energy efficiency: 465 tCO ₂ eq • Use of renewable energy: 196,543kwh generated through solar power • Conversion to LED lights: 26% (Beauty Campus Osan)
Transportation & Distribution • Encourage the implementation of eco-driving practices by contracted logistics and transportation companies • Encourage energy efficient shipping strategies	• Improvement of fuel efficiency – 5% increased (compared with 2012)
Consumption • Measure product carbon footprints • Expand the certification of low carbon production • Undertake consumer campaigns on sustainable consumption	• Number of carbon footprints certified products: 8 • Consumer campaigns: LANEGIE 'Refill Me' and primera 'Love The Earth'
Disposal • Continue the used bottle recycling campaign	• Collected 123 tons of used bottle for recycling

Research and Development | Low-Temperature Emulsion Technology

Amorepacific focused on reducing the emission of CO₂ using improved technology that can be applied during the production stage. Since 2014, our R&D Center, in collaboration with the Supply Chain Management (SCM), successfully developed and applied the low-temperature emulsion technology to reduce the energy use when producing lotions and creams which use the emulsion. The existing technology mixed oil with water at high temperature and cooled the emulsified material. To improve the efficiency of the existing technology, we tested three other types of processes: a) low temperature emulsion which uses cold water when mixing with hot oil b) emulsifying oil in water at high temperature, and cooling the mixture with cold water c) emulsifying at room temperature.

We identified optimal emulsifying technologies for each product types, which applies innovative solutions to readjust the processing temperature and mixture combination. By applying this technology, we produced 37 products and reduced the emission of CO₂. In 2017, we plan to expand the use of this technology in all production facilities and will continue to accelerate the development of technology that can contribute to the reduction of CO₂ emission throughout our production process.

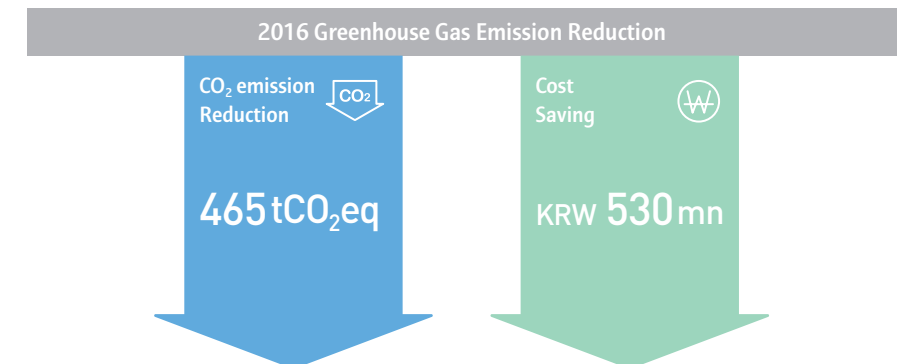
Energy Reduction Rate with Low-Temperature Emulsion Technology¹⁾



¹⁾ The reduction rate measures energy use of each technology to achieve the required temperature.

Production | Increase Energy Efficiency

Amorepacific undertook an array of activities to improve energy efficiency across all of our facilities and offices. In 2016, with a total of 76 specific activities, such as improving the fuel efficiency of boilers, we were able to reduce a total of 465 tCO₂eq and KRW 530 million. Additionally, we share a notable energy reduction case through our internal cross-functional task force on climate change.



| Improving Energy Efficiency

On an annual basis, we undertake activities to optimize the energy use of certain machines that are high in energy consumption by improving the fuel efficiency of boilers and replacing old facilities. At Beauty Campus Osan, we installed occupancy sensors and timers to improve energy efficiency, and at Mass Cosmetic Production site, we improved the energy efficiency about 10% after replacing the old heating system with a high efficient heating system.

| Expanding the Use of LED Lighting

We are installing LEDs – high efficiency lighting – across our facilities to reduce the energy use from the lighting. Particularly, at our Beauty Campus Osan, we plan to replace all lighting with LEDs by 2020. We are also gradually replacing lighting with the LED ones at our headquarter office, regional branches, and storage and distribution sites to reduce energy use and improve work place environment.

| Use of the Video Conferencing System

As our business goes global, we travel overseas more frequently. In an effort to reduce the CO₂ emission associated with frequent travelling, we have installed video conferencing systems in all of our facilities, so our employees can communicate easily with our business partners and clients in other countries without traveling.

We are establishing an environmentally sustainable logistics and transportation system by applying smart technology. In collaboration with the logistics and transportation contractors, we installed digital tachographs (DTG) in vehicles transporting our products, and monitored driver activities such as idle rotation, sudden brakes, over-speeding, and sudden use of accelerators. The information collected helped us communicate with drivers about eco-friendly driving techniques.

 Fuel Efficiency of Distribution Vehicles	 CO₂ Emission of Distribution Vehicles (Scope 3)
· Improved rate compared to 2012 5%	· 2016 3,348 tCO₂eq

‘Amorepacific Promise’ – our sustainable product – creates benefits for our customers, minimizes our environmental impact, and pursues harmony with local communities. The following types of Amorepacific Promise products are specifically develop to minimize environmental impact: carbon footprint certified products, products using recycled packaging materials, and refill/replace products reducing the environmental impacts of containers. With the Amorepacific Promise products, we invite our customers to consume and live sustainably.

* For more details, please see the “Developing Sustainable Products” section in page 50.

In an effort to promote a circular economy through a sustainable and creative recycling and waste management process, Amorepacific has been organizing our signature consumer campaign, GREENCYCLE, designed to increase the recyclability of used cosmetic containers, including used container collection. In 2016, we collected a total of 123 tons of used containers and carried out a joint research activity in partnership with a specialty recycling company on various creative and innovative ways to upcycle and reuse the collected containers.

* For more details, please see the “GREENCYCLE Campaign” section in page 75.

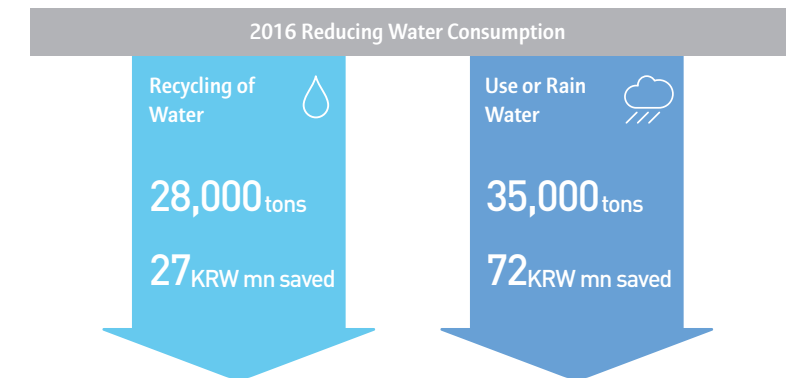
Transportation & Distribution
Energy Efficient Logistics and Transportation System

Consumption
Products Certified for Carbon Footprints

Disposal
Consumer Campaign ‘GREENCYCLE’

Water Stewardship and Waste Management

By recognizing water shortage and natural resource depletion as urgent global challenges, Amorepacific is undertaking various efforts to reduce water consumption throughout our production cycle. We have worked consistently to reuse and recycle waste water from our production facilities to improve water efficiency and to contribute to the circular economy.



Recycling and Reusing Water

We are reducing water consumption by introducing wastewater recycling system in our production facilities. At our Beauty Campus Osan, we retreat the wastewater discharged from the water treatment facilities of the plants. In 2016, using our wastewater recycling system, we reduced approximately 1,300 tons of water waste and plan to increase the amount of recycled water by gradually improving our recycling capabilities. We saved approximately 28,000 tons of water by reusing the condensed water produced during the ionization process and the recycling wastewater.

Optimizing Water Use

At our Mass Cosmetic Production site, recognizing that condensate water was being contaminated by the latent water vapor of the heating and cooling system, we introduced a water quality management system to monitor the contamination. With this, we were able to reduce the severity of water contamination and optimized water consumption. In addition, we will introduce technology that extracts heat to minimize the condensate formed.

Waste Management

By reducing the amount of waste across our facilities and increasing the recyclability of waste, Amorepacific contributes to the building of the circular economy. At our Mass Cosmetic Production site, we improved the technology and process of wastewater treatment and reduced the amount of sewage sludge – the residual material produced as a by-product during industrial wastewater – by about 5%. To identify more effective ways to recycle and reuse wastewater, we analyzed the types and traits of waste produced in each production site.

Conservation of Biodiversity

Biodiversity is fundamental to healthy human life. However, with short-term focused development, the loss of biodiversity is alarming. As the cosmetic industry, of which Amorepacific is part, uses large amounts of biological resources for ingredients, we have been undertaking a range of activities to preserve biodiversity and to share the profits gained through those activities.

Restoring and Proliferating Korean Indigenous Rare Soybeans



primera Wild Seed Firming Cream

Soybeans that originated from the Manchurian and Korean Peninsula have been essential elements in Korean diets throughout its history. Yet, as industrial agricultural practices focused on commercially competitive soybeans, the diversity of cultivated beans deteriorated. To contribute to restoring the biodiversity of soybeans and identify unique properties that can be commercially used for the cosmetic industry, we did research on restoring and nurturing rare native beans. In 2016, Amorepacific researched the distinctive properties and effects of Korean Napjakong (flat beans), Pureunkong (green soybeans), and green kernel black beans and succeeded in materializing their unique properties as ingredients for our cosmetic products. The products incorporating these rare soybeans include primera Wild Seed Firming Line, innisfree Jeju soybean Firming Series, and Hanyul Seoritae Skin-refining Cream. Furthermore, we also conducted research on the metabolome of beans that were previously neglected due to limited applicability and commercial viability and confirmed their positive effects on skin refining and improvement. We applied the findings on the bean metabolome to create an ingredient for the Sulwhasoo Goa Line Renewal product.

Build Greenhouse for Endangered Species

As part of our joint research efforts with Chollipo Arboretum in Korea, we built a special biodiversity greenhouse dedicated to preserving endangered native plants. Completed in June 2016, this greenhouse is being used to preserve and proliferate endangered Korean plants such as Prickly Waterlily, Korean Water Crowfoot, Dwarf-woodland Korean iris and Abeliophyllum Distichum Nakai. In the coming years, we will identify environments where these plants can grow without human interventions and introduce them into these natural habitats.

Support for the Publication of 'Magnolia Book' and Research on the Proliferation of Camellia

We support research projects that develop databases on various native plants in order to raise awareness on biodiversity and its research. Specifically, we support the publication of the Magnolia Book, which will describe detailed information and characteristics on over 600 types of magnolias that Chollipo Arboretum cultivates, and this book will be published in 2017. In addition, we learned that the cold tolerant, Korean native camellias, which are grown on a northwest island in Korea, are being threatened by habitat destruction. To preserve its unique quality of cold tolerance, we began research on this camellia and succeeded in propagating about 600 of them. In 2017, we will replant these camellias in their natural habitat.



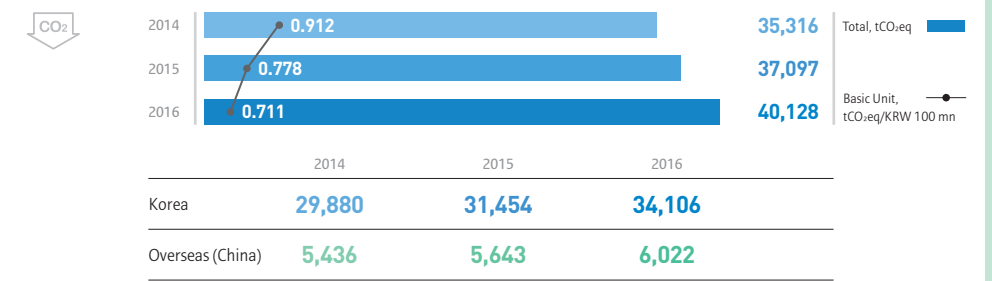
Chollipo Arboretum



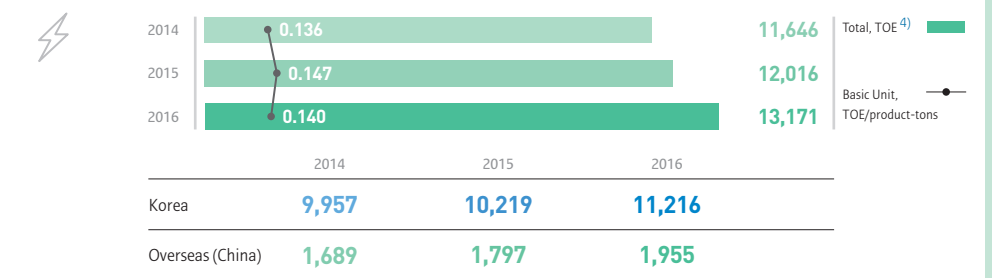
Korean native camellias

Harmony with Nature

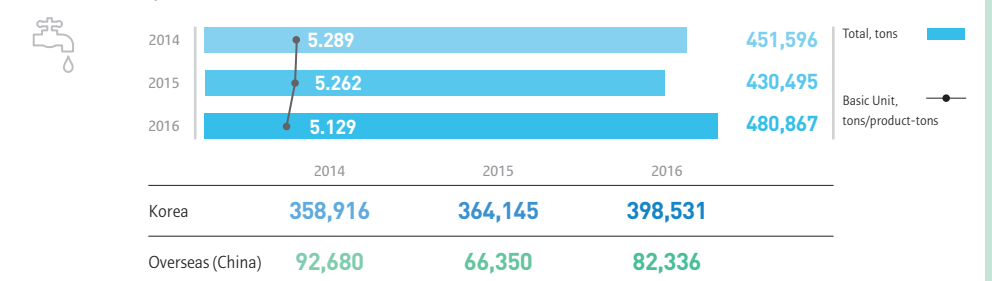
Greenhouse Gas Emissions ¹⁾



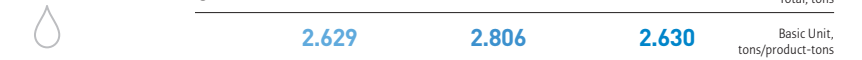
Energy Consumption ²⁾



Water Consumption ²⁾



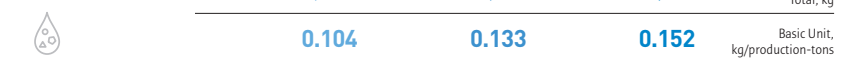
Wastewater Discharge ³⁾



Non-recycled Waste Amount ³⁾



COD Generation ^{3) 5)}



NOx Emission ^{3) 6)}



Environment Investment ³⁾



1) Applicable Sites: All sites in Korea (SCM, Research Institute, Corporate HQ, Regional Offices, and Sales Offices); China SCM Production Site
 2) Applicable Sites: Korean and Chinese Production Facilities
 3) Applicable Sites: Korean Production Facilities
 4) Tonne of Oil Equivalent (TOE): A unit of energy defined as the amount of energy released by burning one tonne of crude oil.
 5) Chemical Oxygen Demand (COD)
 6) Nitrogen Oxides (NOx)

Growing Together with Our Employees

Amorepacific seeks to provide an optimal, creative work environment in which all of our employees can fulfill their potentials. We respect the rights of individual employees, foster talented individuals with various abilities, and provide competitive and reasonable compensation based upon performance. All of our efforts related to human capital management contribute to creating a corporate culture based on trust.

Human Capital Management Our human capital management strategy is based upon the AP WAY, which reflects our vision for changing the world through beauty. AP WAY outlines three pillars of our business philosophy (i.e., service to humanity, respect for individuals, and the creation of the future) and elaborates five key values which seek to guide our action (i.e., openness, integrity, innovation, proximity, and challenge). Our human capital management strategy upholds the AP WAY, fostering conscientious and action-oriented 'creative beauty masters'.

| Key Objectives of Human Capital Management



| Role of Human Capital Management



| Key Performance Outcomes

Changing Management of Organizational Culture

- Implementing corporate value practices – MY WAY 2016
- Establishing the Code of Conduct and specific change management plans

Strengthening Leadership

- Leadership capacity building of senior management
- Leadership workshops, senior management coaching, Leaders Agora (discussion forum), and Seoul National University's executive MBA courses

Education to Foster Creative Masters

- Curriculum design and education for specialists in strategic positions
- Education on strategic decision making, digital intelligence, and emotional intelligence

Talent Management Programs

- Developing Amorepacific's unique teaching methods and curriculum
- Devising the strategy to strengthen the applicability of trainings to employees' day-to-day work

Global Talent Management

- Offering standard manuals on customer engagement per each brand
- Offering K-Service Journey
 - Trainings for beauty trainers in China, Singapore
 - Trainings for beauty partners (contracting sales agents and customer service associates) in Malaysia, Thailand, and Vietnam

Strengthening the Capacity of Beauty Partners

- Trainings on management capacity building for supervisors working with beauty partners
- Strengthening the quality of professional certification programs and process
- Establishing the memorandum of understanding (MoU) with universities for industry-academic partners (i.e. Samyook Public Health University, Osan University, and Choongchung University)

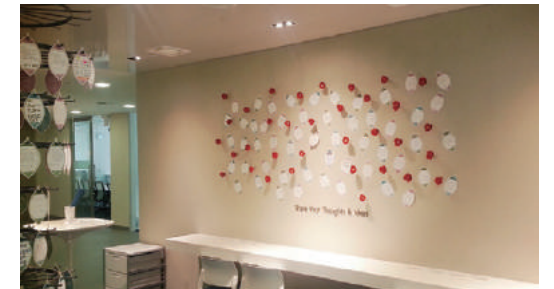
Corporate Value Practices
Management Capacity Building for Supervisors Working with Beauty Partners

91 sessions | 3,207 participants
6 courses, 12 sessions | 246 participants

Happy Workplace

To foster a creative and happy work place, the Amorepacific operates various programs.

This program is designed to provide team leaders with an opportunity to share their gratitude with their team members. The team leaders will each identify a specific team member who they wish to acknowledge, send that team member a card and a gift, and offer that team member a day-off to spend with his or her family.



This symbolic tree of wishes is created in a special biennial program in which employees can submit a list of special wishes that they would like their companies to address. We offered this program twice in 2016, and selected the 50 wishes we addressed.



We support in-house clubs to encourage our employees to enjoy various recreational and cultural activities. These clubs encourage less hierarchical and casual networking opportunities for employees, and they are designed to increase employee job satisfaction. In 2016, the total number of in-house clubs increased to 18 from 4 in 2015 with the addition of new clubs such as board games, yoga, LEGO, and floral arrangements. 431 employees participated in these clubs.



This program was launched to provide our employees with an opportunity to participate in intellectually stimulating lecturers at the workplace. We offer lectures that can strengthen our employees' exposure to humanity and invite their feedback to provide the most popular and relevant lecturers. In 2016, we offered 4 special lecturers, including the one with Tea-ho Kim, a famous Korean TV producer who made the most successful comedy program in Korea and the other with Chan-ho Park, Korea's first baseball player to compete in the U.S. major league.

Respect for Diversity

Amorepacific provides equal opportunities to all its employees according to their competencies and qualifications and in accordance with the Code of Ethics. Fair evaluations and rewards are given based on job performance, while discrimination in the processes of recruitment, job assignment, and promotion due to gender, place of birth, nationality, race, religion, disability, or educational background is strictly forbidden. We also comply with the rules and regulations of all countries where we operate and make the utmost effort to prevent any egregious human rights violations, and are actively supporting working mothers and people with disabilities.

Programs to Support Expecting Mothers

To support expecting mothers and mothers in postpartum recovery, we started a special program. This program informs the various entitlements we offer to pregnant workers such as reduced working hours, maternity leave, hospital visits during working hours, and the elimination of overtime work. We also address the physical concerns of pregnant employees by replacing their chairs with ones better designed for women in pregnancy, offering foot stools, and providing extra blankets. This program also educates other employees about the importance of maternity leave and supporting expecting parents. As a result, the use of maternity leave by expecting mothers has increased. Expecting mothers have expressed appreciation for the systematic support they received from their colleagues, and indicated the usefulness of the materials we supplied in relieving their physical discomfort. Finally, we have strongly encouraged parental leave for work and life balance, offered reduced working hours during the child's critical development stages, and invited parents to register their children in our in-house daycares.



Trust-Based Labor-Management Relations

Amorepacific has not had conflicts or disputes between the labor union and management for the past 25 years because of the trust we have built through regular communication. As of the end of 2016, the number of employees in the labor union was 2,993, with 51.7% of the employees holding memberships. Employees are also free to join or leave the labor union at any time. A collective agreement is concluded once every two years, and it is applicable to all of the employees. Furthermore, in addition to the regular labor-management council and its meetings, we are actively communicating through various other informal communication channels to share business strategies and address any areas of concerns. The labor-management council operates at each production site, and every quarter, they consult on the matters necessary to promote employee health and welfare, resolve their difficulties, and ensure a harmonious balance between career and family life. The management in each business sector and the executives of the labor union meet regularly for bilateral communication. To foster the mutually beneficial labor and management culture, we have convened regular workshops where executives from the management and labor union leaders can participate jointly.

Move towards Inclusive Growth,



“After diagnosed with disability, I felt that hope for a better future was far from me.”

Soo-hyun Lee (pseudonym) who worked as a private English instructor was diagnosed with disability seven years ago due to cerebral hemorrhage. In addition to physical pains, she experienced financial difficulty as it was difficult to find a suitable employment opportunity. With her new job at Amorepacific WeDream, she has finally found the pathway for a better future.

Because of prejudice and social stigma which affects recruiters' neutrality in making hiring decisions, people with disability in Korea are often faced with difficulty in finding suitable employment opportunities despite their willingness and capabilities. The widespread prejudice is extremely discouraging to people with disability. In an effort to provide people with disabilities with employment opportunities, Amorepacific established a subsidiary “WeDream”. In October 2016, WeDream was certified as people with disability friendly work environment by the Korea Employment Agency for the Disabled. WeDream employees are responsible for packaging our products as part of our Beauty Campus Osan's distribution support center, and we will continue to expand a range of tasks that our employees will undertake while considering the severity and types of disability of our employees.

Lee told us that her work with WeDream gave her a new sense of hope and pride as a valuable member of society. Through WeDream, Amorepacific is committed to providing opportunities where people with disability can engage in quality work to pursue our vision of “A MORE Beautiful World” through the Inclusive growth efforts.



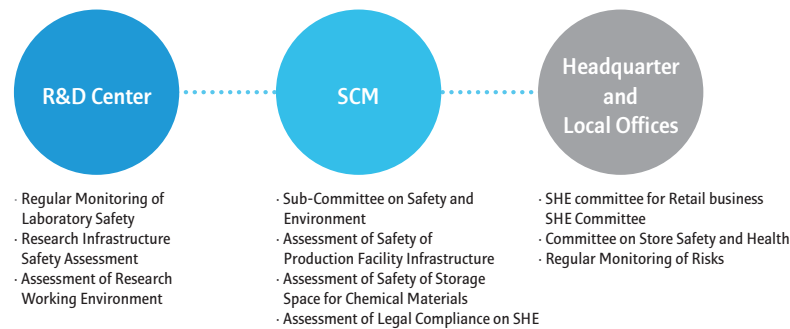
Health and Safety of Employees

Amorepacific considers employees' safety and health as one of the top management priorities because healthy employees are fundamental to running an ethical and competitive company. For all of our employees, we implement a number of programs that reinforce our SHE policies and related operational procedures. In 2016, we extended the implementation of our SHE policies and procedures to all of our subsidiaries and further strengthened the safety standards of all of our stores.

Safety, Health and Environment (SHE) System

| Group-Wide SHE Management Structure

Effective implementation of the SHE policies and procedures requires active internal communications and strong buy-in from the top management. SHE issues are regularly reviewed at the board's Sustainable Management Committee, our highest decision making body, and are addressed at the Group SHE Sub-Committee, a decision making body among senior management. In addition, SHE issues are regularly discussed at the Supply Chain Management Committee, and an in-house SHE working group is convened to foster communication among working-level staff members.



SHE Management Process

Plan | Establishing the SHE Management System

Execution | Operationalization, Education/Training, Emergency Response Manuals

Evaluation | Monitoring and Evaluation on SHE Management Performance

Improvement | Identifying Areas of Improvement / Taking Necessary Measures to Improve These Issues

| Revising the Group's SHE Standards

In 2014, Amorepacific introduced the Group's SHE Standards to comply with the laws and regulations of countries where we operate, as well as to meet the global SHE standards. In 2016, we updated the SHE standards to further optimize our SHE processes. The revised standards include a total of 31 subjects according with Plan-Do-Check Act (PDCA) framework, a set of guidelines with which all Amorepacific Group's facilities and business partners must comply.

| Further Refining the Group's SHE Audit Standards

We also further refined our SHE audit process to continue to monitor and evaluate our SHE performance according to the revised SHE standards and operational processes. The revised SHE Audit Standards include a total of 436 items that will be audited to regularly monitor and assess our global compliance with SHE standards, and it mandates the review of our production facilities, distribution centers, research institutes, retail stores, and offices. For efficient implementation, we provided a training program to develop in-house SHE auditors.

Store Safety

| Establishment of the Store Safety and Health Coordinating Committee

The safety of stores requires a more comprehensive approach to SHE risk management, as both our employees and customers use the space. To systematically manage the SHE risks that can occur in our stores, we established the Committee on Store Safety and Health in 2016. The Committee discusses the key areas of safety and health issues for customers and other stakeholders visiting the stores with SHE managers across the group and representatives from our partner companies to develop recommendations for further improvement.

| Store Safety Risk Assessment and Emergency Response Capacity Building

To identify the health and safety risks in our stores, we assessed their compliance on 35 areas of SHE items. In 2016, we partnered with the Korea Electrical Safety Corporation to conduct a detailed risk assessment of potential high risk fire hazards in 146 stores. As a result, we identified a total of 627 areas for further improvement and are working to address those risks. We also offered a series of trainings based upon the AP SHE Procedures to the supervisors and managers responsible for store operations. In 2017, we will strengthen the risk management process that helps prevent and manage fires and will develop related policies and operational procedures.

Health and Wellness Programs for Employees

| Follow-Up and Support of Employees with Health Risks

For our employees' wellness, we offer various programs. In 2016, 101 employees were voluntarily participated in an "Annual Check-Up Follow-Up Program" to support their efforts to reduce the health risks identified during the annual check-up. This program was developed in collaboration with medical institutes, and we will expand the coverage of this program and promote its benefits to our employees.

| Trainings on Cardiopulmonary Resuscitation (CPR) and the Use of Automated External Defibrillators (AED)

Throughout 2016, we offered useful health tips through in-house communication platforms at least once a month and provided key public safety and health information through our in-house broadcasting center at least three times a month. Also, we provided two emergency response education trainings on CPR and the use of AED to strengthen our employees' capacity to respond to health emergencies. We will continue to offer similar educational programs.

| Health Fund and Stop Smoking Fund

Amorepacific operates a program that supports the well-being of our employees. Similar to the last year, we partnered with the public health clinic to run a health fund for employees who need to reduce weight and body fat and a stop smoking fund for employees who wish to quit smoking.

| Launching a Standing Work Program to Prevent Musculoskeletal Disorders

To prevent musculoskeletal disorders, we are offering a standing work program. In 2015, 20 employees volunteered to participate in the pilot stage of this program and had positive results. In 2016, we launched the program officially and invited 100 employees who indicated the experience of musculoskeletal disorder related symptoms to participate. It is hoped that this program will lead to improved performance and health of our employees.



Health Fund Counseling



Standing Work

Growing Together with Our Business Partners

Amorepacific has been undertaking a series of activities based upon our partner strategies and centered on financial support, human resources capacity building, and the support of technological competencies and profit increases. We are committed to fostering the culture of fair business relationships that benefit all of our business partners.

Mutual Growth with Business Partners

Financial Support

| Supporting the Financial Health and Sustainability of Our Business Partners

We provide loans to our suppliers at low interest rates using our KRW 20 billion Win-Win Partnership Fund that provide direct assistance to partner companies and our KRW 4 billion mutual growth Fund that we jointly developed with the Industry Bank of Korea (IBK). Furthermore, we run a KRW 600 million mutual growth Investment Fund to provide financial assistance to enhance our business partners' capacity. In April 2016, we revised our payment policy to ensure that within ten days of the receipt of an invoice, we completely pay, in cash, to all the small and medium-sized enterprises with whom we have a mutual growth compact. By using the mutual growth partnership loan and cash payment monitoring system, we extend a Inclusively beneficial payment system, offering prompt payment, to small enterprises in the 2nd and 3rd tier supply chain.

Human Resources Capacity Building Support

| Support Business Partners' Participation in Overseas Training

Amorepacific provides financial support to suppliers' participation in overseas training to enhance their competitiveness. Annually, we support the overseas trips of these partner companies. In the past, they travelled to Japan to learn about the Toyota Production System (TPS) and Japanese innovation strategies. In 2016, we supported these partners' trip to Germany to study the German Government's Industry 4.0 Strategy. Through these trips, partners were able to reflect on business strategies they can apply to meet the needs of customers in the digital era.

| Support the Welfare of Employees of our Business Partners

We are providing assistance to enhance the welfare programs that benefit our best performing suppliers' employees. In September 2016, we introduced a program that provides in-kind support to those who lost their family members.

Support for Technological Innovation

| Business Partners Study Group on Innovation

Amorepacific supports the establishment of a community of learning among business partners in the same industry to foster innovation. We offer professional consulting service to address business challenges in the areas of pricing, production, product quality management, distribution, production technology, and management of equipment. In 2016, a total of 8 business partners engaged in a Study Group on Innovation, which identified areas of improvement and potential solutions, including the Quality Assurance (QA) process, 5 Business Management Processes (i.e., organization, arrangement, cleaning, cleanness, and habituation) and production site management.

| Sharing the Patent to Strengthen SME Competitiveness

In collaboration with Jeju Techno Park and Jeju University, Amorepacific shared the patents we own with SMEs without charge to enhance their competitiveness and accelerate the commercialization of patented technology. This effort was designed to share the benefits of our research with broader society, and we gave a total of 8 patents to 6 SMEs who responded to our October 2016 offer. We will actively support the commercialization of these patents by providing technology consulting to SMEs.

| Convening the Mutual Growth General Assembly with Business Partners

Annually, we convene two meetings with the management of our business partners in an attempt to enhance communication. The Mutual Growth with SCM Partners General Assemblies are convened at the start of every year, and the Win-Win Seminars are held at the end of every year. At the Mutual Growth General Assembly held in March 2016, we recognized the best performing business partners with awards and entered into the Mutual Growth Compact with 65 small and medium size enterprises who work with us. At the Win-Win Seminar in December 2016, we shared the best practices on innovation among business partners in the same industry, reviewed the 2016 performance records, and discussed our 2017 procurement strategies.

| Meetings with Second-Tier Suppliers

We convene regular meetings with second tier suppliers to strengthen our collaboration with second tier suppliers and promote a culture of Mutual growth in Korea's business ecosystem. In 2016, we brought seven strategically significant second tier suppliers together to share our vision and strategies on procurement, solicit supplier concerns, and discuss ways to further enhance our efforts on Inclusive growth.

| Mutual Growth Newsletter Series

Starting in 2016, Amorepacific began to send regular newsletters to our suppliers to share relevant information on our company and key activities and to encourage our company's various Mutual growth programs.

| Door-To-Door Sales Partnership Council

In 2013, we launched the "Door-to-Door Sales Partnership Council," consisting of five senior executives of Amorepacific and 17 elected managers who oversee door-to-door sales agents. These managers participate in quarterly meetings regularly to provide advice on our overall sales policies and discuss the practical challenges facing door-to-door sale agents. Our management representatives integrate various opinions that were conveyed to them into our business strategies to strengthen our sales activities. In 2016, two meetings were held in April and December.

Open Communication



Mutual Growth Newsletter

Mutual Growth with Door-to-Door Sales Associates and Managers

Good Jobs Strategy for Beauty Partners

In 2016, we focused on implementing activities that enhance our business partners' competitiveness and strengthen the motivation of beauty partners. Specifically, we made an effort to enhance the competitiveness of beauty partners by offering a series of training programs, and we helped improve beauty partners' motivation and satisfaction through financial incentives, improvements to the work environment, and wellness programs.

Professional Development Trainings

| 6th Annual APBU Ehwa-Amorepacific Academy

In collaboration with the Ehwa Women's University's Continuing Education Center, we offer our beauty partners an opportunity to strengthen their professional expertise. In 2016, 60 beauty partners completed the Ehwa-Amorepacific Beauty University (APBU) Executive Education program by taking courses on female leadership, coaching, communication, and other beauty industry related skills.

| Trainings for Global Make-Up Artists and Trainers

Amorepacific offers trainings to strengthen the skills of global make-up artists and make-up trainers. The programs include specialized courses entitled "Introduction to 20th Century Make-Up Trends" and "High-Level Professional Make-Up Techniques", and workshops teaching make-up styles and applied techniques of K-Pop and K-Drama celebrities led by K-Beauty Make-Up Artists.

Improving Welfare

| AMORE Counselor Benefit Society

AMORE Counselor Benefit Society was a voluntary association established in 1982 to promote the pride and welfare of counselors (sales associates). Annually, we provide KRW 2 billion to 36,000 counselors working in Korea for medical expenses, tuition for children, weddings for children, funeral service expenses, and emergency disaster funds. The AMORE Counselor Benefit Society is run by the Management Committee consisting of 15 counselors elected from 31 sales teams and a Chief Executive Officer. The Committee convenes twice a year to review the annual budget, discuss the group's sales strategies, and share concerns within the field along with ideas for further improvement.

Fostering the Good Work Place

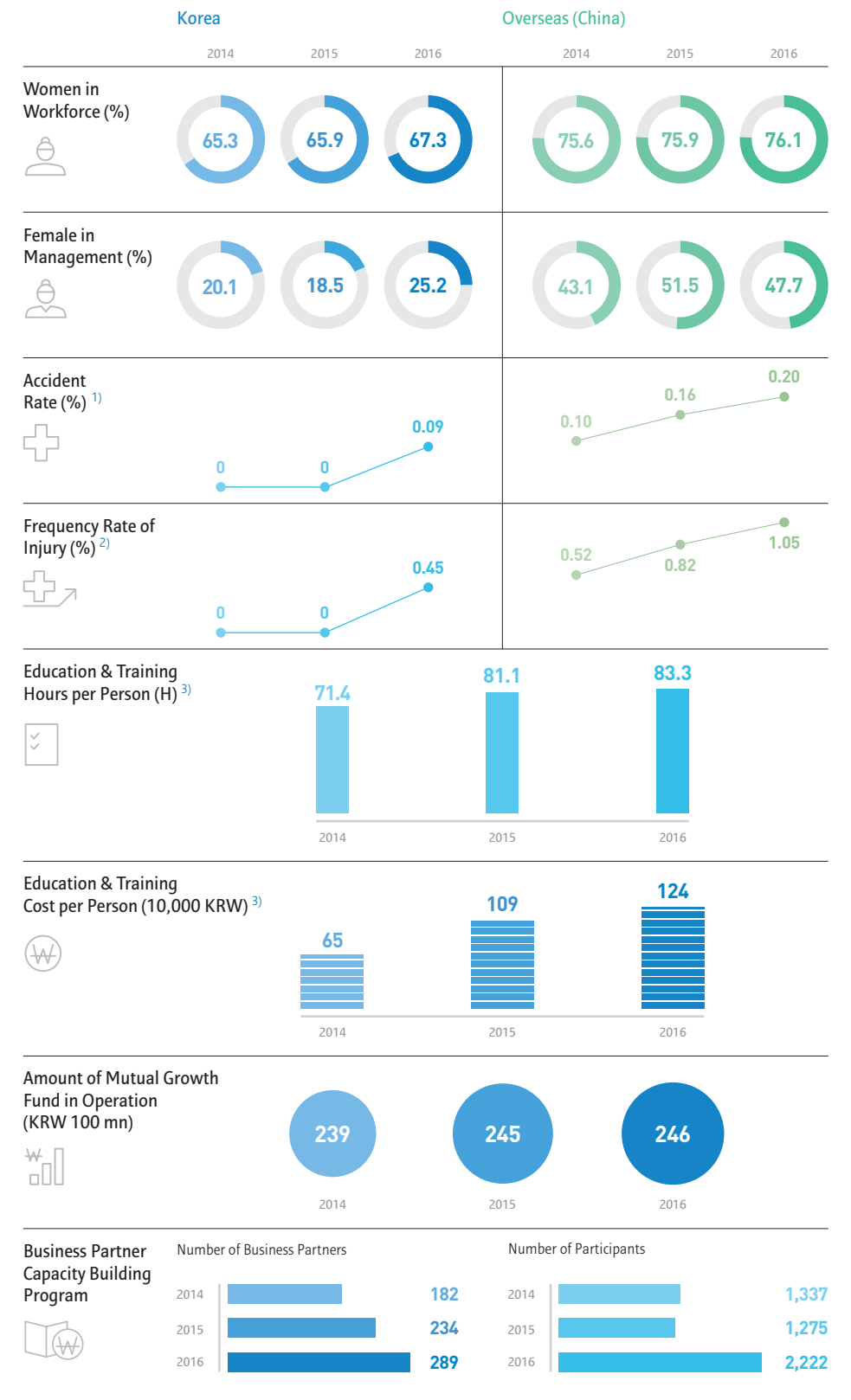
| Mind Care Program

We are making an effort to proactively respond to the emotional demands of our sales associates at work. The programs we offer to address beauty partners' stress levels include the 'Delivery Dreamers', a program designed to listen to the concerns of beauty partners and offer counseling and monthly workshops on stress management. We will continue to focus on addressing the emotional well-being of our partners and develop a mechanism that can support them in stores.



Global Make-Up Training

Harmonious Growth



1) Accident Rate = (Number of Accidents / Number of Workers on Yearly Average) * 100
 2) Frequency Rate of Injury = (Number of Accidents / Number of Working Hours) * 1,000,000
 3) The number of hours and cost were based on those employees working for Amorepacific Group in Korea.

New CSR Vision

A MORE Beautiful World

At Amorepacific, we believe that every woman has the innate passion and capacity in nurturing better and more beautiful lives for herself, her families, her communities and the world. We trust the strength of women in creating a more beautiful world. All of us benefit when every woman thrives and embraces their strength of caring for others. Amorepacific's important purpose is to beautify women's lives. Our vision aims to contribute to "A More Beautiful World" where every woman can live her best life as she desires.



Beautify Women's Lives

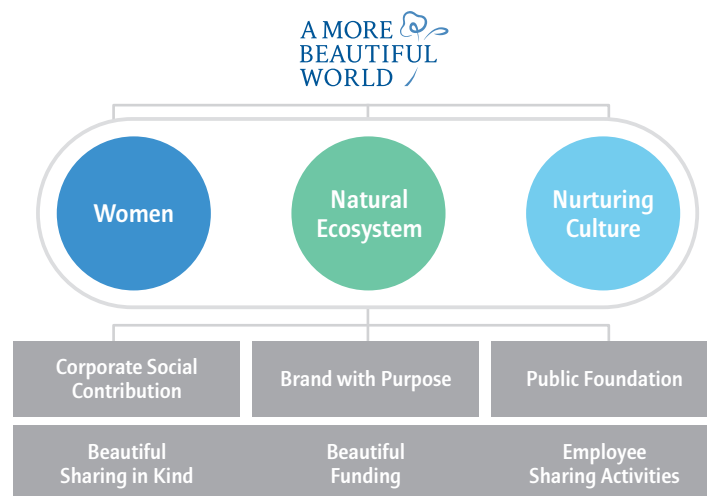
With a single flower blooming for the world, Amorepacific promotes its CSR vision and undertakes various global programs to realize women's dreams for the world, share happiness with more people and cultivate beauty around the world.

| Amorepacific CSR Brand (Vision)

| Three Core Initiatives

| Social actives

| Employee volunteer and community service program



To create A MORE Beautiful World, Amorepacific manages various programs that aim to create positive impacts on the society focused on three core initiatives: Women, Nurturing Culture, and Natural Ecosystem.

- **Women** | Contributing to beautifying women's lives by enhancing women's health, wellbeing and economic empowerment
- **Natural Ecosystem** | Contributing to making a beautiful life and a beautiful world through promoting a lifestyle that values harmonious coexistence between humans and nature's healthy beauty
- **Nurturing Culture** | Discovering various cultural values that permeate every aspect of our lives to blossom into greater beauty and contributing to revitalizing those values by communicating them to our people

All the strategic investment efforts that Amorepacific undertakes and supports, including the group-wide CSR programs, brand-specific cause-related marketing focused on sustainability, support of public foundations, and volunteering and donations, contributes to fostering "A MORE Beautiful World".

Corporate Social Contribution

Makeup Your Life Beginning in 2008, Makeup Your Life campaign is designed to support female cancer patients by using make-up and skincare advice and hair-styling. This campaign focuses on helping these patients overcome various psychological challenges during their treatment and recovery by discovering their inner beauty and fostering positive self-esteem. In 2016, our 697 AMORE counselors engaged with 1,049 cancer patients through a total of 35 hospital events. For those who were unable to visit the hospitals, we offered visitation service for 4 one-on-one sessions. One of the visits was collaborated with Kyung Hee University Healthcare System and Amos Professional.

Number of Cancer Patients Recipients (since 2008) ¹⁾	Number of Volunteers (since 2008) ¹⁾
12,360	4,347

¹⁾ The number of participants include those who engaged in the campaign through our corporate headquarters and overseas subsidiaries.

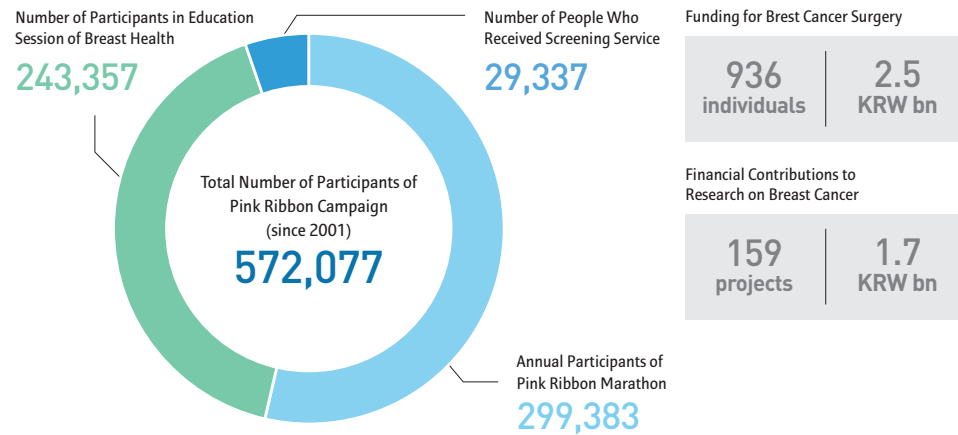


Makeup Your Life

Pink Ribbon Campaign

In 2000, Amorepacific founded the Korea Breast Cancer Foundation, for the first time in Korea, and has promoted the Pink Ribbon Campaign to raise awareness of breast health. This campaign, which began in 2001, has attracted approximately 570,000 people over the past 16 years. In 2016, we launched a year-long 'Promise to Love My Heart' slogan to reach out to more people about the importance of breast health. A signature program of this campaign is the Pink Ribbon Love Marathon, which began in 2001, and attracted over 299,000 people and raised KRW 3.2 billion to support the Korean Breast Cancer Foundation over the last 15 years. In addition, we offered a Pink Tour education program focusing on breast-health information and cancer-prevention knowledge, and ran a Pink Generation program who citizen-ambassadors share the key message of the campaign to their peers. The Amorepacific also organized a Pink Ribbon Festival to support breast cancer survivors with an opportunity to showcase their music and dance talents, and operated the mentorship program between cancer survivors and those who were fully recovered from the breast cancer. With all of these programs, we can contribute to not only women's physical health, but also their true well-being.

| Key Figures of Pink Ribbon Campaign Last 16 Years ¹⁾



¹⁾ All the Pink Ribbon Campaign projects were financed through individual and other corporate donations in addition to Amorepacific's financial contributions.

Heemang Store

Heemang (meaning "Hope" in English) Store is a start-up assistance program designed to support low-income single mother households and financed through the JANGWON Sung-whan Suh's Beautiful World Endowment Fund of the Beautiful Foundation at our late former chairman, Sung-whan Suh's will. The Fund provides low-income single mothers with a microcredit of KRW 40 million without requesting any collateral or guarantee to help them start their own business. To assure the sustainability of sharing, the loan repayments are reinvested as Heemang Seed Money towards funding other female entrepreneurs. Since we opened our first Beautiful World Fund Heemang Store (Mijeyeon) in July 2004, a total of 300 stores have been supported as of December 2016.

Number of Heemang Stores (since 2004)	300 stores	Repayment Rate of Heemang Store Loans	83%
Survival Rate of Store ²⁾ (1.5 times higher than average small business owners in Korea)	86%	Average Income of Store Owners	2.54 KRW mn

²⁾ Calculate survival rate based on the last three years.

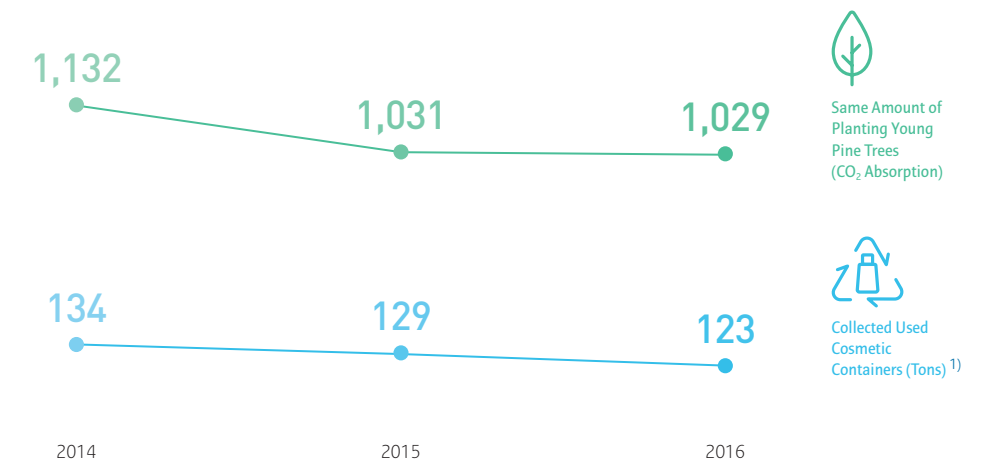


Heemang Store

GREENCYCLE Campaign

Amorepacific undertook a range of activities to improve the quality of public participation in our signature environment campaign – GREENCYCLE, which began as a recycling program of used cosmetic containers. In 2016, with the newly established empty cosmetic containers recycle process, we produced 3,000 jumping ropes with recycled containers, and donated them to children's centers in the cities of Jeju and Osan in Korea. In addition, we displayed and sold 300 accessories such as rings, bracelets, and necklaces made with recycled containers. We also demonstrated how these used cosmetic containers can be upcycled by showcasing the large tree made of these containers at Dongdaemun Design Plaza in Seoul. Additionally, we promoted the upcycling potential of used containers through an experience-oriented exhibition "Useless, but Useful", guerrilla gardening, Seoul Street Art Festival, and Glass Flower Exhibition near Duksoo Palace, and presented creative recycled products such as pencil cases, using remainder of pouch. Through this creative environment campaign, we will continue to develop the innovative approach to green supply-chain management, and encourage stakeholders to participate in this campaign.

The Number of Collected Used Containers and their Impacts on GHG Reduction



¹⁾ Collected by Amorepacific only.



GREENCYCLE

Employee Sharing Activities

Amorepacific encourages its employees to participate in volunteering activities to spread the value of sharing and make positive impact on society. In addition to volunteering activities, our employees regularly donate items to the BeautifulStore, participate in the matching gift program, in which an equal amount of the money donated by employees is contributed by the company, and make a small monthly donation from their salary. We also introduced the Sharing Mileage Program, which rewards employees for their voluntary service to help them easily access to volunteering.

| Employee Sharing Activities

Volunteering Activities	Donation of Goods	Matching Gift	Salary Sharing
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Beautiful Sharing

A MORE Beautiful Day

As of 2016, Amorepacific designated the first Fridays of each month as A MORE Beautiful Day to support our employees and stakeholders to make a new culture that supports good deeds. Since its launch in September 2016, a total of 1,400 employees participated in a monthly activity, and we will continue to promote the value of good deeds. Major activities include: soap making sessions to support children in developing countries who will benefit from sanitized handwashing, knitting sessions to make scarves for elderly people who live alone, making gift packs for prospect 1st graders from low income families, and baking cookies. In addition, our employees participated in special lectures with external experts on sharing, donated used clothes and products, and reduced the use of disposable products. With the campaign, we aim to internalize an attitude so that it can naturally permeate our daily lives and create A MORE beautiful day.



A MORE Beautiful Day

Public Art Project of Amorepacific Museum (apmap)

To support Korea's up-and-coming young artists and enhance the accessibility of contemporary art to the general public, Amorepacific has been sponsoring our signature contemporary art project called apmap (Amorepacific Museum of Art Projects) since 2013. The fourth series of the apmap – “apmap 2016 yongsan – make link” was held at a Yongsan family park in Seoul and Amorepacific's new headquarters, and attempted to convey the meaning of connection transcending time and space with two simultaneous exhibitions. These exhibitions sought to capture the zeitlichkeit (temporality) of Yongsan, central Seoul's spatial reality by presenting its past, present, and future, and also conveyed the connectivity between urban areas, nature, and human beings that are present in this space. Especially, the exhibition in central Seoul attempted to foster the natural interaction between participants and arts. We will continue to promote Korean contemporary arts and enrich local communities through our apmap series.



apmap 2016 yongsan – Full Bloom



apmap 2016 yongsan – A Journey of Footsteps

Brand with Purpose

Sulwhasoo

Sulwha Cultural Exhibition



2016 Sulwha Cultural Exhibition

As part of Sulwhasoo’s unique cultural mécénat (patronage), an annual signature cultural event “Sulwha Cultural Exhibition” is convened to promote the true beauty of Korea and enhance its artistic value by reinterpreting the Korean traditional culture in a modern perspective. Our event encourages collaboration between traditional artisans and contemporary artists and creates the unique art piece which conveys the beauty while transcending and meshing traditional boundaries between different artistic styles and techniques of the collaborating artists. The 2016 Sulwha Cultural Exhibition celebrates its 10th anniversary, and invited the installation artists, media artists, and other contemporary artists to share their artistic imagination to portray Korea’s most popular traditional folklore: The Two Love Stars, Altars and Vega. Especially, in collaboration with Gwan-chaе Jeong, Korea’s 115th Important Intangible Cultural Heritage who has special skills in natural dyeing, we produced a few art products such as handkerchiefs and diaries, and invited our consumers to support cultural preservation with their purchase. Some part of the sales proceed were donated to support traditional Korean cultural activities through the Korean Cultural Heritage Administration.

LANEIGE

Refill Me Campaign

Recognizing the infinite possibility and preciousness of water, LANEIGE has carried out a range of social activities that address water stewardship and conservation in countries with water scarcity. Since 2010, we have supported the Waterful Sharing campaign, in partnership with Save the Children and UNICEF, which allows these organizations to provide water tanks, rain water harvesting systems, and support the ways to collect clean water for children living in water stress countries. Beginning in 2016, we regrouped all of our water-related activities into a global campaign called Refill Me, and launched it in 13 countries where our offices are located. We are embarking this campaign to encourage our customers and stakeholders to play a part of role in addressing the urgent global challenge of water scarcity. We sold approximately 80,000 eco-friendly and BPA free ‘Refill Me Bottles’ and communicate to our consumers and stakeholders to reduce pollution with disposable plastic waste and foster healthy habits of drinking water. We donate globally some part of the proceeds from the sale of these bottles to support the projects related to water conservation.



Campaign Enblem



Refill Me Bottle Set

primera

Love the Earth & Let’s Love Campaign

Since 2012, we have embarked on a special annual ‘Love the Earth’ campaign on the international Earth Day in April in support of the global efforts on sustainable development in line with primera’s brand value. Especially this campaign has supported to restore the wetlands since 2015 given the importance of wetlands. In 2016, we organized the special events for consumers where they can experience wetlands, and learned from San-ha Kim of the Biodiversity Foundation about the essential role of wetlands in maintaining the healthy ecosystem. Some part of the proceeds from the sales of our products during the campaign was donated to the Wetland Preservation Project of the Biodiversity Foundation. Furthermore, primera has been undertaking the Let’s Love campaign to improve the living conditions of female children and adolescents in low income families in Jamui, India. The portion of the proceeds from the sales of Mango Butter Comforting Body Lotion are used to donate a mango sapling to families in Jamui, and we purchase the mango seeds from these trees as part of our Beautiful Fair Trade agreement. This campaign contributes to economic growth of this community, and allows the girls in the community to have a better education. In the last three years, we donated a total of 3,200 saplings, and this is our signature campaign to create shared value which pursues business benefits and community development.



primera - Love the Earth (Celebrating the Annual Earth Day)



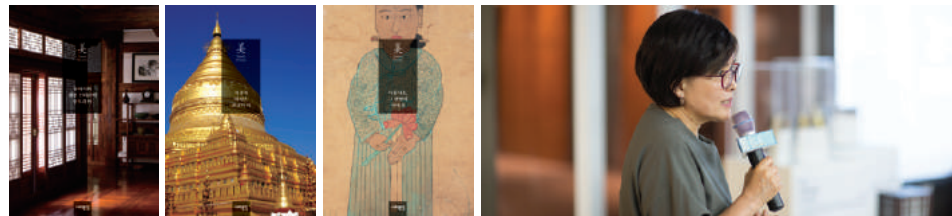
primera - Let’s Love (Supporting Girls in Jamui, India)

Public Foundations

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

AMOREPACIFIC Foundation

Established in 1973, AMOREPACIFIC Foundation supports various domestic and overseas research activities about Asian beauty, women, and culture to promote and disseminate knowledge. In 2016, we supported 30 projects to study of 'women and culture' and contributed to explore and promote the promising young researchers as well as to share these knowledge with the public. Also with the project of "Asian Beauty Series", a funding program for a publication focused on Asian beauty, our books delivering insights on beauty to public were published. These books include: "In India, Beauty is akin to god" by Lee, Ocksoon, "East Asian Traditional Interior Design and Beauty" by Park, Sunhee, "Heavenly Beauty on Earth" by Kang, Heejung, "Immortal Story of Beauty" by Yu, Kangha. To the started in 2012, we have supported to deepen our intellectual understanding on various issues related to Asian beauty by offering a series of lectures on India, East Asia Traditional Interior Design, and Asia's Religious Arts and Folklores.



Book Covers of Asian Beauty Series (vol. 2, 3 & 4)

2016 Summer Lecture on Beauty

AMOREPACIFIC Welfare Foundation

The AMOREPACIFIC Welfare Foundation focuses on supporting the self-reliance and fulfillment of underprivileged women. Since 2005, the Foundation has made financial assistance to the renovation projects of women's centers to improve the lives of women. By upgrading the existing program in 2016 to emphasize the balance between life and space, we helped a total of 175 women's centers and non-for-profit organizations improve their space. In addition, we supported these organizations utilize their renovated spaces to fulfill our core mission of empowering marginalized women in society and improving their quality of life as well as to serve as a public sphere of local communities. The AMOREPACIFIC Welfare Foundation strives to be a companion for a beautiful world where every woman can thrive and fulfill her full potential as she desires.

Korea Breast Cancer Foundation

Established in 2000, the Korea Breast Cancer Foundation is carrying out various social projects related to breast health, including the Pink Ribbon Campaign, breast-health education, medical support for breast-cancer patients and financial support for academic research. In 2016, to celebrate the foundation's 16th anniversary, we had a special activity 'Pink Ribbon Healing Camp' in which recovering cancer patients and those who were fully recovered from breast cancer met and interacted. We will continue to promote the beautiful and healthy lives of women as a social hub of breast health, raising awareness of breast cancer and supporting its treatment.

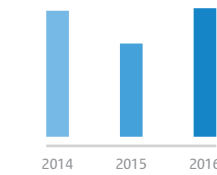
Sharing for Society

Social Contribution Expenses

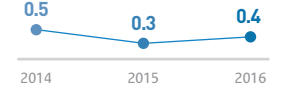


Amount of Expenditure (KRW mn)

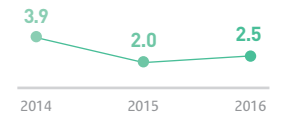
20,921 15,842 21,312



Ratio Compared to Sales (%)



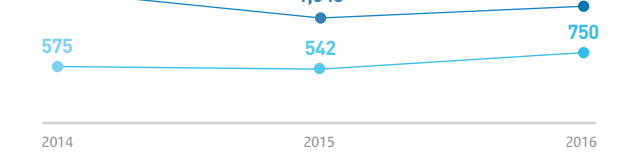
Ratio Compared to Pre-tax Profits (%)



'Makeup Your Life' Campaign



1,424 1,048 1,254

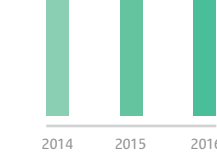


'Pink Ribbon' Campaign

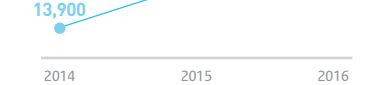


Financial Assistance for Surgery and Screening (KRW mn)

284 261 286



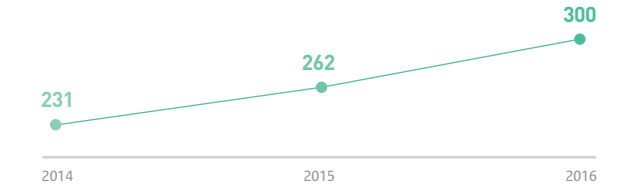
39,612 24,105



'Heemang Store' Campaign



Number of Stores (since 2004)



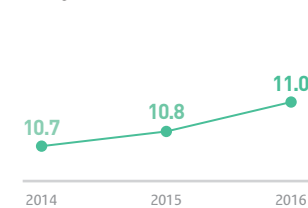
Employees' Sharing Activities



Number of Participants



Average Hours of Volunteer

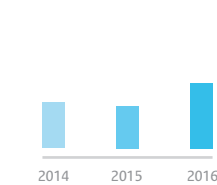


Public Foundation Expenses¹⁾ (KRW mn)



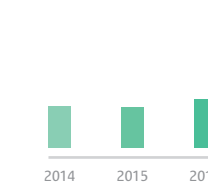
AMOREPACIFIC Foundation

537 498 764



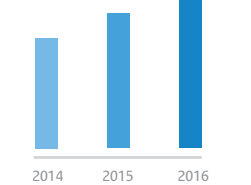
AMOREPACIFIC Welfare Foundation

490 477 573



Korean Breast Cancer Foundation

1,920 2,433 2,733



¹⁾ 2016 expenditure of each foundation are based on their third-party audit reports.



About Our Company

innisfree, the natural brand launched in 2000, is dedicated to spreading beauty with the healing energy of the pristine island of Jeju. As a global sustainability brand, innisfree consistently strives to keep its five promises: use natural ingredients, follow good consumption practices, engage in eco-friendly campaigns, utilize green design, and support safe, healthy, and natural customer experiences.

Key Sustainability Activities

Green Promise – Our Promise to All of Our Customers and the Nature

To create a healthier and more sustainable world, innisfree sets our annual sustainability performance indicators called “Green Promise” to share our progress in the areas of consumer engagement, sustainable sourcing, and corporate contributions. Through the Green Promise indicators, we are communicating with all of our stakeholders about our environmental footprint.

2016 Green Promise Key Performance Outcomes

PROMISE 1 Commitment to Planting More Than 10,000 Trees Every Year with Forest Campaign	PROMISE 2 Commitment to Sourcing More Than 70% of Our Ingredients from Nature (excluding makeup products)	PROMISE 3 Commitment to Donating More Than 1% of Our Yearly Net Sales Profits
Trees Planted 14,000	Percent of Average Natural Ingredients 78.6%	Total Contribution KRW 3,580 mn <small>*approx. 2.9% of yearly net sales profits</small>

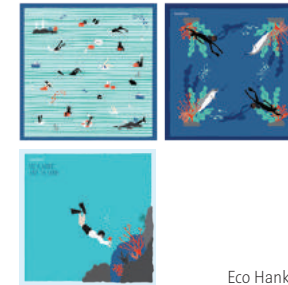


PLAYGREEN Festival Poster in China

Changing the World through Daily Green Lifestyles

PLAYGREEN Campaign

To make green lifestyles more accessible and easy, we initiated a three-phase eco-friendly “PLAYGREEN” campaign. In the first phase, we invite our consumers to simply upload photos of them embracing the green lifestyle by using the innisfree mobile application, PLAYGREEN. For second phase, we invite our customers to various environmental themed lectures every quarter. The third phase is our annual PLAYGREEN Festival, where all of our customers who embrace the green lifestyle come together to enjoy fun outdoor activities in nature. In addition to having the festival at its initial location in Korea, we held our 1st one in Shanghai, China so our Chinese customers could also participate in this special event. Going forward, innisfree will further expand our campaign globally, especially by strengthening the digital contents to engage more customers from around the world. In addition to increasing our customers’ awareness of green lifestyles, we hope to position PLAYGREEN as our signature global eco-campaign.



Eco Hankie

Eco Hankie Campaign

The Eco Hankie Campaign is a major environmental effort we launched in 2010 to encourage the habit of using a handkerchief instead of tissues with the slogan “Use a Hankie, Save the Earth!”. Through this campaign, we aim to convey to our customers that we can save trees, protect forests, and contribute to reducing the impacts of global warming by reducing the use of paper tissues. Every year, we present handkerchiefs with a new design, and in 2016, we presented a set of eco handkerchiefs with the design inspired by beautiful ocean scenery from Jeju and images of the pearl diving women of Jeju. We also hosted a special movie screening called Hankie Cinema for which, our customers could use their handkerchiefs as entrance tickets.



Green Bicycle Campaign

Green Bicycle Campaign

We are introducing Green Bicycle, another environmental campaign in global cities. We organized a Green Bicycle Tour in Beijing to promote the reduction of greenhouse gas emissions in urban areas through the widespread use of bicycles. With the slogan of “Low Carbon Transportation, Ride a Bike, Save My City”, bicycle tours were staged in Chengdu, Kunming, and Nanjing, and at each tour 100 residents traveled around the city on bicycles. Going forward, we will organize this campaign both in major metropolitan cities and other medium sized cities in China to share the value of green living as well as to position us as a global brand spearheading environmental protection.

Joyful Sharing: for Our Neighbors and the Nature

innisfree Forest Campaign

To preserve forests, we began a Forest Campaign in 2012. In Korea, we are undertaking activities designed to protect Gotjawal (Jeju’s forest) by turning the private lands in this area into public properties using a part of the proceeds from the sales of our Forest product lines. We also plan to restore the waste disposal site in Sungsan, Jeju Island and make it into an eco-forest. Additionally, we engage in activities to protect environmentally vulnerable regions outside of Korea. Every year, with our customers, we plant trees in inner Mongolia, which experiences intense desertification. In 2016, we planted 3,000 mangrove trees in Thailand to preserve marine eco-systems. Going forward, we will continue expanding our efforts on forest preservation with diverse activities where our customers can easily participate.



innisfree Forest Campaign

Innisfree Moeum Foundation

Innisfree Moeum Foundation Logo



Green Christmas DIY KIT

| Innisfree Moeum Foundation

Established in 2015 with the purpose of adding values to Jeju Island, Innisfree Moeum Foundation seeks to preserve Jeju's authentic beauty while promoting sustainable growth. The foundation plans to raise awareness on Jeju Oreum (volcanic cone) and its ecological value by publishing "Oreum Book" and undertake the activities that strengthen the brand value of Jeju Island, including an art and culture competition on Jeju Island and providing financial support for young Jeju farmers.

| Green Christmas Campaign

With the slogan of "Giving Warmth to Our Neighbors through Our Joyful Sharing", Innisfree's Green Christmas campaign celebrated its seventh year in 2016. This campaign aims to promote a sharing Christmas culture rather than a materially extravagant celebration of Christmas. Not only can people enjoy themselves by participating in the campaign, but their participation also helps those who are in need. Annually, we also present various Innisfree DIY products so our customers can experience the pleasure of creation and experience the warmth of sharing. In 2016, we introduced a Green Christmas DIY Music Box titled "Touching Your Hearts and Spreading Happiness". A portion of its proceeds was donated to the Save the Children, which supports the medical care and education of children with hearing disability. In 2016, we had the Green Christmas campaign in seven countries.

| Clean Jeju Campaign

Innisfree employees, franchisee owners, and our customers joined force to undertake voluntary activities that contribute to the preservation of the Jeju environment. In 2016, over 200 volunteers participated in the campaign and it focused specifically on cleaning Jeju Olle, one of the most popular trails on the Island. In addition, 150 employees and university students replaced the rubber mat used to pave two other hiking trails located in famous Oreum on the island. The rubber mat was replaced with more environmentally friendly mats made of coconut palm trees.



Clean Jeju Campaign

Developing Sustainable Products

Innisfree is focusing on the development of sustainable products to meet our customers' growing demands and demonstrate our leadership in global, natural cosmetic products. In 2016, to improve our positive social and environmental footprints, we introduced a total of 199 new sustainable products including: Beautiful Fair Trade products, Green Technology Certification products¹⁾ which fresh green tea leaves manufacturing technology applied to and products with recycled packaging. By continued focus on the sustainability of our products, we will further reinforce our authentic brand value centered around environmental sustainability.

¹⁾ Consisting of products certified to be produced with green technology standards approved by the Korean Ministry for Food, Agriculture, Forestry and Fisheries.

Innisfree Signature Sustainable Products

Certified Green Technology Product The Green Tea Seed Serum

It is created by extracting the hydrating properties of organic, fresh, green leaves. Compared to using dried green tea leaves, this technology reduces CO₂ emission by 50%. It also uses natural preservatives and recycled plant compost technology. In 2014, it was certified by the Korean Ministry for Food, Agriculture, Forestry, and Fisheries as a "Green Technology Product"



Beautiful Fair Trade Product Bija Trouble Spot Essence

Innisfree entered into fair trade agreement with Songdang-ri, Jeju Island (an uncontaminated and pristine village) for the Bija nut, which is known for its excellent skin protection properties. The Bija nuts we use are produced in an environmentally sustainable manner, and our contract provides a new source of income to local farmers.



Product Containing Natural Ingredient The Minimum Toner

A minimal toner with hypo-allergenic formula that contains 99% natural ingredients for sensitive skin.



Happy Work Place for Our Employees

| Six Sense Day – Promoting Work-Life Balance

To encourage our employees to enjoy the work-life balance, Innisfree introduced the 'six sense day' program. At 5:50 pm on every Wednesday, employees are advised to leave work at 6 pm through internal broadcasting. Advising employees to leave at that time is done to discourage employees from working too long and as an encouragement for them to spend more time doing activities they enjoy outside of work. The performance of each team on the use of six sense day is monitored regularly to ensure that employees across the company enjoy the work-life balance.

| Health Fund for Employee Wellness

In 2016, we introduced the Health Fund to support our employees' health and wellness. Through the fund, we offer various financial incentives such as bonuses, sporting goods, and resort vouchers to those who volunteered to improve their own health (e.g. reducing body fat and increasing muscle) through exercise and diets.

| Green Beer Party for Happy Work Place

To promote communication and collaboration among employees and encourage horizontal corporate culture while increasing employee satisfaction, we offer a quarterly beer party. This gathering is a voluntary after-work activity in which 20-30 employees share their talents and play board games to get to know each other.

Mutual Growth

| Supporting the Dream of Beauty Partners – Dream Stores

The Dream Store Program provides a chance for Green-US (beauty partners) to own and operate their own Innisfree stores. This is a professional development program that not only provides store ownership opportunities, but also creates a platform to realize the dream of Green-US. Participants in this program were selected after they went through the three-month program. The first Dream Store was opened in 2014, and as of December 2016, a total of 12 stores were opened.



Innisfree Dream Store

ETUDE

About Our Company

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

Key Sustainability Activities

Great Place to Work

| Tomorrow’s Happiness through My Job ¹⁾

To promote our employees’ happiness and wellness, as well as increase our employees’ job satisfaction, ETUDE has been introducing various human resource development programs, such as the family-friendly workplace and work-life balance initiatives. In addition, we have been implementing several programs to ensure that our employees can pursue both parenting and professional growth. In May 2016, we invited the children of our employees, so they could observe their parents’ workplace. This program was called “Mom, Dad, where are you going?”. Additionally, to support a family-friendly environment along with a healthy work-life balance, we offer gift packs to expecting mothers, introduced the Happy Clean Day to encourage employees to leave the workplace on time, and produced a video in which our employees and management promoted the use of vacation days. To further support our employees’ balanced and healthy lives, we offer a series of wellness programs that received very positive reviews from our employees. These programs include support for quitting cigarettes, a program to exercise called “Show Me the Health Body”, and “Emotional Healing Camp” to support stress management and self-help. Through this efforts we were recognized as a “Family Friendly Workplace” by the Korean Ministry of Women and Family. With more creative and family friendly programs, we will continue to strengthen the quality of our work place.



“Mom, Dad, Where Are You Going?”

1) In Korean, the pronunciation of “tomorrow” and “my job” are same. They are both pronounced as Nae-il.



Workshop with Franchise Store Owners

Mutual Growth

| Strengthening Win-Win Growth with Business Partners – New Beginning for the Next 10 Years

In celebrating our brand’s 10th anniversary, we are doubling efforts on empowering our partners in the value chain. In addition to the pink hotline – a special telephone counseling service for business partners – which we have been offering since 2014, this year, we diversified our communication channels with our supply chain partners. For example, in the first half of 2016, we convened the workshop with franchise store owners and other monthly meetings. In December 2016, we convened “2016 Together, We Can Festival” to bring our employees and beauty partners together the end of year holiday party, and introduced the new online chat platform “Makeup Artists Talks” where professional makeup artists answer questions from the field sales office. Which received very positive reviews from our beauty partners. In 2017, we will continue to listen to the voice of our partners who work at the forefront of customer engagement, so that we can foster a culture of sustainable growth based on fair relationships.



Pink Hotline
080-810-0707

Counseling Content
Strategic Marketing POS (Point of Sales) System;
Customer Information Management

Operating Hours
Weekdays 10:00-19:00
(excluding lunch hour)

CSR Activities to Support People’s Dreams

| Volunteer Programs

· Talent Sharing of Professional Makeup Artists

ETUDE has been offering makeup talent sharing programs since 2014. In 2016, we expanded the coverage of our recipients. In March, we offered our makeup service to foreign women who are married to Korean men, and in July, we further expanded our coverage to women with disabilities.

· Gifts Drive - Thanks Dreaming Day

Launched in 2016, Thanks Dreaming Day is a gift drive program that invites participation from all of our employees. For example, on Korea’s thanksgiving day, our employees were invited to pack and deliver the gifts to low income families with single parents and elderly people without family members.

| Cheering for the Dreams of Young People - DREAM

After conducting in-house surveys on our new CSR focus, we identified youth empowerment as our key focus area, and named the initiative DREAM. Beginning in 2017, we will run the DREAM Scholarship Program. This program will support economically disadvantaged young students in the pursuit of their dreams. It will also convene special inspirational lecture programs for young people to further support their ability to reach their goals.



Contest Poster-
“In Search of ETUDE’s Special Dreams”

eSpor

About Our Company

eSpor is a leading Asian professional make-up brand which offers a transformative experience to customers who want to make a bold change and find their new look. We are always trying to convey the value of our products more effectively by combining unique colors, textures, and shades with the creative techniques of professional make-up artists.

Customer Satisfaction Activity

Consulting Service on Color Match

eSpor has been running a special program called "Foundation Coordinating Service" through which our professional makeup artists assist our customers to identify the most appropriate color pallet and texture to express oneself naturally. Interested customers make a reservation via their mobile smart phones, and received consulting service from professional makeup artists. We have received positive responses from our customers as a result of our differentiated and professional makeup know-how.



Foundation Coordinating Service



K-Beauty Makeup Class

Promoting K-Beauty through Global Makeup Classes

Together with the Seoul Tourism Organization, eSpor has offered a monthly Korean Wave Star Makeup Experience program for international tourists visiting Korea. We also showcased our makeup techniques and tips at various international events such as China International Travel Mart in Shanghai and International Travel Expo, Ho Chi Minh City and demonstrated our know-how on trendy K-beauty makeup techniques. These activities helped highlight our brand's unique identity and our high quality products to customers around the world.



Nowear Signature Lipstick

Launching Innovative Products and Demonstrating Our Leadership

In 2016, eSpor launched the Nowear Signature series, which adds innovative color formulas and shades to its regular Nowear lipsticks. The Nowear signature series, which we developed with professional makeup artists, boasts new tight glow silk texture and fascinating authentic red color patterns, and demonstrates our leadership as a new makeup trend setter. eSpor will continue to offer cutting-edge products and set the trends of cosmetic markets.

amos

PROFESSIONAL

About Our Company

AMOS professional is a specialized hair styling product manufacturer that supplies goods and services to hair salons. At present, we have two signature brands, AMOS professional and the premium brand, AYUNCHE. Amos professional has maintained its No.1 status in sales among the Korean hair styling brands. Through partnership and training programs, we support the competitiveness and sustainability of Korean hair designers.

Key Sustainability Activities

Mutual Growth

| Education Center for Hair Designer Training

We have been running education centers to provide training for hair designers on hair-styling techniques and the rapidly changing hair trends. We expanded the number of 6 education centers nationwide to 40, so as to increase the educational opportunities of hair designers. We are trying to meet the desire of hair designers for strengthening their professional competence through hands-on training with experts. AMOS professional will continue to strengthen our curriculum to provide quality education services to hair designers.



Team AMOS

| Team AMOS Program for Hair Designer Training

Team AMOS is a training and mentoring program for young hair designers. Participants in the Team AMOS program not only hone hair design and style techniques, but also refine their understanding of hair products, latest trends, and the business management of hair salons. After completing the one-year training program, participants are invited to join the Hair Creative Group where they can support product development or can opt out to work as professional instructors at one of our education centers. It was in its 12th year of operation in 2016, and Team AMOS participants showcased various creative arts at the 2016 Salon Spirit Journey.

Our CSR Activities for Women and Local Communities

| Donation to the Beautiful Foundation

Since 2010, by using our core competency, we have been supporting female breadwinners to open their own hair salons together with the Beautiful Foundation. For this program, we donate hair products, make financial contributions, and support their professional development. In 2016, we sponsored 14 women who are single parents to complete the professional hairstyling training program.

| Talent Donation of Professional Hair Stylists

Our signature CSR program "Hair artist on the go" is facilitating the talent donation of our professional hairstylists. In 2016, our professional hairstylists showcased to citizens and tourists various hair styling techniques at the "A MORE Beautiful Day" event in central Seoul which celebrated the 71th Anniversary of Amorepacific. We also joined force with Amorepacific Group's signature CSR campaign "Makeup Your Life" by providing hairstyling for cancer patients who wear wigs.



Talent Donation of Professional Hair Stylists

AESTURA

About Our Company

AESTURA is a medical beauty brand offering innovative beauty solutions to hospitals and clinics. With the premium brand CLEVIEL and the dermal cosmetic brand AESTURA, we are prioritizing to position these as Asia's hidden champion brands to accelerate our growth.

Key Sustainability Activities

Implementing a Voluntary Compliance Program (CP) on Ethical and Fair Business Relations

July 2014, AESTURA introduced a voluntary compliance program on ethical and fair business relationships. We established the CP secretariat, produced the guidelines on this program, and distributed it to all of our employees. Every month, we shared with our employees about the CP violation cases to prevent future incidents. In 2016, we offered trainings about CP to our sales employees.

AESTURA Seminar Series

AESTURA has been running a research and advisory study group in partnership with dermatologists at major university hospitals in Korea. In 2016, 35 professors from major university hospital dermatology departments participated in six study groups. Each group focused on special themes, including skin diseases, product quality analysis, new medical beauty solutions, and medicine-resistant skin diseases. The knowledge gained from these groups help us improve our products and meet the needs of our customers.

Aesthetic Academy

In order for aesthetic products to be most effective, it is critically important to have the precise application based on in-depth understanding of those products. We are therefore running "AESTURA Aesthetic Academy", an online and in-person education programs for doctors on our products. Doctors can participate in the training at their convenience, which includes question and answer sessions with other certified health professionals. This year, we continued to offer trainings to demonstrate the application technics of CLEVIEL, RETENSE and artefill. By further strengthening the platform's content, we will offer more dynamic and practical assistance to doctors.

Employees Voluntary Activity – Social Contributions

Aiming to spread the value of sharing and to exert positive influence on society, AESTURA has been implementing social contribution programs for our employees. Each team has a designated leader, who organizes the team's own volunteering activities, and we provide financial assistance and training to these teams to promote a culture of sharing and voluntarism. In 2016, in addition to making in-kind donation of our products, our employees donated coal briquette to low income families.



Employees Volunteers Delivering Briquette

Osulloc Farm

About Our Company

Osulloc Farm is a premium tea company which integrates all tea-related processes including cultivation, producing, harvesting, and sales, and strives to popularize the traditional culture and create beauty with plants grown in healthy soil. Osulloc Farm makes enormous efforts in harvesting the best tea leaves grown in our four organic plantations in Jeju Island and Gangjin through technological farming method. By incorporating modern technology into traditional tea-making know-how, Osulloc Farm is recognized as a high-quality premium tea brand in various global markets including Japan, U.S., and European countries.

Key Sustainability Activities

Customer Satisfaction Activities

Osulloc Farm became the first tea company which received a rigorous hazard analysis critical control point (HACCP) certification on all of its production facilities from the Korean Ministry of Food and Drug Safety in 2002. In addition to strictly complying with the HACCP requirements, our products meet Global Food Safety Initiative (GFSI)'s FSSC 22000 (Food Safety System Certification 22000) benchmark standards. FSSC 22000 is an internationally recognized food safety certification system for food manufacturers, based on 'ISO 22000 – Food Safety Management' and 'ISO/TS 22002-1: Prerequisite Programmes on Food Safety'. By continuing to upgrade our robust food safety management system, we are making the utmost efforts on quality control to meet the requirement of our customers around the world.

Mutual Growth

Osulloc Farm seeks to provide safe and healthy food products to all of our customers by working closely with farmers and food processors. In 2016, the Korean Government introduced the Preventive Control Management Plan to assure the safety of all food products produced and processed by companies and farms that are currently exempt from the mandatory HACCP certification. As a member of the Private Sector Advisory Group of this Plan, Osulloc Farm provided food safety management and prevention controls trainings to small food processing companies registered in the Gwangju City Branch of the Ministry of Food and Drug Safety. Osulloc Farm will continue to work closely with small companies by offering consulting service and providing capacity building programs.

Sharing Our Water Resources with Local Communities

Osulloc Farm entered into the partnership agreement with the Jeju Eastern Region Fire Department on water resource sharing, and convened a workshop on our collaboration in June, 2016. This agreement provides greater access to water reservoir of Jeju residents in the Eastern district, and allows our company to contribute to local communities around our tea plantations. In 2017, we plan to sign a memorandum of understanding with the Jeju Western Region Fire Department and the Seogwipo Fire Department to further strengthen our contribution to local communities.

Employees Volunteering Activities

Osulloc Farm builds mutually beneficial relationships with farms in Jeju Island, many of which often experience a shortage of labor. In 2016, our employees volunteered to support the harvesting work of four citrus orchards near our worksite. We will continue to work closely with our local communities while providing meaningful volunteering opportunities to our employees.



MoU Signing with Jeju Fire Department



Amorepacific Group's New Headquarter

2020
Sustainability
Commitments

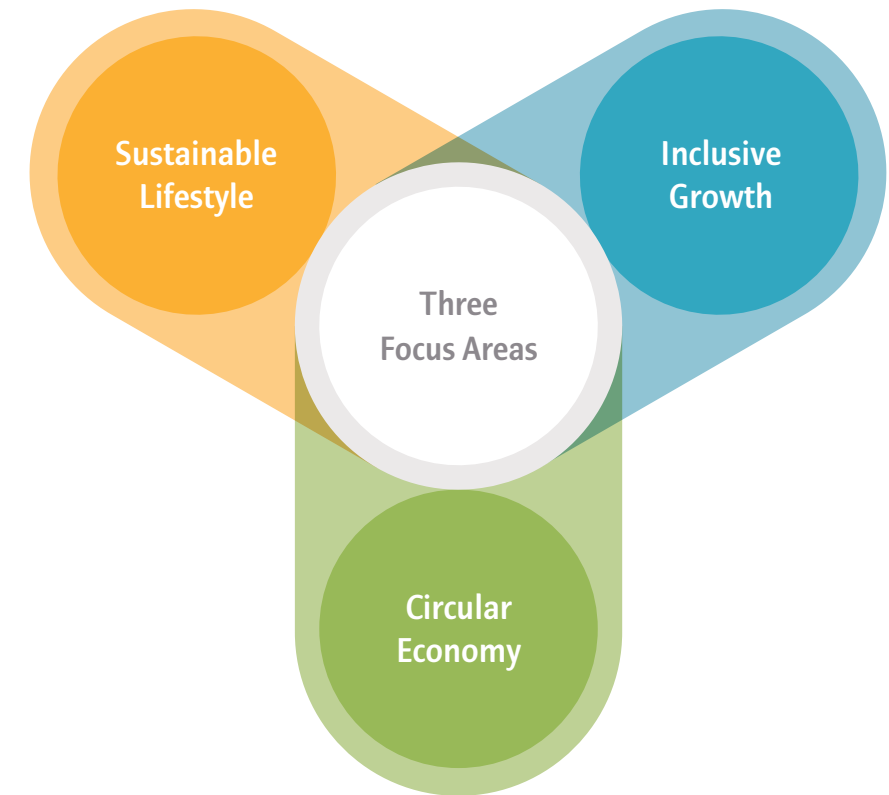
A MORE
Beautiful
World

A MORE Beautiful World

Amorepacific Group seeks to become a Great Company that makes the world more beautiful and healthy through the wisdom of Asian beauty practices, and we are making strides towards achieving our goal of becoming one of the global top 3 and Asia's number 1 beauty company by 2025. As an engaged global corporate citizen, Amorepacific Group has strengthened its corporate sustainability vision to actively support the global movement of sustainable development. This reflects our commitment to fulfill our social and environmental responsibilities, which have expanded through an increasing global presence. Amorepacific Group's new corporate sustainability vision is our promise to our customers and society. It is our firm commitment and great ambition to actively contribute to a more beautiful and sustainable future for future generations. The Amorepacific Group's corporate sustainability vision and three focus areas, adopted in 2016, were developed with the input of over 2,695 key stakeholders including our consumers, employees, business partners (including suppliers, beauty partners, and retail partners), shareholders, and NGO representatives. Our corporate sustainability vision also reflects the views of over 100 external and internal specialists representing management, academia, expert organizations, and business associations whose views were gathered through a series of consultative meetings.

Sustainability Focus Areas

Amorepacific Group's 2020 Sustainability Commitments focus on three key strategic areas: sustainable lifestyles, inclusive growth, and environmental protection. Our unique approach assists various stakeholders in learning about and embracing sustainable lifestyles, promoting inclusive economic and social development and preserving the environment for future generations.



Sustainable Lifestyle

- We are pursuing activities aimed at raising awareness of sustainable lifestyles, consumer choices supporting sustainability, and social and environmental issues to advance sustainable development.
- We desire to assist various stakeholders to embrace and implement sustainable lifestyles.

Inclusive Growth

- As a responsible, global corporate citizen, we aim to advance the development of all stakeholders, particularly our employees, business partners, and local communities, to become a sustainable company which enables inclusive growth.

Circular Economy

- We will improve resource efficiency.
- We will accelerate the use of renewable energy sources.
- We will fully integrate circular economic principles into all corporate operational activities and processes, ultimately contributing to environmental conservation for the next generation.

2020 Sustainability Commitments

To achieve our Sustainability vision by 2020, Amorepacific Group plans to undertake a range of activities based upon our three focus areas and eight commitments. We seek to improve the quality of our customers' lives, advance inclusive social development, and enhance sustainability of natural resources and the ecosystem.

Sustainability Vision
A MORE
 Beautiful World



Our Commitment

1



Incorporate at least one benefit for environment or society into more than 40 percent of our new products.

The reason we act

Our consumption patterns are closely linked to various social and environmental issues such as pollution, depletion of natural resources, and the increasing inequality facing our society. Popularizing sustainable consumption which prioritizes the integration of social and environmental sustainability can be an important step to addressing these issues. As a consumer product company, Amorepacific Group believes that it is our responsibility to integrate sustainability more deeply into our products and promote sustainable consumption that benefit all stakeholders of our society.

The basis this commitment made

- Since 2011, we have been running the Amorepacific Promise initiative – our internal certification standards for sustainable products focusing on environmental sustainability, empowerment of local community, and customer confidence. In 2011, we had a total of 311 products that met the Amorepacific Promise criteria, and in 2016, we were able to offer a total of 591 products that met that criteria denoting our high internal sustainability standards.
- Through our Beautiful Fair Trade agreement, we have been purchasing 9 ingredients sustainably cultivated in Korea and other countries in 2016. This initiative includes the sourcing of camellia from Jeju Camellia Village and Mango butter from the Jamui region in India. Our efforts aim to integrate our sustainability commitment into our sourcing decision and process.

The way to achieve

Less & More

We will strengthen the sustainability of our products by reducing their negative environmental impacts while improving their positive influence to society.

- In 2017, we updated the Group's guideline on sustainable products and identified 19 ways our products can deliver more positive social or environmental impacts.
 - We identified 15 ways to make positive environmental impacts, including increased use of natural ingredients, use of sustainable forestry papers, use of plant-based plastics, and verify of product's water footprint.
 - We defined 4 ways to deliver positive social values such as the Beautiful Fair Trade products and universal design.
 - We plan to expand the use of bioplastics and recycled plastics to improve the environmental sustainability of our product packaging.

Our Commitment

2



Integrate environmental and social consideration into the design and operation of our stores and disclose our improvement.

The reason we act

Our stores represent our brand values and are the primary platform to introduce our products to customers and other stakeholders. Integrating sustainability into all aspects of our store design and operation is essential for us to communicate our values and commitments to our customers. The store sustainability we envision does not only focus on eco-friendly design but also encompass creating a space where our beauty partners enjoy working and customers with special needs feel fully respected. We are striving to co-create our stores with our stakeholders to generate spaces for promoting sustainable consumption.

The basis this commitment made

- To create environmentally sustainable stores benefiting our customers and employees, since 2015, we have been implementing our guidelines on the use of eco-friendly in-store interior materials in our stores.
- The exterior and interior designs of our innisfree stores were infused with vertical gardens, and the signature flagship innisfree Jeju House incorporated an environmentally sustainable architectural design using solar panels and a natural ventilation system.

The way to achieve

- Amorepacific Group introduced internal guidelines on the environmental and social benefits of stores, and we plan to expand our efforts to implement these guidelines throughout our stores.

We will launch a series of educational programs and campaigns to help our consumers deepen their understanding of sustainable consumption and lifestyles.

- We will expand the use of FSC (Forest Stewardship Council)-certified papers and bioplastics for packing materials offered in our stores and will embark on educational programs and environmental campaigns to raise our customers and beauty partners' awareness on sustainable consumption and lifestyle.

We will continuously reduce the environmental footprints caused during the construction, operation, and demolition of our stores.

- We will expand the use of environmentally sustainable interior materials and energy efficient lighting and equipment in our stores. Our stores will provide an optimal shopping experience to all of our stakeholders, customers, and beauty partners including those with disabilities and other socially vulnerable groups.

Our store environment will reflect the needs of our stakeholders including beauty partners and those with disability.

Our Commitment

3



Enhance our customers' awareness of environmentally and socially sustainable lifestyles.

The reason we act

We believe that companies and their brands can play a key role in encouraging consumers to participate in value-based consumption and can create positive social and environmental impact by providing a creative and inspiring platform to further their commitment to advancing sustainable development. Through sustainability focused brand activities, companies can not only communicate their own unique values and sustainability philosophies but also serve as a catalyst to mobilize consumers around ethical and value-based consumption that benefits our society and environment.

The basis this commitment made

· Through various brand campaigns focusing on sustainable lifestyles, we have communicated the importance of environmental, social, and ethical issues in choosing their products and throughout the consumption of those products.

Brand	Key Activities
LENEIGE	Refill Me Campaign By inviting our customers to use Refill Me Bottles, this campaign allows them to contribute a portion of proceeds to water conservation activities as well as to moisturize their skin.
innisfree	PLAYGREEN Campaign This campaign focusing on green lifestyles provides an opportunity for our consumers to learn about various ways to practice sustainable lifestyles. The activities include an annual PLAYGREEN Festival and the Eco Hanckie Campaign.
primera	Love the Earth Campaign This campaign promotes the biodiversity values of wetlands, and donated a portion of the proceeds from the sales of the campaign related products to the Korean Biodiversity Foundation. Let's Love Campaign The proceeds from the sales of the products that used mango butter sourced from India's Jamui are donated back to the Jamui society. The donation was used to purchase new mango trees for families with female children.

The way to achieve

We will firmly integrate sustainability into our brands and products through continuous research on sustainable consumption and by assessing the sustainability of our products and brands.

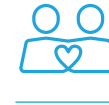
- We will undertake more research on the lifestyles and sustainable consumption of our consumers and will identify opportunities to increase the value and sustainability of our products.
- We will develop an assessment system for product and brand sustainability.

By strengthening social responsibility activities for each brand, we will offer opportunities for our consumers to participate in sustainable consumption.

- We will enhance brand-specific activities to increase consumer awareness of sustainable lifestyles.
- We will contribute to creating social and environmental values in global markets.

Our Commitment

4



Create a great place to work by improving employees' health and welfare.

The reason we act

We believe that engaged, motivated, and committed employees are directly linked to increased satisfaction and confidence among our customers and other stakeholders. As our business becomes more global, we are attracting customers and stakeholders from various cultural backgrounds. For our continuous innovation and sustainable growth, we believe it is essential that our workplace respect and support everyone by fostering a tolerant workplace culture that celebrates diversity.

The basis this commitment made

- We have been implementing initiatives that support a work-life balance through various employee support and great work place programs.
- With our maternity program and flexible work arrangement, we strive to create a good work place for female employees. We have also increased the number of women in senior management by 26% as of 2016 Through our intentional focus on recruiting and supporting talented women.
- As of 2016, 97% of our workplace in our overseas branches was locally hired, and we are making an effort to increase talent recruitment within our operating markets.
- In 2016, through WeDream, our subsidiary certified as people with disability friendly work environment by the Korean Employment Agency for the Disabled, we employed 30 people with disabilities.

The way to achieve

We will improve the job satisfaction rate of our employees.¹⁾

- We will continue to improve our employees' job satisfaction level by diversifying employee benefits and entitlements, strengthening work independence and autonomy, and offering space for creativity and innovation.

We will improve our support for women in leadership and increase the global diversity of our workplace.

- To improve diversity in our work place, we will foster female leaders, increase the number of locally hired professionals, and nurture talent globally.

We will further strengthen safety and health programs both in Korea and other global locations.

1) To be assessed based on employee responses obtained through our work satisfaction survey.

Our Commitment

5



Contribute to inclusive growth by actively supporting our business partners' development and growth.

The reason we act

By fostering inclusive growth and sustainability of all of business partners throughout our value chain, Amorepacific Group hopes to contribute to decreasing inequality, promoting long-term economic growth, and strengthening social cohesion.

By offering quality work and economic opportunities to our beauty partners and business partners (suppliers and contractors), we are contributing to a mutually beneficial and positive cycle of inclusive growth.

The basis this commitment made

- In an effort to improve business partners' sustainability performance, we introduced the Amorepacific suppliers Sustainability Guidelines and assessed our major partners' sustainable management practices.
- In 2015, we introduced the benefit sharing on joint research initiative, and by December 2016, we completed a total of 26 projects with various business partners.
- We have been operating the Mutual Growth Fund with KRW 24.6 billion. We launched the Good Jobs Strategy collaboratively with our beauty partner managers to improve the working conditions of beauty partners. Areas of improvement included compensation, entitlements, benefits, and the professional development of beauty partners.

The way to achieve

| We will support our business partners' capacity for corporate sustainability.

- To improve our partners' sustainability performance, we will increase the percentage of business partners who are able to meet 'good performance' sustainability targets to more than 80 per cent (this is an increase from 56% in 2016) by assessing business partners' sustainability and providing necessary support to strengthen their capacity. We will double the number of the benefit sharing projects and provide financial contributions to strengthen business partners' core competencies and promote our business partners' innovation and sustainable growth.

| We will provide quality work to our beauty partners.

- In collaboration with beauty partner managers, our company will continue supporting the improvement of beauty partners' core competencies through education and certification programs and will also support the improvement of their working conditions.

Our Commitment

6



'20 by 20' | Support the health, wellbeing, and economic empowerment of 200,000 women to beautify their lives.

The reason we act

As a company that has grown alongside women, Amorepacific has taken a keen interest in the lives and dreams of women, and strives to cultivate women's independence and gender equality through economic empowerment and support women's health and well-being through reducing the mortality rate of female cancer and improving the lives of female cancer patients.

The basis this commitment made

- Amorepacific is a company that has been growing alongside women. Therefore, out of our three core initiatives (women, natural ecosystem, and nurturing culture), to beautify and support women's lives is our main priority.
- As one of our main activity, Amorepacific Korea, along with the Korea Breast Cancer Foundation, is carrying out a Pink Ribbon Campaign to promote the importance of breast cancer prevention and self-examination. Began in 2001, had over 570,000 participants by the end of 2016. Amorepacific continues to fund The Korea Breast Cancer Foundation to provide breast cancer education and fund breast cancer surgeries for low-income women through designated contributions.
- We carrying out Heemang(meaning 'Hope' in English) Store campaign through a partnership with The Beautiful Foundation. Heemang Store provides microcredit of up to KRW 40 million without qualification, warranty or credit ratings. Heemang Store established its first store in 2004, and as of 2016 has 300 stores opened.

The way to achieve

| Annually support 49,000 women to improve their health and well-being.

- With integrated support programs, we can contribute to not only women's physical health, but also in pursuing their true well-being. We perform various activities from a lifecycle perspective related to breast health in order to achieve those goals; We want to make sure women can live a healthy and happy everyday life through raising awareness in young women in their twenties and thirties, educating women in their thirties and forties to protect themselves through self-examinations and breast health, supporting women in their forties and fifties with costly examinations and surgery fees, as well as supporting much needed psychological recovery programs where most participants are breast cancer patients in their fifties.

| Annually support 1,000 women to enhance their economic empowerment.

- We are supporting adolescents who dream of becoming makeup artists through makeup technique education and mentoring. In addition, not only do we give substantial financial support to women in their forties, but we support them to have a greater influence on society by forming the foundation of becoming independent. We also strive for women to confidently live as a member of society by recovering their self-esteem, and to realize true gender equality, both economically and socially.

Our Commitment

7



Reduce our CO₂ emissions by 30% per tonne of production from a 2015 baseline.¹⁾

The reason we act

The international community adopted the Paris Agreement on Global Climate Change in December 2015 in an effort to reduce the impacts of climate change. As we enter into a new climate era that emphasizes a low carbon economy, various countries are introducing regulations to mitigate climate change and are encouraging the active contribution of companies.

As a responsible corporate citizen, we hope to achieve carbon free status by undertaking the following activities: reducing CO₂ emission from our corporate activities, increasing the use of renewable energies, expanding our CO₂ emission management scope to all of our value chains, and engaging in the activities that will offset the GHG emissions.

The basis this commitment made

· With the goal of reducing CO₂ emission per unit of sales by 30% by 2020 compared to our 2010 level, we undertook a range of activities aimed at reducing the direct and indirect use of energy. In 2014, we achieved our reduction target.

We also have undertaken an array of activities to reduce CO₂ emission throughout our value chain

- Developing low-energy use production technology
- Promoting eco-driving and evaluate CO₂ emission from distribution vehicles
- Developing low-carbon products

The way to achieve

| We will further increase energy efficiency and expand the use of renewable energy.

- In our new corporate headquarters, approximately 7% of our energy use (3.5MW) will come from renewable sources such as solar power and geothermal energy.
- In the Beauty Campus Osan, Mass Cosmetic Production Site, and Beauty Campus Shanghai about 2% of energy use will be from solar panels.

| We will develop long-term strategies to realize a carbon-free status.

¹⁾ Applicable sites: Amorepacific production sites

(Beauty Campus Osan, Mass Cosmetic Production Site, Sulloc Tea Production Site, and Beauty Campus Shanghai)

Our Commitment

8



Improve resource efficiency by promoting reuse and recycle.

The reason we act

Increased waste as a result of mass production and unsustainable consumption have been detrimental to the environment, and this increases the need to promote the circular economy.

Through the circular use of resources, Amorepacific Group hopes to reduce our impacts on the environment as well as to improve resource efficiencies.

The basis this commitment made

We optimized water usage in production facilities, recycled first treatment water waste, and reused condensed water in ionization in order to improve water efficiency and expand the reusing and recycling of waste water.

Furthermore, we have undertaken various activities to reduce the amount of waste water that cannot be recycled as well as improve recyclability of all the water we use in our production facilities. We set the goal of reducing the amount of non-recyclable waste per unit of production by 35% by 2020 compared to 2010, and in 2012, we achieved our reduction target.

The way to achieve

| We will reduce the amount of water use per tonne of production by 22% in Korea and 41% in China from a 2015 baseline.¹⁾

- We will undertake a range of innovative activities such as recycling of waste water, increasing rain water use and developing a cleaning technology that requires the minimum use of water.

| We will improve the resource efficiency of our packing materials.

- In addition to decreasing the waste water produced in beauty facilities, we will work on innovative packaging solutions by integrating resource efficient packaging design and recycle and upcycle friendly packaging design to reduce packaging waste. These innovations may include

- Expanding bioplastics
- Expanding recycled packaging materials
- Reducing packaging volume and weight
- Improving the recycling technology for used cosmetic containers

¹⁾ Applicable sites: Amorepacific production sites (Beauty Campus Osan, Mass Cosmetic Production Site, Sulloc Tea Production Site, and Beauty Campus Shanghai), Unit of production (per tonne of production)

2020 Sustainability Commitments and Sustainable Development Goals

Amorepacific Group incorporates the Sustainable Development Goals (SDGs, which was adopted by the United Nations on Sep, 2015) into our 2020 Sustainability Commitments. The SDGs outlines 17 goals and 169 sub-targets in all areas of sustainable development, including poverty, public health, education, gender equality, environmental conservation, job creation, inequality, and peaceful societies and rule of law. Through the 2020 Sustainability Commitments, we will implement various programs that can contribute to advancing the SDGs and join force with the international community to address pressing global challenges.



2017 Targets

Sustainable Lifestyle	Integration of Positive Impact on Environment or Society into New Products	<ul style="list-style-type: none"> Incorporating more than one aspect of environmental/social sustainability into 24% of new products
	Operating Sustainable Store	<ul style="list-style-type: none"> Improving In-Store Environmental Sustainability <ul style="list-style-type: none"> New and Renovated Aritaum and ETUDE House Stores in Korea will use 100% of LED lighting Using environmentally sustainable materials to produce shopping bags and buffer packaging In the new innisfree Green Cycle Store, more than 70% of interior materials will be from upcycled, used cosmetic bottles
	Promoting Value Based Consumption and Consumer Empowerment	<ul style="list-style-type: none"> Expanding each brand's social responsibility activities globally <ul style="list-style-type: none"> [Sulwhasoo] With the Beauty from Your Culture campaign, reach 5,000 customers from Korea and other markets [LANEGIE] Running the Refill Me campaign in 9 countries for water-cause-related fundraising
Inclusive Growth	Fostering Great Place to Work	<ul style="list-style-type: none"> Improving Working Conditions <ul style="list-style-type: none"> Introducing the innovation space in new corporate headquarters Updating the benefits, welfare and wellness programs for employees
	Strengthening Mutually Beneficial Partnerships	<ul style="list-style-type: none"> Further strengthening the sustainability performance and growth of suppliers <ul style="list-style-type: none"> Ensuring that the sub-targets of 'good' sustainability performance in major suppliers increases by 63% Continued implementation of the Good Jobs Strategy for beauty partners <ul style="list-style-type: none"> Offering opportunities for professional development to beauty partners
	Strengthening Our Positive Impact to Society	<ul style="list-style-type: none"> Implementing a women's health and wellbeing program for 49,000 women <ul style="list-style-type: none"> Supporting projects related to the awareness of cancers affecting women, cancer prevention, financial assistance for cancer treatment and diagnosis, and psychological counselling for recovering cancer patients Implementing a women's empowerment program for 1,000 women <ul style="list-style-type: none"> Offering professional makeup trainings and mentoring Giving financial support to low-income, single mothers for start-up activities
Circular Economy	Going Carbon Free	<ul style="list-style-type: none"> Reducing CO₂ emission per tonne of production by 7% compared to 2015 ¹⁾ <ul style="list-style-type: none"> Introducing renewable energy in our Mass Cosmetic Production Site and Beauty Campus Shanghai
	Innovation on Resource Efficiency	<ul style="list-style-type: none"> Reducing Water Use per tonne of production by 7% in Korea and 28% in China compared to 2015 ¹⁾ <ul style="list-style-type: none"> Using bioplastic for containers in at least 70 products Developing recycling technology for cosmetic containers

1) Applicable sites: Amorepacific production sites (Beauty Campus Osan, Mass Cosmetic Production Site, Sulloc Tea Production Site, and Beauty Campus Shanghai)

Appendix

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

5

INDEPENDENT ASSURANCE STATEMENT

DNV·GL

DNV GL BUSINESS ASSURANCE
NO.: PRJC-558923-2017-AST-KOR-E

Introduction

Amorepacific Group (“APG”) commissioned DNV GL Business Assurance Korea Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of the Sustainability Report 2016 (the “Report”). The directors of APG have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of APG in accordance with the terms of reference. DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

Scope of assurance

The scope of assurance included a review of sustainability activities and performance data over the reporting period 1st January to 31st December 2016. This included:

- Evaluation of the principles for defining the sustainability report content in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 4.0
- Evaluation of the process for determining material aspects for reporting and the management approach to material issues and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

Basis of our opinion

We performed our work using DNV GL’s assurance methodology VeriSustain^{TM1)}, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The audit was carried out in February and April 2017. The site visits were made to APG Head Office and Factories. We undertook the following activities as part of the assurance process:

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

Limitations

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

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

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly describe the adherence to the Principles for defining report content in GRI G4. The verification team has observed that there is general awareness of sustainability context across all different levels of the organization. Further opinions with regards to the adherence to the following Principles are made below;

| Stakeholder Inclusiveness

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

| Sustainability Context

APG has stated the '2025 Vision' and 2020 sustainability goals and objectives. In addition, APG is helping readers understanding how 2020 sustainability goals are linked to UN SDGs (Sustainable Development Goals). The reasons for selecting 2020 sustainability management goals and plans to achieve them are also addressed in the report. In particular, APG has presented various performance indicators with which the performance and goals of sustainability management can be monitored.

| Materiality

APG has conducted the materiality assessment to prepare the Report. 35 issue pools were used on internal and external stakeholder survey to rate the material issues. 7 material issues are prioritized accordingly. APG takes into account the consistent way of selecting material issues so that the decision made by the management and daily operation are fully aligned with strategic sustainability management. The audit team has reviewed the materiality assessment process and confirms relevant material issues prioritized from the process are addressed in the Report.

| Completeness

The Report has covered the sustainability strategy, management approach and sustainability performances of APG for the reporting period. The reporting boundary has been set to include all affiliates in APG. Amorepacific, a major affiliate, includes not only domestic sites but also some performances of overseas corporation. We recommend you to gradually expand your reporting boundary on overseas performances.

| Report quality: Accuracy and Reliability

The audit team has sampled data and tested accuracy. Based on the test, the intentional error or misstatement is not noted from the data and information disclosed in the Report. Data owners were able to demonstrate the origin and interpretation of the data in a reliable manner. The data was identifiable and traceable.

Competence and Independence

DNV GL Business Assurance is part of DNV GL Group and a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. Our environmental and social assurance specialists are present in over 100 countries. The assurance work was performed by independent team which meets DNV GL's competence requirements. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. The assurance has complied with DNV GL's Code of Conduct during the engagement.

April 2017
Seoul, Korea



In Kyoon Ahn
Country Representative
DNV GL Business Assurance Korea Ltd.

VERIFICATION STATEMENT GREENHOUSE GAS (GHG) INVENTORY Amorepacific Group



DNV GL BUSINESS ASSURANCE
NO.: AS_PRJC-558901-2017-CCS-KOR

Introduction

DNV GL Business Assurance Korea Ltd. ("DNV GL") was commissioned by Amorepacific Group to verify the Amorepacific Group's Greenhouse Gas Inventory Report for the calendar year 2016 ("the report") based upon a reasonable level of assurance. Amorepacific Group is responsible for the preparation of the GHG emissions data on the basis set out within the WRI/WBCSD GHG protocol: 2004 and the principles set out in ISO 14064-1:2006. Our responsibility in performing this work is to the management of Amorepacific Group only and in accordance with terms of reference agreed with them. DNV GL expressly disclaims any liability or responsibility for any decisions, whether investment or otherwise, based upon this assurance statement.

Scope of Assurance

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

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

Verification Approach

The verification has been conducted by DNV GL from 13th February through 31st March 2017 and performed in accordance with the verification principles and tasks outlined in ISO 14064-3:2006. We planned and performed our work so as to obtain all the information and explanations deemed necessary to provide us with sufficient evidence to provide a reasonable verification opinion with 5% materiality level, concerning the completeness of the emission inventory as well as the reported emission figures in ton CO₂ equivalent. As part of the verification process;

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

Conclusions

Based on the above verification core elements, it is DNV GL opinion that the data and the information reported in the GHG assertion are free of errors, omissions and misrepresentations providing a fair and balanced quantification, in compliance to the above reported verification criteria.

The GHG Emissions of Amorepacific Group for the year 2016 were confirmed as below;

Greenhouse Gas Emissions of Amorepacific Group from Yr 2016

Unit: ton CO₂ equivalent.

Amorepacific Group	Direct emission (Scope1)	Energy indirect emissions (Scope2)	Scope 1 and Scope 2	Other indirect emissions (Scope3)	Total emissions
Amorepacific	6,306	27,799	34,106	3,348	37,454
PACIFICPACKAGE	414	4,709	5,123	-	5,123
AESTURA	1,467	3,686	5,153	-	5,153
COSVISION	664	2,989	3,652	-	3,652
Osulloc Farm	2,117	949	3,066	-	3,066
Amorepacific Shanghai	783	5,239	6,022	-	6,022
Total	11,751	45,371	57,122	3,348	60,470

※ In order to report the GHG emissions as an integer, the rounded number on the statement might be different from the number on the system with ± 1 tCO₂.

※ Total emissions = Scope 1 + Scope 2 (Total emissions of Amorepacific included Scope 3 emissions)

31st March 2017



Sang-Rey Chang
Lead Verifier



In-Kyoon Ahn
Country Manager
DNV GL Business Assurance Korea

This Assurance Statement is valid as of the date of the issuance (31st March 2017). Please note that this Assurance statement would be revised if any material discrepancy which may impact on the Greenhouse Gas Emissions of Amorepacific Group is subsequently brought to our attention. In the event of ambiguity or contradiction in this statement between English version and Korean version, Korean shall be given precedent.

GRI G4 Index

GRI G4	No.	Indicators	ISO 26000	Page	
1. General Standard Disclosure					
Strategy and analysis	G4-1	Statement from the most senior decisionmaker of the organization (incl. strategy relates to sustainability, impacts of the activities in relation to the stakeholders)	4.7, 6.2, 7.4.2	6-7	
Organizational profile	G4-3	Name of the organization	6.3.10,	18-19	
	G4-4	Primary brands, products, and services	6.4.1-6.4.5,	8-17	
	G4-5	Location of organization's headquarters	6.8.5,	18-19	
	G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	7.8	18-19	
	G4-7	Nature of ownership and legal form		25	
	G4-8	Markets served (including geographic breakdown, sectors served and types of customers beneficiaries)		18-19, 22-24	
	G4-9	Scale of the reporting organization		18-19	
	G4-10	The total workforce by employment type, gender, employment contract and region		18-19	
	G4-11	The percentage of total employees covered by collective bargaining agreements		64	
	G4-12	Describe the organization's supply chain		42-43, 68-71	
	G4-13	Significant changes during the reporting period relating to size, structure, or ownership or its supply chain		18-19, 25	
	G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization		56-61	
	G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		48	
	G4-16	List memberships of associations (such as industry associations)		UNGC, KBCSD	
	Identified material aspects and boundaries	G4-17	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures (List all entities in the consolidated financial statements)	5.2, 7.3.2-7.3.4	116
		G4-18	Process for defining report content and the Aspect Boundaries and explain how the Reporting Principles has been implemented		28
G4-19		List all the material Aspects identified in the process for defining report content		28	
G4-20		The Aspect Boundary within the organization		28	
G4-21		The Aspect Boundary outside the organization		28	
G4-22		Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements		48, 55	
G4-23		Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.		48, 55	
Stakeholder engagement		G4-24	The list of stakeholder groups engaged by the organization	5.3	29
		G4-25	The basis for identification and selection of stakeholders with whom to engage		29
		G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group		29
	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting; Report the stakeholder groups that raised each of the key topics and concerns		29	
Report profile	G4-28	Reporting period (such as fiscal or calendar year) for information provided	7.5.3, 7.6.2	116	
	G4-29	Date of most recent previous report		April, 2016	
	G4-30	Reporting cycle		116	
	G4-31	Provide the contact point for questions regarding the report or its contents		116	
	G4-32	Table identifying the location of the Standard Disclosures in the report		112-115	
	G4-33	Policy and current practice with regard to seeking external assurance for the report		109-111	
	Governance	G4-34	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	6.2, 7.4.3	49
G4-56		Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	7.7.5, 4.4, 6.6.3	26	

GRI G4	No.	Indicators	ISO 26000	Page
2. Specific Standard Disclosure				
Economic				
Economic Performance	DMA	Disclosure on management approach		32
	G4-EC1	Direct economic value generated and distributed	5.3	22-24, 32-36
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		56-61, 82-83
Market Presence	DMA	Disclosure on management approach	6.3.7, 6.3.10 6.4.3-	62
	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	6.4.4 6.8.1-6.8.2	1)
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	6.4.3, 6.8.1-6.8.2, 6.8.5, 6.8.7	71
Indirect Economic Impacts	DMA	Disclosure on management approach		40
	G4-EC7	Development and impact of infrastructure investments and services supported	6.3.9, 6.8.1-6.8.2, 6.8.7, 6.8.9	40-41, 72-81
G4-EC8	Significant indirect economic impacts, including the extent of impacts	6.3.9, 6.6.6-6.6.7, 6.7.8, 6.8.1-6.8.2, 6.8.5, 6.8.7, 6.8.9		40-41, 72-81
Environmental				
Materials	DMA	Disclosure on management approach		50
	G4-EN2	Percentage of materials used that are recycled input materials	6.5.4	54, 58
Energy	DMA	Disclosure on management approach		56
	G4-EN3	Energy consumption within the organization	6.5.4	61
	G4-EN5	Energy intensity	6.5.4	48, 61
	G4-EN6	Reduction of energy consumption	6.5.4-5	57
Water	DMA	Disclosure on management approach		59
	G4-EN8	Total water withdrawal by source	6.5.4	61
	G4-EN10	Percentage and total volume of water recycled and reused	6.5.4	59
Biodiversity	DMA	Disclosure on management approach		60
	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5.6	60
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6.5.6	60
	G4-EN13	Habitats protected or restored	6.5.6	60, 83-84
Emissions	DMA	Disclosure on management approach		56
	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	6.5.5	61, 111
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	6.5.5	61, 111
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	6.5.5	58, 111
	G4-EN18	Greenhouse gas (GHG) emissions intensity	6.5.5	48, 61
	G4-EN19	Reduction of greenhouse gas (GHG) emissions	6.5.5	57
	G4-EN21	NOx, SOx and other significant air emissions	6.5.3	61
Effluents and Waste	G4-EN22	Total water discharge by quality and destination	6.5.3-4	61
	G4-EN23	Total weight of waste by type and disposal method	6.5.3	61
Products and Services	DMA	Disclosure on management approach		50
	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	6.5.3, 5.4, 6.5.5, 6.7.5	50-54
Transport	G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	6.5.3, 6.5.4, 6.7.5	51
	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	6.5.4, 6.6.6	58

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

GRI G4	No.	Indicators	ISO 26000	Page
Supplier environmental assessment	DMA	Disclosure on management approach		42
	G4-EN32	Percentage of new suppliers that were screened using environmental criteria	6.3.5, 6.6.6, 7.3.1	42-43
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	6.3.5, 6.6.6, 7.3.1	42-43

Social

| Labor practices and decent work

Employment	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.4.4,6.8.7	63, 85, 86
	G4-LA3	Return to work and retention rates after parental leave, by gender	6.4.4	64
Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	6.4.6	64
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	6.4.6, 6.8.8	71
	G4-LA8	Health and safety topics covered in formal agreements with trade unions	6.4.6	66-67
Training and Education	DMA	Disclosure on management approach		62
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.4.7	62, 71
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.4.7, 6.8.5	62
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.4.7	62
Diversity and Equal Opportunity	DMA	Disclosure on management approach	6.2.3, 6.3.7,	64
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	6.3.10, 6.4.3	64-65
Supplier Assessment for Labor Practices	DMA	Disclosure on management approach		42
	G4-LA14	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	6.3.5, 6.4.3, 6.6.6, 7.3.1	42-43
	G4-LA15	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	6.3.5, 6.4.3, 6.6.6, 7.3.1	42-43

| Human Rights

Investment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	6.3.3, 6.3.5, 6.6.6	42
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	6.3.5	64
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken	6.3.6, 6.3.7, 6.3.10, 6.4.3	64
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.5, 6.6.6	64
Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10, 6.6.6, 6.8.4	64

GRI G4	No.	Indicators	ISO 26000	Page
Forced or Compulsory Labor	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	6.3.3, 6.3.4, 6.3.5, 6.3.10, 6.6.6	64
	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	6.3.4, 6.3.5, 6.6.6	64
Supplier Human Rights Assessment	DMA	Disclosure on management approach		42
	G4-HR10	Report the percentage of new suppliers that were screened using human rights criteria	6.3.3-6.3.6	42-43
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	6.3.3-6.3.6	42-43

| Society

Local Communities	DMA	Disclosure on management approach		40, 72
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	6.3.9, 6.5.1-6.5.3, 6.8	40-41, 72-81, 82-84, 87, 89-91
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	6.6.1-6.6.3, 6.6.6	26, 42
	G4-SO5	Confirmed incidents of corruption and actions taken	6.6.1-6.6.3	26
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	4.6	44-45
Supplier Assessment for Impacts on Society	DMA	Disclosure on management approach		42
	G4-SO9	Report the percentage of new suppliers that were screened using criteria for impacts on society	6.3.5, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	42-43
	G4-SO10	Significant actual and potential negative impact on society in the supply chain and actions taken	6.3.5, 6.6.1-6.6.2, 6.6.6, 6.8.1-6.8.2, 7.3.1	42-43

| Product Responsibility

Customer Health and Safety	DMA	Disclosure on management approach		44
	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	6.7.1-6.7.2, 6.7.4-6.7.5, 6.8.8	50-51
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their lifecycle, by type of outcomes	4.6, 6.7.1-6.7.2-6.7.4-6.7.5, 6.8.8	44-45
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	6.7.1-6.7.5, 6.7.9	44-45
	G4-PR5	Results of surveys measuring customer satisfaction	3.7.1-6.7.2, 6.7.6	29
Marketing Communications	G4-PR6	Sale of banned or disputed products		44-45

2016

Amorepacific Group Sustainability Report

Purpose	This report was created to disclose Amorepacific Group's sustainability management activities to stakeholders and to collect various opinions to reflect them in management. The scope of the Amorepacific Sustainability Report, which has been issued annually since 2009, was expanded in 2016 to be issued as Amorepacific Group Sustainability Report with the aim to communicate with a broader audience.
Scope	This report provides information on the sustainability management activities and performances of Amorepacific Group. In the case of Amorepacific, the domestic production sites and offices (headquarters in Seoul, R&D Center, HR Development Center, Regional BU, and production sites for beauty care, mass cosmetics and steamed green tea products) were mainly under review, while the performances of the overseas subsidiaries were included in only some of the cases.
Period Covered	This report covers Amorepacific Group's activities from January 1, 2016 to December 31, 2016. Data from 2014 and 2015 were included for comparative purposes. Information obtained until March 2017 was reflected in some of the data.
Report Verification	In order to enhance the accuracy and reliability of the report, the content was verified by an independent verification institution, DNV GL.
Standards Followed	The 2016 Amorepacific Group Sustainability Report has been prepared in accordance with the G4 Core Guidelines of the Global Reporting Initiative (GRI), the main agenda of ISO 26000 and the internal report preparation standards.

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