



**Healthy Skin for Everyone
Beautiful Life for Everyone**

ABOUT THIS REPORT

This report is the sustainability report published by Gowoonseesang Cosmetics for the first time. The 2021 Gowoonseesang Cosmetics Sustainability Report discloses Gowoonseesang Cosmetics’ sustainability management strategies, activities, and major achievements, and contains sustainable values. Hereafter too, Gowoonseesang Cosmetics will strive to fulfill its corporate social responsibility, create sustainable value, and publish a sustainability report every year to disclose its activities and performance and communicate with various stakeholders.

* This report is the first sustainability report of Gowoonseesang Cosmetics, and there have been no changes compared to the previous report and no organizational changes have occurred.



INTERACTIVE PDF

This report was published as an interactive PDF which allows navigation to related pages within the report and shortcuts to related web pages.

Scope of reporting	Includes information on Gowoonseesang Cosmetics’ head office, Gowoonseesang R&D Department, and Shanghai Subsidiary in China, and cases where the scope was different were annotated.
Reporting period	The main reporting period is from January 1 to December 31, 2021, and some qualitative performances were written including activities in the first half of 2022. In addition, quantitative performances have been reported for the last three years, 2019, 2020, and 2021 for the identification of the present situation of increases/decreases and trends.
Principles of the report	The report was prepared in accordance with the core requirements for conformity of the Global Reporting Initiative (GRI) Standards, which are international reporting guidelines for sustainability management, and the linkage with the UN SDGs international code of conduct was considered when reporting. The financial information complies with K-IFRS (Korean version of International Financial Reporting Standards).
Verification of the report	The report was verified by BSI, an independent third-party verification organization, and the results can be verified through the written third-party verification opinion.
Additional information	Gowoonseesang Cosmetics website www.gowoonseesang.com Doctor G website www.dr-g.co.kr

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HEALTHY SKIN, HAPPY SKIN

With its professional skin-care knowledge and honest thoughts, Dr.G endlessly tries to help people find answers to their skin-care problems. We will always be a reliable brand that prioritizes people's happiness and wellness.

MAKING THE WORLD HEALTHIER AND MORE BEAUTIFUL WITH DERMATOLOGY

Dr. G provides products showcasing customized solutions based on dermatology for beautiful and healthy skin. Our mission is to constantly relate to people's skin concerns and provide them with effectively and safely prescribed derma-cosmetics.

MESSAGE FROM THE CEO



Dear Stakeholders,

Gowoonsesang Cosmetics has been striving to establish a healthy skin culture by constantly developing brands and innovative products bearing the founding philosophy 'Healthy Skin for Everyone'. In the face of many difficulties, Gowooonsesang Cosmetics is continuing its efforts for growth to achieve its founding philosophy based on its sincerity towards skin health.

Looking back on its business performance for 20 years, Gowooonsesang Cosmetics has now recognized the importance of corporate sustainability and ESG management, and has come to publish its first 'sustainability management report' to share the economic, environmental, and social activities of Gowooonsesang Cosmetics and the outcomes of the activities with its stakeholders.

Gowoonsesang Cosmetics has made continuous efforts to develop eco-friendly products and apply eco-friendly packages to reduce the environmental impact of its business, and has established a healthy work culture for the development of abilities and work-life balance for the happy lives of all employees. Therefore, in order to promote sustainable management that creates social value, Gowooonsesang Cosmetics has been reinforcing social activities such as sponsorship of unpopular sports events (go) and support for self-reliance of children of whom the protection has ended, has been using eco-friendly packaging materials for all products, and has established a healthy and happy organizational culture through the promotion of employee growth by expanding hands-on worker-centered decision-making and support for self-development. In 2021, Gowooonsesang Cosmetics created the outcome of the expansion of eco-friendly packages along with the achievement of largest ever sales, and in 2022, it accomplished the inspiring deed of being selected by the GPTW as a good company to work for three years consecutively.

Gowoonsesang Cosmetics has been able to continue to grow while industries around the world are being hit hard by COVID-19 thanks to such efforts and the interest of stakeholders. However, instead of being satisfied with the current situation in the rapidly changing business environment and market situation, to realize the vision of sustainable businesses and fulfill its responsibilities as a member of our society, Gowooonsesang Cosmetics will reflect its principle of ethical management regarding human rights, labor, environment, and anti-corruption on its management strategies and operations, and continuously improve the foregoing by checking the level of sustainability through transparent disclosure of non-

financial performance. In addition, for sustainable growth, it will build a circular economy and create eco-friendly values through the full expansion of eco-friendly packaging materials, prepare for management system certification, and systematize ESG management.

In addition, I would like to express Gowooonsesang Cosmetics' commitment to all stakeholders including customers, partners, and shareholders.

Pursuing customers' happiness: Gowooonsesang Cosmetics will develop top-quality products so that 'all' stakeholders of Gowooonsesang Cosmetics can lead a healthy life with healthy skin, and will always listen to customers' opinions so that they can be delivered to a variety of customers.

Pursuing the happiness of our employees: Gowooonsesang Cosmetics' thoughts that the growth of its employees is the growth of the company. Gowooonsesang Cosmetics will do its best to assist and support the process through which all employees grow through the company and nurture their dreams as a one-person entrepreneur.

Pursuing the happiness of the community: The community that Gowooonsesang Cosmetics sees means the entire society where all stakeholders live together beyond the region to which the company belongs. Therefore, Gowooonsesang Cosmetics will closely examine the impact of Gowooonsesang Cosmetics' business on society and strive to make business decisions that can contribute to the development of society. We ask for your unwavering encouragement and support.

Thank you.

October 2022
CEO OF Gowooonsesang Cosmetics

SUSTAINABILITY HIGHLIGHTS

The 2021 Sustainability Report is the first sustainability report of Gowoonseesang Cosmetics. In this report, the achievements, and activities of ESG management are disclosed to communicate with various stakeholders who care about Gowoonseesang Cosmetics. Gowoonseesang Cosmetics will create sustainable value with the vision of “We make the world healthier and more beautiful through dermatology”.

Gowoonseesang Cosmetics’ creation of sustainable value



Annual average growth since 2014

66%



Brand Reputation Index Award

1ST

* Refer to major achievements in 2021 on page 12



The ratio of employees using the selective working hour system in 2021

97%

* Refer to the use of flexible working system by employees on page 40



Consumer Complaints and Consultation Satisfaction Survey

4.5 points

* perfect score 5 points



A Good Company to Work for (as of 2022)

Selected for 3 consecutive years

* Refer to page 22 A Good Company to Work for



A Good Company to Work for in Asia

Selected for 2 consecutive years

* Refer to page 22 A Good Company to Work for



Ratio of packages that can be disposed of separately

80%

* Ratio of packages that can be disposed of separately by piece of the entire line based on the sales of this product



Number of eco-friendly and safe vegan product lineup

2 items



INTRO

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Gowoonsesang Cosmetics is a cosmeceutical company founded by Dr. Ahn Gun Young, a dermatologist. This report contains the story of the growth process of Gowoonsesang Cosmetics as a K-beauty brand recognized globally beyond South Korea as well as the story of Dr.G, a derma cosmetic brand.

* Derma Cosmetic: A compound word of Cosmetic, meaning cosmetics, and Dermatology, meaning dermatology.

COMPANY PROFILE

1. Company overview

“We are making the world healthier and more beautiful with dermatology.”

Gowoonsesang Cosmetics is a cosmeceutical company founded by Dr. Ahn Gun Young, a dermatologist. Beginning with the launch of the derma cosmetic* brand “Dr. G” in 2003, Gowoonsesang Cosmetics has been continuing efforts to realize a beautiful world, with of patients. Although Gowoonsesang Cosmetics does not firsthand produce cosmetics, it develops and produces cosmetics based on dermatology by leading the design and development of products, including its own prescriptions by its research institute, and using consignment companies only for production. In 2018, Gowoonsesang Cosmetics became a member of the Migros group, the largest distribution company in Switzerland, and developed innovative products and services based on a robust global distribution network and its own outstanding R&D technology thereby solidifying its position as a K-beauty brand by entering about 14 countries throughout the world.

* Derma Cosmetic: A compound word of Cosmetic, meaning cosmetics, and Dermatology, meaning dermatology.

Company name	Gowoonsesang Cosmetics Company Limited
Head office	11F, First Tower 1, 55, Bundang-ro, Bundang-gu, Seongnam-si, Gyeonggi-do
CEO	Lee Joo Ho
Major business	Cosmetics and medical device manufacturing
Date of establishment	January 1, 2000
Number of members	187 (as of December 31, 2021)
Home page	(Gowoonsesang Cosmetics) www.gowoonsesang.com (Dr. G) www.dr-g.co.kr

* Refer to page 11 of the 2021 23rd Gowoonsang Cosmetics Consolidated Audit Report



● Major Financial Performances in 2021

Sales KRW

176.6 billion

Operating profit KRW

26.3 billion

※ based on IFRS consolidated as of December 2021

2. Management Philosophy and Vision System




Under the corporate belief that organizational growth leads to personal growth, and individual growth leads to organizational growth, Gowoonsesang Cosmetics does not settle for the present, but promotes growth through continuous learning. In addition, Gowoonsesang Cosmetics seeks to improve work efficiency based on a bold sense of challenge, and prioritizes active communication based on trust and cooperation among employees.






● Gowoonsesang CREDO

- 1 We are healthy and free one-man entrepreneurs who are making a better world with dermatology.
- 2 We do not lose respect and consideration for human beings under any circumstances.
- 3 We grow into the best professionals for our customers, colleagues, and ourselves.
- 4 We are not afraid of failure and never stop taking on new challenges.
- 5 We always listen to the voices of our customers and try to solve their inconveniences.
- 6 We pursue both short-term performance and long-term health.
- 7 We are not afraid of conflict based on trust, and when we reach an agreement, we commit ourselves to it and take responsibility together.

3. Major products

		
RED Blemish Clear Soothing Cream	Dr. G Green Mild Up Sun Plus	Dr. G Brightening Peeling Gel
Really strong RED Blemish	Dr. G for sun creams	The beginning of skin care PEELING

4. Major services

		
1 Sustainable skin health AI service 'Opti-me'	2 AI chatbot service 'Mentor G'	3 Skin Trouble Counseling Center, Visible Radio Hz
This is a service that reads everything from skin diagnosis, analysis of the ingredients of cosmetics scanned by users, to recommendations of customized cosmetics in 3 minutes. Through sophisticated skin analysis, this provides the right mentoring for products and lifestyles that are suitable for individuals' skin.	Dr. G's 'Mentor G' provides a variety of skin consultation services based on dermatology know-how, such as skin trouble counseling, skin type testing, and lifestyle-specific product suggestions. The website is operated 24 hours a day and provides convenient services such as product inquiries and ordering and delivery information.	Dr. G is operating '#Skin Trouble Counseling Center Visible Radio' with a view to expanding contact points with customers through SNS. #Skin Trouble Counseling Center is a consumer linkage program that delivers solutions to listeners' skin troubles in real time.

5. Global Network

Gowoonsesang Cosmetics is a K-beauty brand, and it established a subsidiary in Shanghai, China in 2015 thereby preparing a bridgehead for advancing into the Chinese market and overseas markets in addition to the domestic market. In addition, it entered 14 countries around the world, including Japan, Russia, Vietnam, Hong Kong, and Malaysia thereby being recognized as a global cosmeceutical brand.

* Gowoonsesang Cosmetics does not have any separate production site because it entrusts manufacturers with production.

14 countries around the world

14 Offices



Head office

Seoul, South Korea



Overseas corporation

Shanghai, China



Distribution channel

South Korea, China, Japan, Russia, Vietnam, Hong Kong, Malaysia, Singapore, Philippines

6. History



Online sales increase compared to the last year

64%

Growth rate compared to the last year

83%

Brand Reputation Index Award

1st

7. Major achievements in 2021

Reinforcement of Digital Business Foundation

With strategic cooperation with major domestic online platforms, domestic online sales was totaled KRW 27 billion with an increase 64% compared to the previous year, and the brand recognition of the MZ generation was strengthened. Gowoonseesang Cosmetics continued to focus on live commerce as an online distribution channel and conducted a total of 44 live commerce broadcasts.

Nurturing the Basic Skin Care & Cleansing Categories

The R.E.D Blemish basic skin care line was loved as best-selling items, and the cleansing category also achieved an 83% growth rate compared to the previous year thanks to the launch of new products.

Expansion of customer experience

At the Brand Reputation Index Awards in April 2021, Dr. G was selected as the No. 1 brand in the field of derma cosmetics thereby being recognized as a brand trusted by customers, and A-Clearing Serum, a new product developed through the activities of Big Fan, the official Dr. G supporters, was successfully launched in November 2021.

8. R&D output

Development and launch of prescription products by R&D Department

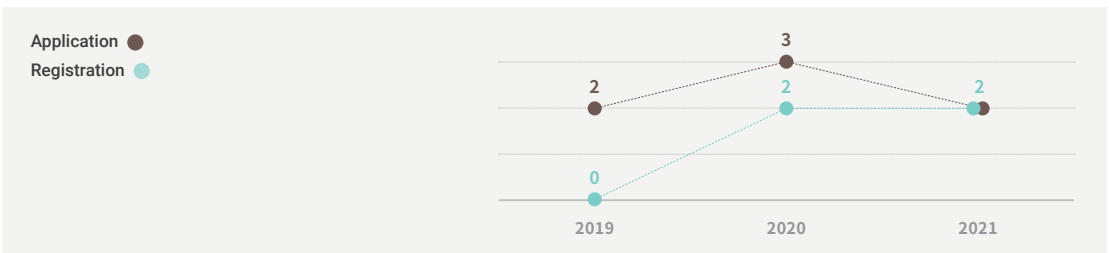
Representative proprietary prescription products of the R&D lab include the 'Weak Acid Cleansing Gel Foam', 'The Moisture Barrier D Daily Lotion', 'Royal Black Snail Cream', and 'Scalp Lab Scaling Shampoo & Massage Treatment', and the 'R.E.D Blemish Clear Soothing Active Essence', which are produced and released through various manufacturers. At least 40% of Dr. G products are operated with the R&D lab's proprietary prescriptions, and the technologies, raw materials, and efficacy applied to the products are communicated in the language of consumers in an effort to differentiate their branding.

Acquisition of intellectual property rights (patents)

The R&D lab applies for at least two cosmetic-related patents per year to secure intellectual property rights. In order to secure proprietary strains of

the company in response to the recently growing microbiome market*, the R&D lab deposited the microorganism (Lactobacillus plantarum Dr. G-001(14625BP)) isolated and identified from natural products through collaboration with the raw material company in the Korean Collection for Type Cultures, and applied for a related patent. Gowoonseesang Cosmetics will achieve its mission of 'making the skin healthier and more beautiful with dermatology' by developing and utilizing effective ingredients and strengthening competitiveness hereafter too.

* Combination of the genomes of all microorganisms in a certain environment, and is a compound word of microbiota, which means the microbial community existing in a certain environment and genome, which means all the genetic information of an entity.



Examination and Certification of Functional Cosmetics by the Ministry of Food and Drug Safety

The R&D lab carries out the examination and permission of proprietary functional cosmetics in order to secure product competitiveness. Functional cosmetics are cosmetics that claim the efficacy and effect specified in the Cosmetics Act and the enforcement regulations, and are cosmetics of which the quality, safety and efficacy have been examined and recognized by the Ministry of Food and Drug Safety. Defined as a category cosmeceuticals in the United States and Europe, functional cosmetics are products with a nature intermediate between the natures of cosmetics and medicines and with a focus on effectiveness. Proprietary sunscreen formulations, acne-relieving cleaners, and products effective for skin barrier recovery and itch improvement have been examined by the Ministry of Food and Drug Safety as functional cosmetics have been reviewed by the Ministry of Food and Drug Safety, including exclusively available sunscreen formulations, acne-relieving cleaners, and products effective for skin barrier cosmetics and currently, the R&D lab is carrying out clinical trials for cosmetics for relief hair loss symptoms and preparing for the examination of the products. In addition, the R&D lab is reviewing US regulations and OTC product development, and is striving to develop differentiated products unique to Dr. G through preceding permissions.

Certification of medical device (adhesive transparent wound covering material) and K-GMP (Good Manufacturing Practice)

Gowoonseesang Cosmetics is a cosmeceutical company founded by Dr. Ahn Gun Young, a dermatologist, and operates the brand Dr. G known for derma cosmetics. The company received the certification of MD Creams, which are classified into medical devices (adhesive transparent wound covering material) as hospital cosmetics that meets the corporate identity. The company also acquired K-GMP (Good Manufacturing Practice) conformity certificate necessary for the MD cream. Cosmetics for hospitals are in a category that can be prescribed as non-benefit items through diagnosis by medical personnel and thus can be applied with indemnity insurance and for certification, they should pass strict examinations such as examinations of biological stability, storage stability, and technical documents. With the certification of MD creams along with cosmetics, Gowoonseesang Cosmetics is expanding its technological prowess.

BRAND STORY

Percentage of customers with improved skin*

51.9%

* This refers to the percentage of customers whose skin has been improved among customers who have been tested twice or more, and the survey period is from January to June 2022.



1. Dr.G Correctly answers regarding skin concerns

No.1 derma cosmetics* Dr. G

The brand Dr. G originates from Gowoonseesang Dermatologic Clinic. Dr. G is an ‘authentic dermatology brand’ that learns about the skin based on tens of thousands of data on skin concerns and develops products based on the learning and this is why Dr. G is proud. Dr. G has prepared its footing of growth centering on products that can be safely used even on sensitive skin, such as sun creams and R.E.D Blemish clear soothing cream, and is raising its status in the global market by being recognized for its authenticity and value. In addition, Dr. G has secured the quality and the stability of supply by using all raw materials supplied in South Korea. Through the foregoing, Dr. G will become a genuine brand that thoroughly researches and develops products dermatologically, rather than simply chasing trendy ingredients.

* A compound word of “Cosmetic” and “Dermatology”.

“Healthy Skin, Happy Skin”

All of about 180 employees are working as ‘dermatologists’ to make ‘growing Dr. G’ together. Dr. G is operated with the ‘value management’ that considers and creates the company’s mission and core values together with employees. Dr. G is striving to create an organizational culture in which its members, who are the core resource of the company, challenge, grow, communicate, and cooperate, and has been rapidly growing such as recording a high annual average rate of 66% since 2014.

● Dr. G’s manufacturing principle “Healthy skin habits”



Technological prowess of skin experts

Dr. G strives to enable customers to care their skin concerns easily and safely by releasing products after undergoing meticulous tests with the technological prowess of skin experts in its own R&D Department.



Completion of skin irritation/sensitivity tests

Safe and milder! Dr. G’s products are always made with this principle. Because even one person’s skin is precious, this is Dr. G’s philosophy to deliver only those that are essential for the skin.



Healthy Skin Habits

Dr. G researches sustainable skin care based on 3 steps of dead skin cells – moisturizing – UV care®.

● Healthy Skin Habits

STEP 1



Care for dead skin cells & cleansing

Healthy skin base starting with hypoallergenic peeling and cleansing



STEP 2



Moisturizing

Robust strong skin barrier filled with soothing, strong moisturizing



STEP 3



UV Care

Meticulous skin defense strong against harmful light and gentle on the skin



● Dr. G's representative products



Brightening peeling gel

Hypoallergenic peeling gel that makes skin bright as if the light was turned on

- Hypoallergenic peeling while protecting the barrier with Aqua Ceramide
- Hyal Vita provides vitality and moisture replenishment
- Delicate dead skin cell care ranging from fine dead skin cells to old dead skin cells



R.E.D Blemish Clear Soothing Cream

A strongly soothing moisture cream that hydrates sensitive skin

- Sensitive skin soothing that became stronger with 10-CICA
- Light but long-lasting hydration
- Hypoallergenic cream that can be used on acne-prone skin too



Green Mild Up Sun Plus

(SPF50+ PA++++)
Inorganic sunscreen for sensitive and delicate skin

- Zinc oxide inorganic sunscreen that is milder for sensitive skin
- Five-fold protection against UVA, UVB, blue light, infrared light, and pollution
- Adhesive cream formulation that stays fresh for a long time

2. Skin Solution : Find cosmetics optimized for your skin and a right lifestyle with Dr. G AI

● A beauty technology service AI Opti-me using AI skin analysis + 1:1 component analysis

Dr.G Opti-me Service

Cosmetic companies and dermatologists also classify common skin types into dry, oily, composite, and sensitive ones, but they do not accurately reflect the different skin temperaments of individuals. Therefore, the skin is not properly cared so that the following cases occur:

- Lack of knowledge about skin care and wrong skin care
- Use of cosmetics that do not fit one's skin
- Abuse of cosmetics

The exact skin types of the relevant persons should be known, and the respective correct skin care guides should be presented according to the skin types. Therefore, Dr. G has developed an automatic skin analysis service through AI technology. AI Opti-me Skin Analysis Service is a service to automatically diagnose customers' skin types through customer photos and 20 questions and provide information necessary for skin care, such as major skin concerns, care methods, and information on customized cosmetic ingredients by each skin type. For AI skin analysis service, the company felt the need to define skin types to fit the characteristics of Asians and Koreans, and designed eight skin types for the first time in South Korea.

● Dr.G Opti-me Service

Opti-me: Optimize +Me

Dr. G protects your skin health from the wrong choice of cosmetics through the cosmetics reading service.



Number of cases of use
of Dr.G AI Opti-me

29,960 cases

March 17 - July 31, 2022



Cumulative number of cases
of use of Dr. G's skin analysis
service

About
400,000 cases

2016 ~ present



Component analysis service
product DB

5,172 each

As of July 31, 2022

APPROACH TO GOWOON SUSTAINABILITY

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3. Non-Financial Risk 20

Gowoonsesang Cosmetics promotes ESG strategies also in the growth process to create sustainable growth. In Approach to Gowoon Sustainability, the strategy system for sustainable growth and a view of the creation of sustainability through communication with stakeholders are contained.

Sustainable Growth Strategy System

Red Global Brand

1. Sustainable Growth Strategy – R.G.B

Gowoonsesang Cosmetics systematized its mid- to long-term growth strategy for 2022-2024 into ‘R.G.B’, and in addition to business strategic tasks, Gowoonsesang Cosmetics concretized ESG-related strategic tasks. Hereafter too, Gowoonsesang Cosmetics will take the lead in creating sustainable values by promoting ESG management also in the process of growth.

Gowoonsesang Cosmetics 2022-2024 Growth Strategy

Sustainable Growth Strategy		
RED	GLOBAL	BRAND
<p>Intensive Cultivation of RED Line</p> <p>The company will position the RED Blemish line as a long-term steady seller for more than 10 years, and advance into the global market based on it.</p>	<p>Strengthening Global Competitiveness</p> <p>The company will advance into the US and global markets centering on China and Japan.</p>	<p>New Brand & Line Launch</p> <p>The company will launch new clean beauty and hair care brands to secure new growth engines and continue to launch new brands and lines to meet the needs of various consumers.</p>

ESG-related Strategic Tasks



Strengthen organizational capabilities through employee learning and growth

- Strengthen the online training process
- Carry out regular employee performance evaluation



Improve package eco-friendliness and expand vegan eco-friendly products

- Secure single materials and ease of separation to expand the ease of recycling
- Reduce the use of plastic in the package
- Develop and launch vegan products



Secure cosmetic chemical safety

- Improve customer skin health index
- Expand the use of eco-friendly raw materials



Strengthen customer communication

- Improve customer skin health index
- Expand communication channels with customers (SNS, etc.)

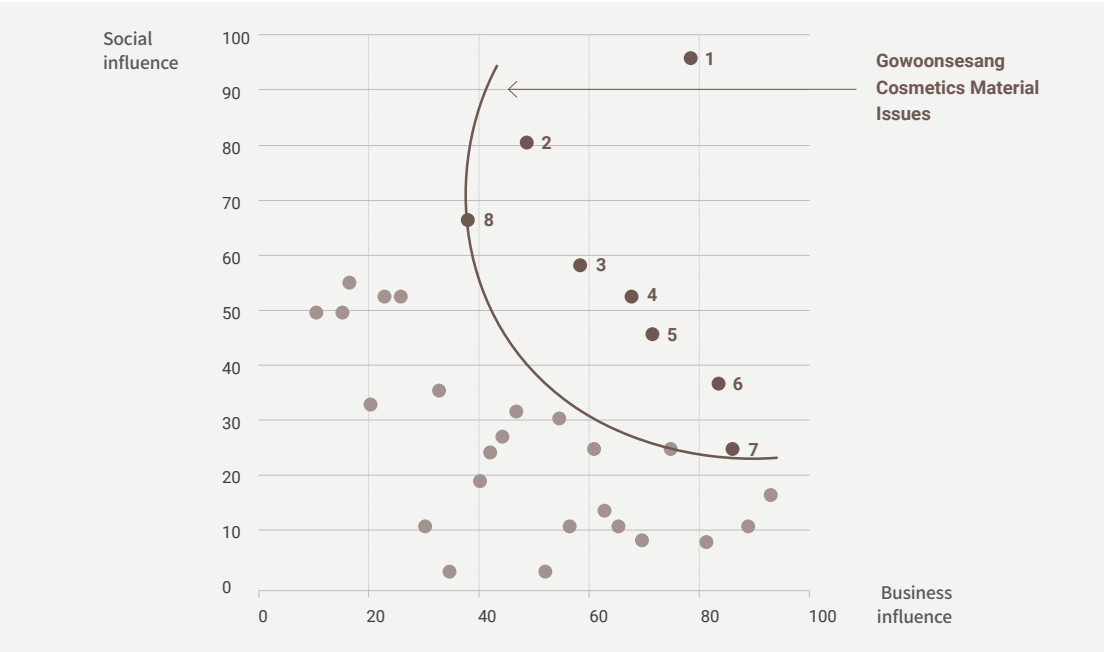
Materiality Assessment

Gowoonsesang Cosmetics conducted the first materiality assessment since its establishment to identify ESG management issues affecting corporate management and promote sustainable management. Through the material issues selected as such, Gowoonsesang Cosmetics will identify the interests and expectations of stakeholders and practice ESG management.

Process	Main Content
STEP 1. Identification of sustainability issues	A total of 32 issue pools were formed by investigating internal and external issues surrounding Gowoonsesang Cosmetics.
STEP 2. Issue pool priority analysis	<div><div>1</div><div>Analysis of external environments Analysis of international standards - ISO 26000, GRI Standard, and the standards of SASB, Korea Corporate Governance Service (KCGS), and UN Global Compact were analyzed Benchmarking of domestic and foreign companies - The contents and trends of the ESG reports of domestic and foreign cosmetics industries were investigated - Cosmetics industry peer groups were analyzed (3 domestic companies, 3 overseas companies) Media analysis - A total of 395 press releases were analyzed from January 1 to December 31, 2021 - Effective articles were extracted and analyzed considering their association with ESG management activities of Gowoonsesang Cosmetics Stakeholder questionnaire surveys were conducted - Questionnaire surveys were conducted with external stakeholders such as consumers, cooperative companies, and partners, and the contents of responses of 124 persons were checked.</div></div> <div><div>2</div><div>Analysis of internal environment Employee questionnaire survey was conducted - A questionnaire survey was conducted with internal employees, and the contents of responses of 124 persons were checked.</div></div>
STEP 3. Deduction of material sustainability issues	<div><div>1</div><div>Analysis of social influence International standard analysis, domestic and foreign company benchmarking, media analysis, scoring and analysis of stakeholder questionnaire survey results</div></div> <div><div>2</div><div>Analysis of business influence Scoring and analysis of the results of questionnaire surveys conducted with internal employees Management validation was reflected</div></div>

1. Major Issues of ESG Management

Gowoonsesang Cosmetics selected eight material issues by considering social and business influences based on ISO26000 social responsibility management issues and measuring the influences on stakeholders and their expectations as social influences.



NO	Material Issues	GRI Standard	Report Page
1	Talent development based on a growing organizational culture	404-3	➔ 22-23
2	Ensuring the transparency and independence of the decision-making process	Non-GRI	➔ 24
3	Reduction of waste generation by expanding product/packaging eco-friendliness	302-1	➔ 25-29
4	Respect for consumers by providing fair and balanced information	Non-GRI	➔ 30-32
5	Securing product chemical safety	416-1	➔ 33
6	Guarantee of the basic labor rights of employees and providing decent jobs	405-1	➔ 34
7	Strengthening ethical management	205-3	➔ 35
8	Education and cultural activities for sustainable community development	203-1	➔ 36

2. Stakeholder Engagement

● Stakeholder Communication Channel

Gowoonsesang Cosmetics defines stakeholders as those who are directly or indirectly affected in the business process. Gowooonsesang Cosmetics divided and identified major stakeholders as consumers, shareholders, investors, employees, cooperative companies, partners*, local communities, the government and local governments, and related organizations, collects stakeholders’ opinions, identifies issues, reflects the foregoing on business activities. Through the foregoing, the company freely shares information on overall business activities with stakeholders and identifies related issues to create sustainable value.

* Cooperative companies (purchasing, marketing cooperative companies) and partners (duty-free shops, MDs, online, etc.)

Stakeholder group	Stakeholder needs	Related material issues	Communication channel	Communication period
Consumers	<ul style="list-style-type: none">Strengthening ethical managementSecuring product chemical safety	<ul style="list-style-type: none">Respect for consumers by providing fair and balanced informationSecuring product chemical safetyStrengthening ethical management	<ul style="list-style-type: none">Customer center, KakaoTalk chatting consultation, bulletin board of the company mallHome pageThe company’s social media and messenger	<ul style="list-style-type: none">OccasionalOccasionalOccasional
Shareholders and investors	<ul style="list-style-type: none">Securing transparency and independence of the decision-making process	<ul style="list-style-type: none">Securing transparency and independence of the decision-making processStrengthening ethical management	<ul style="list-style-type: none">General meeting of shareholdersConference call	<ul style="list-style-type: none">Once a yearOccasional
Employees	<ul style="list-style-type: none">Strengthening ethical managementGuarantee of basic labor rights of employees and provision of decent jobs	<ul style="list-style-type: none">Talent development based on a growing organizational cultureGuarantee of the basic labor rights of employees and providing decent jobsStrengthening ethical managementReduction of waste generation by expanding product/packageg eco-friendliness	<ul style="list-style-type: none">Company-wide workshop, autonomous workshop, organizational culture diagnosisMeetingGoso-me/Monthly morning assembly, Team Team DayReporting grievances at workAnonymous chat room Glind	<ul style="list-style-type: none">Once a yearTwice a yearOnce a monthWhen a grievance report has been receivedOccasional
Cooperative companies and partners	<ul style="list-style-type: none">Strengthening ethical managementReduction of waste generation by expanding product/packageg eco-friendliness	<ul style="list-style-type: none">Securing product chemical safetyStrengthening ethical management	<ul style="list-style-type: none">Cable or mail	<ul style="list-style-type: none">Occasional
Local communities	<ul style="list-style-type: none">Educational and cultural activities for sustainable community development	<ul style="list-style-type: none">Educational and cultural activities for sustainable community developmentReduction of waste generation by expanding product/packageg eco-friendliness	<ul style="list-style-type: none">Press media	<ul style="list-style-type: none">2-3 times a year
The government, local governments, and related organizations (such as associations)	<ul style="list-style-type: none">Reduction of waste generation by expanding product/packageg materials’ eco-friendlinessSecuring product chemical safetySecuring transparency and independence of the decision-making process	<ul style="list-style-type: none">Reduction of waste generation by expanding product/packageg eco-friendlinessEducational and cultural activities for sustainable community developmentStrengthening ethical management	<ul style="list-style-type: none">Monitoring of related laws	<ul style="list-style-type: none">Occasional




Risk Management

1. Risk Management System

Gowoonsesang Cosmetics will check risks and improve throughout its business areas in order to identify and manage in advance various risks that may occur. In 2021, as part of internal control, process improvement work was performed to unify the contract managing entity into the legal affair team, and the process of prior agreement and review with the legal affair team was made into a process so that a total of 210 contracts were made after prior agreement with the legal affair team. In addition, the risk management system was systematized by upgrading the internal control system and supplementing external consulting and dedicated personnel for information protection. In 2022, the group-level process status will be checked to introduce the risk management system of Gowoonsesang Cosmetics in 2023.

● Risk management organization

Management Organization	Legal Affair Team	Accounting Team	IT&Systems Team
Role	Overseeing company-wide risk checking and responses	Tax risk checking and management	Information protection risk checking and response



2. Financial Risk

● Financial Risk

Gowoonsesang Cosmetics operates a financial management system to identify business and financial risks such as economic/financial risks, credit risks, liquidity risks, and tax risks and analyze the risks.

Risk type	Responsible Organization	Risks that may occur	Risk Management Direction
Economic and financial risk	Business Planning team	Risk of losses that may occur due to fluctuations in financial markets such as interest rates and exchange rates, fluctuations in raw materials, oil prices, and trade disputes	<ul style="list-style-type: none">Financial market monitoringExchange rate risk hedge trading

Risk type	Responsible Organization	Risks that may occur	Risk Management Direction
Credit risk	Legal Affair Team Business Planning Team	Risk of losses that may occur due to changes in the counterparty's credit rating	Giving differential credit limits by client and securing collateral such as subscribing to credit insurance
Liquidity risk	Business Planning Team	Risk of losses that may occur due to the lack of operating funds and in the process of financing	<ul style="list-style-type: none">Regular monitoring and reporting of cash flow and liquidity statusesPreparation for excess and shortage by predicting cash flow
Tax risk	Accounting Team	Risk of losses due to non-fulfillment of tax obligations according to tax laws by country	<ul style="list-style-type: none">Fulfillment of tax obligations in accordance with the laws of each country when domestic and Chinese subsidiaries conduct business activitiesSubmission of reports and mandatory materials by countryContinuous monitoring of tax law revisionsPreparation for transfer pricing risk management with overseas subsidiaries

● Implementation of internal accounting management system

Through the internal accounting management system, accurate and reliable financial statements are prepared and reported on corporate financial information, thereby establishing a control system for the entire processes and preventing financial risks and distortions of financial statements. Therefore, Gowoonsesang Cosmetics implements an internal accounting management system based on best practices and internal audit of the parent company Mibelle to manage risks and provide reliable information in organizational operation. Control activities are performed by subdividing process units such as company-wide control, purchasing, sales, funds, settlement of accounts, HR, settlement of accounts, finance, IT, and assets, the preparation of consolidated financial statements and control activities are included in management to increase the reliability of consolidated financial statements, and the control is evaluated twice a year.

3. Non-Financial Risk

● Non-Financial Risk

A systematic risk management system was established by identifying non-financial risks that may occur during business operations by type and preemptively managing them. Through the risk management system, risks are monitored periodically, and the occurrence of risks is minimized.

Risk type	Responsible Organization	Risks that may occur	Risk Management Direction
Environmental risk	Legal Affair Team Quality control team	<ul style="list-style-type: none">According to the trend of strengthening eco-friendly policies and related laws, in case of non-compliance with laws and regulations, there is a risk of actions taken according to related laws and damage to the corporate imageIncreased cost due to purchase of emission rights when the amount of allocated greenhouse gas emission right is exceededRisk of negative environmental impact of corporate decisions	<ul style="list-style-type: none">Establishment of company-wide environmental management system (environmental audit, reporting, evaluation, and support system establishment)Establishment/implementation of greenhouse gas management and reduction goals by business placeConsidering the impact of important business decisions on the environment first
Ethical and compliance risks	Legal Affair Team Accounting team (Internal Accounting Management System)	<ul style="list-style-type: none">Risk of losses due to inappropriate internal processes, personnel, or systems	<ul style="list-style-type: none">Appoint a compliance officer to check compliance with the compliance control standards and report the results to the board of directorsEnhance employees' ethical awareness through ethics code educationOperation of internal accounting management system
	Legal Affair Team	<ul style="list-style-type: none">Risks of works carried out without prior review by the legal team	<ul style="list-style-type: none">The responsibility to manage major documents such as contracts is being unified into the responsibility of the legal affair teamThe company changed internal process (changed so that prior review can be done preemptively by making the indication of the approval request number an essential element when applying for documents requiring seal)Enhancement of the sense of ethics of employees through education on ethics regulations, etc.Advancement of the internal control system
Information security risk	IT&Systems Team	<ul style="list-style-type: none">Risks of works carried out without security deliberation/reviewRisks of damage to corporate image due to hacking attacks	<ul style="list-style-type: none">Execution of security education to raise security awareness of internal employeesSystem advancement and introduction of new security solutions to be prepared for hacking attacksEstablishment of new internal process (establishment of standards for service work and security work)
Supply chain risk	Purchasing Team Quality Control Team	<ul style="list-style-type: none">Instability of product supply and demandManufacturer (cooperative company) risk managementIdentify quality risks through regular audits of cooperative companies and request corrective action and improvement	<ul style="list-style-type: none">Enhancement of the accuracy of sales plans through the introduction of SCM systems
Purchase risk	Purchasing Team	<ul style="list-style-type: none">Increases in changes in product design and wordingOccurrence of sluggish use of inventory and unusable inventoryLack of warehouse space	<ul style="list-style-type: none">Development of a data history management programAdjustment of inventory supply and demand according to the inventory and sales activities

SUSTAINABILITY FOCUS AREA

Talent development based on a growing organizational culture	22
Ensuring the transparency and independence of the decision-making process	24
Reduction of waste generation by expanding product/package eco-friendliness	25
Respect for consumers by providing fair and balanced information	30
Securing product chemical safety	33
Guarantee of the basic labor rights of employees and providing decent jobs	34
Strengthening ethical management	35
Educational and cultural activities for sustainable community development	36

Gwoonsesang Cosmetics' sustainability focuses on the entire ESG areas termed society, environment, and governance. In Sustainability Focus Area contained the achievements of Gwoonsesang Cosmetics by now that has created sustainable values and plans to expand sustainability hereafter.

Talent development based on a growing organizational culture

For a company to achieve sustainable growth, it must grow together with its employees. Therefore, Gowoonseesang Cosmetics will provide education to enhance employees’ capabilities under the core values of a learning organization that grows together, an organization that pursues excellence and perfection through constant challenges and improvement, and an organization that communicates and cooperates based on trust, and realize a good company to work for where work and family can be compatible through a balance between work and family.

UN SDGs Linkage



1. Good company to work for

● Organizational Culture Diagnosis(TI)

Gowoonseesang Cosmetics conducts regular organizational culture diagnosis to create a working environment good to work continuously. The organizational culture diagnosis, which began in 2019, is subdivided into areas such as trust among members, pride in one’s given work, companionship, recognition of and respect for ability, etc. Currently, the level of the organizational culture is diagnosed once a year to identify the direction in which the company should improve and reflect the results on the organizational culture.

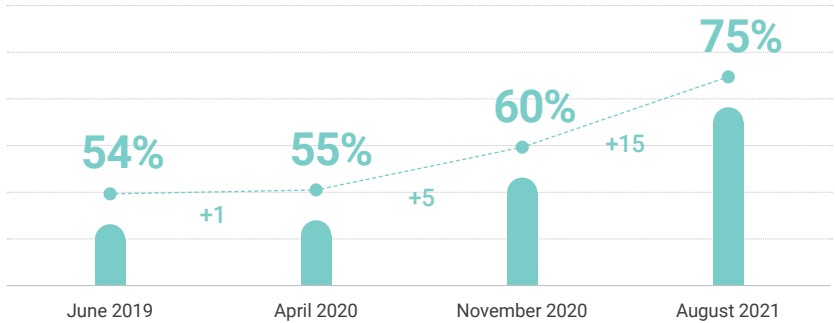
Gowoonseesang Cosmetics was selected as the ‘Good Company to Work for in Asia’ too for two years in a row in 2022, and was selected as the ‘Good Company to Work for’ for three years in a row.



Results of organizational culture diagnosis (TI)

(GPTW South Korean good company to work for TI)

Positive response rate*



* Organizational culture diagnosis is composed of a 5-point scale of very much so, yes, moderately so, not so, not at all, and the positive response rate was calculated as the percentage of people who answered ‘yes, very much so’.

2. Pursuit of work-life balance for employees

Implementation of Flexible Working System

Gwoonsesang Cosmetics operates the working time system flexibly to create an environment where employees can immerse themselves in their work so that they can be devoted to their personal lives after work. Along with the 7.5-hour workday system, the company operates a selective working hour system that allows employees to choose their commuting hours autonomously by managing monthly working hours, and a responsible work system that allows employees to work from home up to twice a week. In 2020, the company newly established an outing system so that employees can handle personal affairs such as those at hospitals, childcare, government offices, and banks while working without using personal leaves.

Childbirth/Childcare Support System

Gwoonsesang Cosmetics is a woman-friendly company with a ratio of female workers exceeding 75% and it encourages childbirth and childcare and makes efforts to make an organizational culture good for pregnant women and working mothers to work. The company encourages female workers to actively utilize working hour reduction by two hours in the entire pregnancy period, permission of prenatal diagnosis during working hours, and child-care leave for two years and presents Gwoonsesang Cosmetics Pregnant Women KIT (cushion, slippers, footrests, cushions, slippers, footrests, electromagnetic wave blocking blanket, etc.). In addition, the company is operating various women-friendly programs, such as the ‘Support Working Moms’ program, so that they can return to work while receiving congratulations and welcomes from their colleagues.

Employee Health Support System

Gwoonsesang Cosmetics strives to create an environment where its employees can stay physically, mentally and socially healthy and immerse themselves in their work. Gwoonsesang Cosmetics operates a ‘psychological counseling program’ where employees can get counseling on job stress, communication within the organization, work capacity, and personality diagnosis, support comprehensive health check-up of each employee and one family member of him/her every year, and support disease treatment costs to reduce burdens on employees due to the high expenses of surgery, hospitalization, and tests of employees and their family members.

Employee exchange program that leads to cooperation based on trust

Gwoonsesang Cosmetics believes that work efficiency increases based on camaraderie, and provides large and small opportunities for exchanges between employees. The company supports diverse employee exchange programs such as company-wide workshops where employees can share the company’s vision and promote friendship, autonomous workshops where colleagues of the same age can freely travel domestically and internationally, team team days that supports lunch with other departments every month, and clubs where employees can share similar hobbies, and mentors and mentees, which support fast and smooth onboarding of new employees.



3. Employee Communication Culture

Horizontal Organizational Culture

Gwoonsesang Cosmetics aims to expand the opportunities for growth of its employees by simplifying its level system into a role-oriented one, while spreading a horizontal and autonomous organizational culture. In addition, the company introduced an English title system in 2016 to expand work efficiency and promptness while enabling individual employees to actively exchange opinions as experts in their respective jobs.



Open communication with the management

The management firsthand shares information on the company’s strategies, major issues, and quarterly performance transparently, and operates various channels that enable two-way communication with employees. On the day of joining the company, employees share the company’s values, vision, mission, and strategic direction through a 1:1 orientation with the management, and the management listens to employees’ honest and diverse grievances through meetings by division, provides direct feedback, and realizes open communication.

Operation of a window for free expression of opinions

Gwoonsesang Cosmetics operates an ‘Improvement Suggestion’ band where all employees can suggest new or desired ideas for improvement of in and outside the company regardless of area, and strives to actively collect and reflect employee suggestions through the activities of the Improvement Proposal Committee. In addition, by operating an anonymous chat room where employees can resolve difficulties during work or questions that are difficult to ask directly, the company actively support the counseling and handling of individual grievances.

Ensuring the transparency and independence of the decision-making process

Operating the decision-making process soundly builds trust with all stakeholders to secure operational stability and transparency in corporate governance and enables sustainable growth of the company in the long term. Therefore, Gwoonsesang Cosmetics will avoid an arbitrary decision-making system in which authority is concentrated on one person, verify the agenda of the board of directors in advance through decision-making through a consensus body attended by executives and employees, and establish a sound decision-making system.

UN SDGs
Linkage



1. Gwoonsesang Cosmetics Governance

Founded in 2000, Gwoonsesang Cosmetics was acquired by Migros Group, Switzerland’s largest retailer, in 2018. As of the end of December 2021, the capital is 2.5523 billion won, and the shareholder status as of the end of 2021 is as follows.

● Shareholder Status (Based on IFRS as of December 2021)

Shareholder name	Share ratio (%)	Number of shares owned (share)
Mibelle AG	75%	3,828,449
Ahn Gun Young and three others	25%	1,276,150
Total	100%	5,104,599

2. Composition of the Board of Directors

In the board of directors, two registered executives from Gwoonsesang are registered as an inside director, respectively, and two executives from Mibelle as the chairman outside directors. In addition, the maximum remuneration for directors is set through a resolution of the board of directors.

Name	Lee Joo Ho	Ahn Gun Young	Peter Muller	Massimiliano Costantini
Position	Chairman	Internal director	Outside director	Outside director
Gender	Male	Male	Male	Male
Term of office	2021.12.19. ~ 2024.12.19. (Based on the tenure of the CEO)	2021.03.30. ~ 2024.03.30.	2021.12.19. ~ 2024.12.19.	2021.12.19. ~ 2024.12.19.
Field of specialization	Management, Accounting, Administration	Management, Medicine, Administration	Management, Administration, Human Rights	Management, Administration, Human Rights
Major career	- CEO of Gwoonsesang Cosmetics (currently) - KNET Overseas Business Division General Manager (Former)	- Director of Gwoonsesang Dermatologic Clinic (currently) - CEO of Gwoonsesang Cosmetics (former)	- CEO of Mibelle	- CSO of Mibelle

3. Board of Directors Operation

The Board of Directors monitors the attendance rate of internal and external directors for transparent and stable operation, and the attendance rate of internal and external directors in 2021 is 100%. In addition, the Board of Directors thoroughly reviews various issues affecting the company’s management, and make major decisions through a majority vote of the number of attendees of Board of Directors. In particular, the numbers of outside and internal directors are equal, so that the interests of either party cannot influence decision-making and in cases where no conclusion is reached, an agreement is reached through internal mediation. Through the foregoing, Gwoonsesang Cosmetics will ensure soundness and transparency of decision-making by dispersing risks so that authority and responsibility are not concentrated on certain individuals in the corporate governance and strengthening checks, balances, and cooperative functions.

● Board of Directors Operation Performance in 2021

Number of times of board meetings held	2 times (regular 1 time, extraordinary 1 time)
Number of cases of agenda deliberation	10 cases (regular 5 cases, extraordinary 5 cases)
Board of Directors attendance rate (internal and outside directors)	100%

Reduction of waste generation by expanding product/packaging eco-friendliness

Customers who are consuming according to their beliefs and values are increasing, and there is a growing demand for improving in relation to not only the harmfulness of cosmetic ingredients, but also the environmental impact of cosmetic containers and packaging materials. In order to enable everyone to consume and utilize its products in a valuable way, Gowoonseesang Cosmetics replaced its existing cosmetic containers and packaging materials with eco-friendly materials and redesigned them for easy recycling, and creates the value of eco-beauty by producing containers with materials that can reduce carbon emissions during the life cycle of products and launching a vegan line that does not use animal-derived ingredients.

UN SDGs Linkage



1. Expansion of eco-friendliness of containers and packaging materials



Eco-friendly paper packaging

- Gowoonseesang Cosmetics strives to reduce excessive use of packaging materials and waste generation by using a 100% recyclable paper buffer material, as well as a robust buffer.



Use of FSC® certified paper and soy ink

- Uses secondary packaging materials applied with raw materials made from by-products obtained from nature such as FSC® certified paper, soy ink, green tea paper and cantella asiatica paper produced through sustainable logging and processes.
- Develops products with constant consideration for design that enables resource circulation.



Provision of easier separate disposal guides

- Separate collection and decomposition are facilitated with increases in paper packages, and the company strives for accurate separate collection by providing detailed guides for separate disposal on the product labels.



Carbon Emission-reducing Raw Material Tube Container

- The containers are made of tube containing about 30% raw materials that enabled reducing carbon emissions by about 20% in the entire processes, including the collection, production, transport, distribution, use, and disposal of the raw materials.

2. Development of sustainable products (subsidiary materials)

Application of the primary package from the viewpoint of easy recycling

2020

Plastic (ABS) that cannot be separated with gravity separation in the recycling process

*Gravity separation: A method of separating the cap and label from the body of the PET bottle in the recycling process using the principle of floating of materials in water depending on the material (PET material sinks in water, and materials such as PE and PP float on water).

Containers that can be hardly recycled made of PET with coating + surface printed

Transparent plastic (PS)



Recycling Grade **Difficult**

2022

Single-material plastic (PP) that can be separated with gravity separation in the recycling process

Transparent PET container without printing that can be easily recycled

Label that is easily separated with water in the recycling process made of 100% recyclable vinyl (PP) material

Biodegradable PLA spatula



Recycling Grade **Normal**



Sealing paper with handle is applied for user's convenience

Application of single material (PE)
low-carbon tubes



*Cannot be separately disposed of due to the aluminum bonded

*Can be separately disposed of as this is made of single material

Applied with single material (PP)
container + metal free pump



Recycling Grade **Difficult**

Recycling Grade **Excellent**

Application of packages for
reduction of plastics

*Application of independently developed
Centella asiatica recycled paper

2021



All plastic (PET) package

2021



Coated plain paper,
package containing plastic (PET)

2022



Independently developed Centella asiatica recycled
paper (paper using by-products), FSC certification,
soy ink, uncoated all paper package

Application of reusable packages

2019



Package reusable as a pouch

2020



Package reusable as an insulated bag

2021



Package reusable as a watch

Application of paper for
reduction of plastic

2021

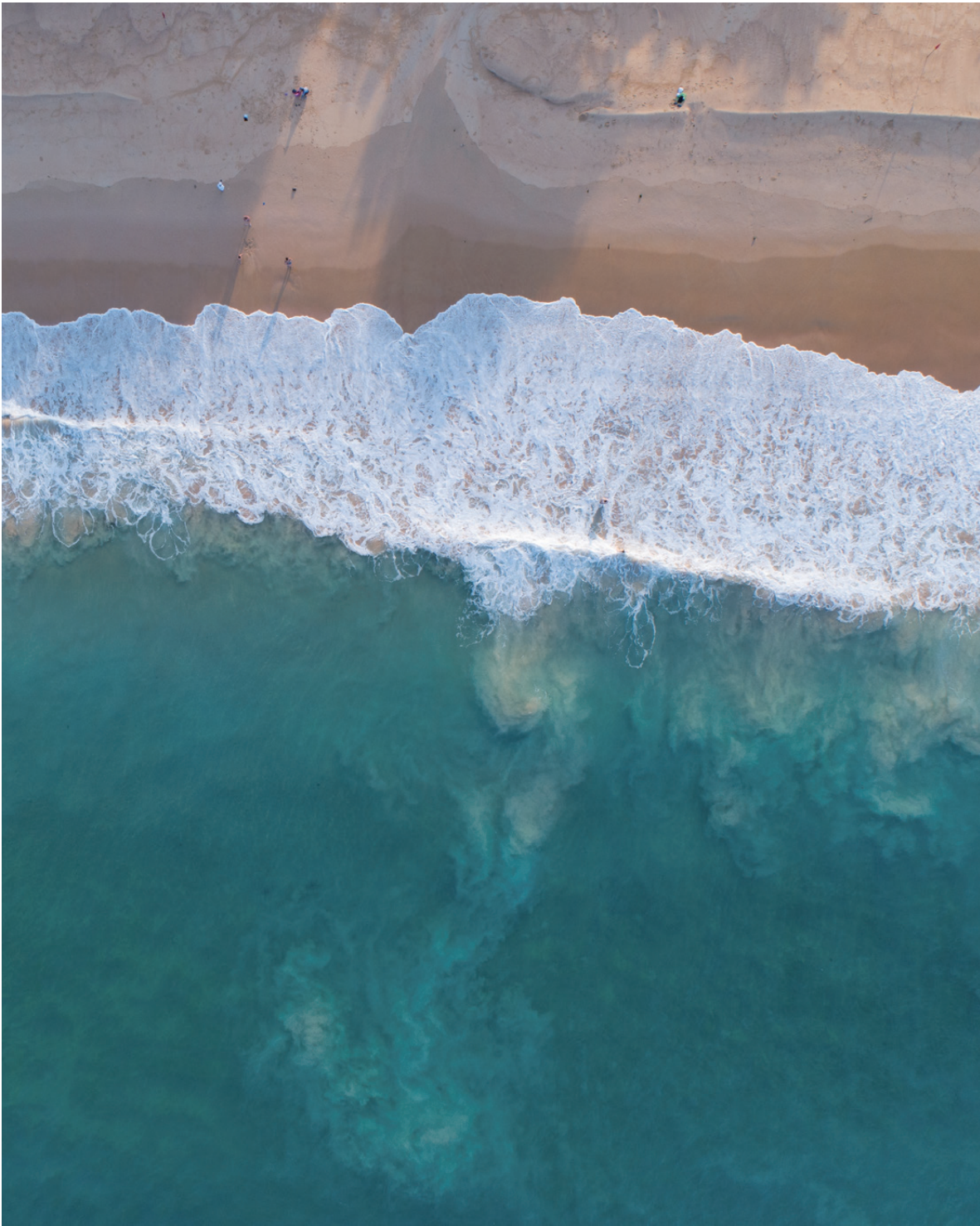


Plastic (PET) plate

2022



Paper plate



3. Eco-friendly product development

● Launched Reef-safe Sun Care considering the protection of marine ecosystems

According to research, many sunscreens contain ingredients that damage the marine ecosystem, which causes pollution damage to coral reefs and marine areas. To protect the coral reefs and marine ecosystems that protect the nature of coastal areas by weakening the power of waves coming to the shore and preventing the loss of aquatic life and erosion of the shoreline, Dr. G sun care products have implemented a Reef-Safe formula that considers coral reef protection and marine ecosystems by excluding avobenzone, oxybenzone and octinoxate.

● Expansion of vegan-certified products

In response to the needs of customers looking for eco-friendly and safe products, Dr. G launched ‘GreenMide’, a dedicated vegan line, and will continue to introduce new vegan brands. Currently, manufacturing cooperative companies that have obtained certification for production of vegan cosmetics from EVE (Expertise Vegan Europe), a French certification body, are increasing the proportion of production of major items.



Left: Reef safe, Right: Eve Vegan

● Increase in the proportion of cooperative companies that secured eco-friendly and ESG certifications

When purchasing raw materials, Dr. G secures sustainability by increasing purchases from cooperative companies that actively promote product chemical safety and ESG managements. By increasing transactions with cooperative companies that promote ESG management, such as ISO14001 environmental management system, ISO45001 safety and health management system, etc., eco-friendly cosmetics certification EVE VEGAN, natural cosmetics certification (Ministry of Food and Drug Safety, Korea Testing & Research Institute), ECOCERT, etc., Dr. G will expand ESG capabilities in its supply chain, and through the foregoing, Dr. G will expand the sustainability of Gowoonseesang Cosmetics.

Proportion of Vegan Products in 2021

Division	Unit	2021 outcome
Proportion of raw materials purchased from cooperative companies that have secured eco-friendly and ESG certifications	%	1.4%

* EVE VEGAN: French vegan certification that grants a vegan certification mark by strictly examining whether products in various categories such as cosmetics, food, beverage, and fashion meet the vegan standards

* French organic farming and fair trade certification, which is one of the world’s largest certification bodies

Respect for consumers by providing fair and balanced information

Since cosmetics are products that come into contact with our skin, the company should provide customers with safe and healthy ingredients and product information to create sustainable value of cosmetic consumption. Therefore, Gowoonseesang Cosmetics utilizes beauty technology to not only recommend products but also analyze individuals' skins to suggest appropriate skin care methods, and also provide skin ingredients to the visually impaired fairly by marking Braille on the product package.

UN SDGs
Linkage



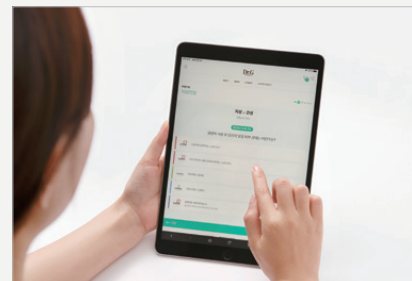
피부 고민, 바르게 답하다

피부 고민을 가진 이들의 마음을 알기에
단 하나의 제품도 가볍게 만들지 않습니다.

The right solution to skin problems

products with empathy
healthy beautiful skin

1. Provision of consumer information



Provision of AI chatbot smart skin counseling

You can receive smart skin counseling 24 hours a day, anytime, anywhere using the AI chatbot on the Dr. G official website. Based on the know-how of dermatology such as skin trouble consultation, skin type test, product curation by lifestyle, and skin care suggestion, Dr. G provides various services ranging from a variety of skin consultation services to ordering and delivery information services conveniently.



1:1 ingredient analysis and skin mentoring operation through Dr.G Opti-me service

Together with Dr. G's dermatology experts, Gowoonseesang Cosmetics provides 1:1 solutions to customers' skin concerns. Since Gowoonseesang Cosmetics knows the minds of people with skin concerns, it analyzes the products of Dr. G as well as other brands to find out how well the cosmetics are suitable for your skin type and whether they contain ingredients that must be paid attention. To enable customers to access the service easily and conveniently, if customers take photos of products and upload them, Gowoonseesang Cosmetics will analyze the customers' skin types and all the ingredients of the cosmetics and inform the ingredients that are good for customers' skin and ingredients that must be paid attention.



Providing product information fairly to the visually impaired too through Braille marking of products

Since Dr. G thinks that everyone deserves to choose the product they want and enjoy consumer rights, it marks braille on product packages in order to provide information to the visually impaired fairly and accurately. Since 2012, Dr. G has separately developed product container molds for Braille marking for all product boxes, and applied braille embossing* to packaging materials too and from 2020, Dr. G has expanded the product braille marking further to indicate information in braille more broadly and accurately.

* Embossing: A processing in which one side of the paper is made to protrude convexly and the other side is dented by inserting the paper between the male and female shape molds and pressing the molds.

2. Improvement of customer satisfaction

● Implementation of consumer counseling service



Gowoonsesang Cosmetics strives to increase contact points for communication with customers and improve customer satisfaction through customized counseling from the customer’s point of view. Customers of Gowoonsesang Cosmetics can raise inquiries or complaints about products and services through 1:1 questions on the homepage, Kakao Talk consultation, etc. and Gowoonsesang Cosmetics seeks best responses to customer claims appropriately utilizing the searching questions for problem solving.

● Customer Satisfaction Survey



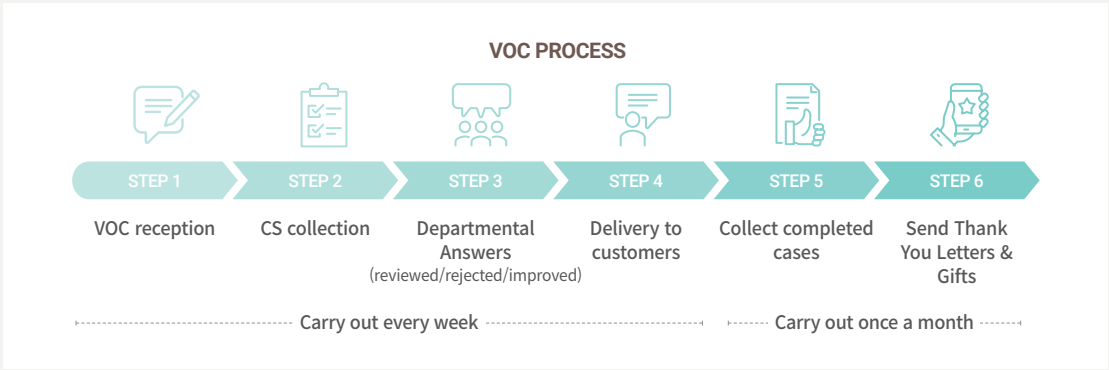
Gowoonsesang Cosmetics conduct customer satisfaction surveys after KakaoTalk counseling service for customers. Through customized counseling services, the customer satisfaction surveys achieved an average satisfaction score of 5 out of 5. Hereafter too, Gowoonsesang Cosmetics will continue to improve customer satisfaction with its products and services by accepting customers’ opinions and solving problems.

● VOC* Process



VOC is regularly monitored to listen to customer suggestions and voices and to actively improve products and services. Through the customer suggestion bulletin board, Dr. G listens to the voices of our customers, such as suggestions and improvement ideas for Dr. G products or services, informs the results of the review in replies. The suggestions and ideas are actively reflected on products and services through active reviews, and those whose ideas were adopted and applied to improvement were given a small gift.

* Voice Of Customer(VOC) : A customer management system that improves services felt by customers by managing and evaluating customer complaints in real time from the time of receipt of complaints to the time of completion of handling.



3. Improvement as requested by customers through VOC

Receipt of improvement requests	Improvement completion	Customer request	Improvements completed
April 2020	October 2020	I like Dr. G, so I wish a body cleanser and a feminine cleanser would be released.	The feminine cleanser was released
May 2020	May 2021	I came across a product sample of “R.E.D Blemish Clear Soothing Active Essence” and liked it so much to the extent that I bought this product and am using it!! The only drawback is the dropper. Please change the dropper. Other than that, it's a perfect life item!	The pump type was released
July 2020	October 2020	I wish there was a product like body lotion!!	The Moisture in Body Body Lotion was released
September 2020	October 2020	I am a lover of Dr. G R.E.D Blemish Cream. Since I use it often, there is a point that I usually regret, and I felt it would be good if this product was released in a tube type. It will be easy to use, hygienic and look convenient.	The tube type was released
January 2021	February 2022	It seems that my scalp becomes sensitive to yellow dust and fine dust. Can you launch a hair loss prevention scalp care product?	The shampoo/ treatment was released as an item in the scalp wrap line
March 2021	September 2021	It seems that there are too many silver foil paper vinyls in the sample products. This is because I can understand how to use the product without the promotional text in this part, which is like a wing next to the product. Since Dr. G practices environmental protection, I think it will be improved sufficiently. Please improve~	Changed into a pouch with no wing shape, added braille
May 2021	February 2022	I think it would be nice if a tone-up sun cushion is released. The cushion is definitely comfortable to use outside. And I wish the refill could be purchased separately.	The brightening tone-up sun cushion was released
July 2021	April 2022	Please re-release the A clear lotion. Everyone around me was using that lotion because I recommended it, but now I can't buy the A clear lotion, so everyone is restless. Please release it.	The lotion was released with renewal of the A clear line in 2022

● Dr. G official supporters big fan activities

Big Fan is official supporters prepared to communicate directly with customers and to share the corporate philosophy of Dr. G, “Let us make the world healthier with dermatology” and is composed of fansumers (Fan+ Consumers) who have affection for the brand. Thus far, two rounds of Big Fan activities have been carried out, and Gowoonseesang Cosmetics jointly developed a new product with Big Fan through communication and activities with Big Fan to launch ‘A Clear Spot For Face Serum’, and shared sustainable values while carrying out donation activities together with Big Fan. In 2022, Gowoonseesang Cosmetics plans the third round of Big Fan to create the Gowoonseesang Cosmetics’ vision termed ‘healthy skin, happy skin’ together with Big Fan.

Big fan’s main activities

Big fan participates in various activities together with Dr. G to spread the right skin care culture and protect skin health.

Division	First round of Big Fan
Activity period / Number of persons	April~ October 2021 (About 7 months) / 20 persons
Major activities	<ul style="list-style-type: none">• The participants accurately checked their skin and underwent mentoring on correct skin care methods (dead skin cell, moisture, and UV solutions) & healthy lifestyles by skin concern• During the activity period, the participants constantly checked their skin and practiced good habits through monthly 1:1 skin care counseling• Lifestyle LAN class was carried out for healthy daily life as well as healthy skin• A bucket list program in which Big Fan proposes and realize the activities they want to conduct with Dr. G was implemented
Major Achievements	<div><div>1</div><div>Improvement of Big Fan members’ skin health<ul style="list-style-type: none">- According to the result of analysis of Big Fan members’ skin by Dr. G, the skin score of 20 big fan members improved by an average of 9% and up to 21% compared to before they participated in the program, indicating that the program was helpful for care for their skin concerns of the Big Fan members.</div></div> <div><div>2</div><div>Bucket list<ul style="list-style-type: none">- Three programs were implemented to realize the bucket list firsthand suggested by Big Fan (Dr. G head office tour, live broadcast shooting, pictorial shooting)- Dr. G Head Office Tour: Big Fan members firsthand visited Dr. G office to meet the CEO & working group and experienced the researcher’s concerns and cosmetics development process until products are born based on dermatology through experience at the R&D Department.- Live broadcast: provided experience of firsthand participation in the ‘Radio where skin troubles are visible’ implemented in the Dr. G Instagram from planning to appearance- Pictorial shooting: Pictorial shooting was carried out by group so that Big Fan members leave memories of their presence at Dr. G and interviews were conducted about Big Fan activities</div></div> <div><div>3</div><div>Participation in new product development<ul style="list-style-type: none">- Provided opportunities to participate in new product development projects- Simultaneously with the start of the activity, the development began based on research on the skin concerns of Big Fan members.- The diverse opinions of Big Fan members collected through product shows and interviews held several times were actively accepted to various improvement points from various areas ranging from product formulation to containers- ‘A Clear Spot For Face Serum’ that help care for various skin concerns was developed jointly with Dr. G’s R&D Department</div></div>

Division	Second round of Big Fan
Activity period / Number of persons	April~ July 2022 (About 3 months) / 30 persons
Major activities	<ul style="list-style-type: none">• During the “100 Days Skin Health Challenge” activity period, the changing skin was checked through monthly AI skin analysis and the results were constantly recorded• The participants accurately checked their skin and underwent mentoring on correct skin care methods (dead skin cell, moisture, and UV solutions) & healthy lifestyles by skin concern• Lifestyle LAN class for healthy daily life as well as healthy skin• Dr. G Head office Tour: The participants met Dr. G CEO & working persons in charge• Autonomous activity with a partner for healthy skin• Participation in evaluation & FGI in the process of development of new product• LAN wire disbanding ceremony (July 7): Dr. G awarded three persons whose skins became best through the “Big Fan skin health awards” activity
Major Achievements	<div><div>1</div><div>#Skin Health Challenge Donation Accumulation<ul style="list-style-type: none">- During the period of Big Fan activities, in addition to program reviews, efforts for skin health in daily life were recorded in posting.- Donations were accumulated through the #Skin Health Challenge hashtag in the post- During the period between the starting ceremony and the disbanding ceremony, donations of a total of 2.3 million won were accumulated, and the donations were donated through the Green Umbrella Child Fund Korea after the activities were completed- In the disbanding ceremony, a Big Fan member who accumulated the largest amount of donations for the #Skin Health Challenge was selected and awarded</div></div> <div><div>2</div><div>Skin health partner activity<ul style="list-style-type: none">- Activities aimed at helping everyone, not just oneself so that anybody can have healthy skin- In addition to the Big Fan members who applied together with a partner such as a friend or couple, other Big Fan members who have the same skin concerns were matched as partners to proceed with the activity (two persons in one team)- Various activities for healthy skin were carried out using the activity funds provided by Dr. G (eating healthy food, relieving stress, sharing skin care with friends, etc.)- Effects to promote friendship with Big Fan members, strengthen a sense of belonging, and spread Dr. G’s skin health culture to many people</div></div> <div><div>3</div><div>Participation in new product development process<ul style="list-style-type: none">- An opportunity to firsthand participate in the product development process and express opinions will be provided to Big Fan members who have a high level of affection and involvement with Dr. Target big fans with a high level of affection and involvement in Dr. G- The subjects will participate in the process of development of clean beauty brand products by Gowoonseesang Cosmetics, which are scheduled to be launched in the second half of this year.- Opinions will be collected and the formulation will be improved through the 1st and 2nd product shows- Big Fan members’ opinions and insights will be surveyed through Clean Beauty FGI</div></div>

● Operation of Big Fan Instagram <Dr. G G. Land>



As an amusement park where everyone’s skin becomes healthy while they play there, a space where current Big Fan members as well as those who acted as Big Fan members in the past can gather, and a community where general customers can also participate and communicate, ‘Dr. G G. Land’, a Big Fan Instagram is operated. Diverse things to see and enjoy for skin health are provided through the Big Fan Instagram so that everyone who loves Dr. G foregathers to create stories.

* FGI(Focus Group Interview): A research method in which those who shared a certain experience gather together to conduct an interview

Securing product chemical safety

As the cosmetics industry has developed, consumer interest in safe cosmetics and clean beauty free from harmful ingredients has surged due to issues such as chemicals and hazardous substances. The derma cosmetics brand of Gowoonseesang Cosmetics, Dr. G develops products that are gentle and safe for all skin types and improve skin through a thorough testing process while excluding harmful ingredients under the slogan of ‘safer and milder’ as a manufacturing principle.

UN SDGs
Linkage



1. Securing chemical safety in product raw materials and processing processes

● Product power that can be used with an easy conscience

Instead of simply following trendy ingredients, Dr. G but thoroughly reviews dermatologically to develop authentic and reliable cosmetics. Dr. G’s products such as sunscreen, R.E.D Blemish Clear Soothing Cream secured chemical safety so that they can be used on even sensitive skins with an easy conscience.



● Safe and milder cosmetics

Dr. G strives to make products that can care for customers’ skin concerns under the manufacturing principle of ‘safer and milder’. In order to make safer cosmetics, Dr. G releases products after undergoing meticulous product safety tests such as skin irritation and sensitivity tests with the technological prowess of skin experts in its R&D Department, and applies more stringent standards to the entire processes of ingredient formulation, manufacturing, and testing with a view to making milder cosmetics.

Product Safety System Process

Selection of safe raw materials	<p>Dr. G reviews safety from the raw material selection stage considering the skin health of consumers first. Dr. G established and its own development standards to select safe ingredients and observes it. Dr. G is developing products applied with technologies in dermatology.</p> <ul style="list-style-type: none">• Regulation review : Review of national regulations for products and selection of raw materials that meet the company’s standards• Stability review : raw materials excluding harmful ingredients and by-products• Effectiveness review : Ingredients with proven efficacy on skin• Animal ethics review : Raw materials not experimented on animals• Review of the characteristics of the manufacturing country : raw materials with residual radioactivity detected for a certain country• Ecosystem risk review : Coral, aquatic plants, and sustainable raw materials• Circulation hazard review : raw materials that are not hazardous when they are discharged or circulated
Selection of safe manufacturing cooperative companies	<p>Dr. G develops and produces products in cooperation with raw material suppliers that meet internal safety standards and manufacturers equipped with production facilities that meet internal safety standards. Dr. G uses preservatives that are hypoallergenic while having high antibacterial activity to secure product safety, and select cooperative companies equipped with research and manufacturing facilities applied with the preservative system as such.</p> <ul style="list-style-type: none">• Cooperative companies : 69 companies in total• Regular cooperative company audit : Dr. G manages cooperative companies with pre-manufacturing process checking to enhance quality• Establishment of a plan to spread ESG values to cooperative companies : Dr. G delivers a pledge to comply with the code of conduct and the code of ethics to share ESG values and achieve shared growth with cooperative companies
Safety check test	<p>In the processes ranging from raw material use to commercialization, Dr. G is striving to ensure the safety of products by reviewing related regulations and data, and testing for application to human bodies.</p> <ul style="list-style-type: none">• Product development through multi : faceted review and multiple tests of products• Safety Test : Review of safety under conditions and time elapsing• Usability matching : Review of usability that fits the planning• Safety test : Review of skin irritation and allergens• Effectiveness test : Securing effectiveness through various tests of application to human bodies• Antiseptic power test : Experiments to verify product preservation power• Hazardous substance analysis : Verification of no detection of heavy metals, etc. harmful to the human body• Compatibility test : Checking problems between the contents and the container and stability• Shelf life setting : considering product specificity and safety

Guarantee of the basic labor rights of employees and providing decent jobs

The company must enhance its sustainability competitiveness by guaranteeing the basic labor rights of its employees, and furthermore, by respecting human rights to protect and respect employees and stakeholders. Gowoonseesang Cosmetics will protect its employees from various difficulties that may arise in the workplace and build a trustworthy labor-management relationship by practicing human rights management to guarantee the basic rights of employees.

UN SDGs Linkage



1. Human rights management

Gowoonseesang Cosmetics strives to fulfill its corporate social responsibilities and protect its employees by practicing human rights management.

Human rights management implementation

The company strives to create a happy company where its employees are respected by preventing human rights violations and discrimination in the workplace, and by mitigating human rights risks. Therefore, no case of child labor or forced labor has occurred thus far by complying with international guidelines related to human rights and labor in business activities and monitoring to prevent child and forced labor from occurring. In addition, to respect the human rights of external stakeholders, Gowoonseesang Cosmetics purchases fair trade raw materials and encourage cooperative companies to respect human rights in their management process.

2. Capacity building program

Gowoonseesang Cosmetics thinks that the fundamental welfare is creating an environment for employees' growth, and strives to create an environment where employees can learn and grow through work.

Common capacity building

External speakers are invited every month to give lectures so that employees can gain broad insights into various fields such as philosophy, marketing, psychology, and art, and common books are selected quarterly so that employees have time to share each other's thoughts through reading discussions with colleagues.

Job competency building

The IDP (Individual Development Program) system is operated so that individual employees can establish their long-term and short-term competency building plans every year, and job-related education or books are supported without limiting the amount or number of times. In cases where employees wish to acquire a certificate or go to graduate school to improve their job professionalism, the related expenses are supported. In addition, 'Seminar Day' is operated so that employees can share knowledge about the contents of external education completed or their work areas and enhance the degree of understanding of each other's works.

Leadership competency building

The competency of leaders, who are the center of the organization, is regularly diagnosed to identify the present condition, and 1:1 coaching is conducted for those in need of coaching to operate education so that all members can receive upward leveled coaching feedback and develop leadership. In addition, newly appointed leaders are trained so that they can have thorough knowledge of the role of leaders for people/organization/performance management and education is operated for not only leaders but also all classes of employees so that they can perceive the role of each position and successfully play the role to lead to better results.

3. Operation of employee grievance settlement process

Grievance in the workplace reporting Help

A 'grievance in the workplace reporting' window is operated so that employees who are experiencing difficulties due to harassment, sexual harassment, and other acts in the workplace can be actively protected. When a report has been received, relevant matters are handled strictly confidentially under the principle of protection of the reporter, and when a violation is verified by investigating the reported content, the cases is handled quickly in accordance with procedures such as employment rules.

Anonymous chat room 'Glind'

An anonymous chat room is operated so that employees can freely share the stories they have been thinking about or wanting to say in order to make a better company thus far, such as difficulties at work or questions that cannot be easily asked directly, and grievances can be received regardless of time and place. The contents of grievances received are treated after being thoroughly investigated confidentially under the principle of protection of the reporter.

4. Building reliable labor-management relations

Election of worker representatives for Labor-Management Council

Worker representatives who have the authority to represent the opinions of many employees are firsthand elected by the employees, and the worker representatives discuss and decide together with the management on how to operate the HR system, such as the working hours system. In addition, labor-management councils are held regularly to share visions and goals through trustworthy labor-management partnership during the discussion process.

Operation of employee communication channels

Gowoonseesang Cosmetics actively communicates with employees to share the company's vision and goals, and seek to improve corporate competitiveness and quality of life of employees in the mid- to long-term. In addition, Gowoonseesang Cosmetics listens to the opinions of employees by operating various communication channels. In order to operate various communication channels with employees, Gowoonseesang Cosmetics holds employee meetings twice a year separately from the labor-management council. The contents derived from the employee meeting are applied 100%* to all employees.

* Based on domestic full-time employees



Strengthening ethical management

Ethical management is the competitiveness with which companies create sustainable values in the areas of economy, society, and environment. Gowoonseesang Cosmetics is moving toward a ‘global company specialized dermatology’ with the basic ethics of working honestly and transparently, respecting customers, business partners, and employees, and fulfilling corporate social responsibilities.

UN SDGs Linkage



1. Ethical Management· Compliance Promotion System

Ethical management · compliance promotion strategy	Although there has been no compliance promotion organization thus far, a project to prepare global standards for compliance has been promoted and from 2022, the top-level governing group, Migros, and the parent company Mibelle, and Gowoonseesang Cosmetics has been preparing the standards together. Therefore, in order to preemptively identify ethical risks, Gowoonseesang Cosmetics completed the standardization of the internal control process in 2021, and from 2022, the company will be audited on the implementation of the internal control system by outsourced organizations at least once a year.
Ethical reporting and protection of whistleblowers	Gowoonseesang Cosmetics receives reports on ethics and compliance violations of employees and stakeholders through the ethical reporting site. The whistleblower and the content of the reporting are handled privately, and for the protection of the ethical whistleblower, the report can be received anonymously or under the real name as selected by the whistleblower. Even when the whistleblower reported under his/her real name, the personal information is kept confidential, the provisions of the duty to protect the reporter are observed, and the facts are grasped based on the report received, and then relevant matter is handled according to the decision of the internal committee. Ethics reporting site www.gwoonseesang.com/sustain/ethical

2. Reinforcement of ethical management and compliance

Ethical management education/compliance education	In order to enhance employees’ sense of ethics and law-abiding consciousness, the company conducted compliance and ethical management education for all employees in July 2021 based on the Code of Ethics of Gowoonseesang Cosmetics. The ethical management education is conducted regularly once a year for all employees, and is conducted once at the time of joining the company in the case of new employees. Through the foregoing, Gowoonseesang Cosmetics fostered a sense of ethics so that employees can perceive ethical issues by themselves and prevent accidents from occurring.
Promotion of employees’ pledge of ethics	To internalize ethical management and compliance awareness, Gowoonseesang Cosmetics requested a pledge of ethics from all employees in 2021, and in the case of new employees, the pledge of ethics was requested after conducting compliance education as new employee education. Gowoonseesang Cosmetics will internalize fairness and corporate ethics in its daily work regarding honesty and trust as the most important values based on the pledge of ethics of employees.

3. Ethical Management · Compliance Policy

Gowoonseesang Cosmetics is creating an ethical management system for its employees that meets global standards in order to grow into a global No. 1 cosmetics company beyond the No. 1 cosmetics brand in South Korea. By enacting the code of ethics for employees, the company has established a standard for judging values so that the company can fulfill its social values through sustainable management and that employees can perform their duties properly.

[Employee Code of Ethics]

1. We work honestly and transparently.

- 1 We comply with laws and ethical regulations, and perform our duties in an ethical manner.
- 2 We observe mutual courtesy between employees, and reject unfair or illegal instructions.
- 3 We do not conceal or distort the facts in performing our duties, and report timely based on facts in principle.
- 4 We should avoid conflicts of interest so that the objectivity of work is not shaken.

2. We respect customers, business partners, and employees.

- 1 We put the promise with our customers first and provide the highest quality products and services.
- 2 We safeguard customer information.
- 3 We select/evaluate business partners with fair and transparent standards, and pursue mutual rational development.
- 4 We support employees to grow into free and ethical one-person entrepreneurs, and evaluate them fairly based on objective standards.
- 5 We do not inflict losses on customers, business partners, or employees for the company’s profit.

3. We fulfill our corporate social responsibility.

- 1 We fulfill our basic corporate responsibilities through sound profit creation.
- 2 We protect the environment and contribute to creating a better world through sustainable growth.
(Sustainability implies that a company’s activities and decisions must be balanced at economic, ecological and social levels.)

Educational and cultural activities for sustainable community development

As another method to realize the corporate philosophy of Gowoonseesang Cosmetics to create a healthier and more beautiful world, the company practices various social contribution activities. In particular, by supporting skin treatment for children who are in the medical blind spot, and furthermore, by supporting the development of dermatology and academic research that nurtures experts, Gowoonseesang Cosmetics intends to spread a healthy skin culture and contribute to the sustainable growth of K-beauty.

UN SDGs Linkage



Regular Support for the Korean Dermatology Foundation

Gowoonseesang Cosmetics supports the Korean Dermatology Foundation to improve research capabilities and competitiveness in the field of dermatology in South Korea. Gowoonseesang Cosmetics supports the academic research of domestic dermatology professors and supports domestic dermatology research by providing a research fund of 50 million won every year to the Korean Dermatology Foundation.



Regular Sponsoring of Green Umbrella Child Fund Korea

Gowoonseesang Cosmetics has regularly sponsored Green Umbrella Child Fund Korea from 2019 to support medical expenses for children with skin diseases. Gowoonseesang Cosmetics has been regularly donating KRW 100 million every year since 2019, and in 2020, the company placed pictures firsthand drawn by children cooperating with Green Umbrella Child Fund Korea on the containers and packages of the products baby sun care 'Dr. G Baby Mild Up Sun', and donated 10% of the sales of the products. The company delivered a total of KRW 50 million as support funds in 2021, and plans to actively support and sponsor with the items necessary for treatment hereafter too.



Donation to the Hallym Burn Foundation

Together with the Hallym Burn Foundation, Gowoonseesang Cosmetics supports burn patients living with life-threatening and disabilities who cannot receive adequate treatment due to financial difficulties. In January 2022, the company donated 50 million won for healthy treatment of patients with severe burns, delivered 5%* of the sales of Red Blemish Soothing Cream as a donation, and supports the patients by additionally accumulating donations with activities through the Skin Health Sharing Challenge. * Based on sales at the company's mall

Product donation for medical workers at Seongnam Citizens Medical Center in 2021

In 2021, Gowoonseesang Cosmetics delivered its new product 'Expert Cure Mune Repair Cream' to the medical workers at Seongnam Citizens Medical Center who were working hard to prevent and treat COVID-19 to express its gratitude.

Skin Health Sharing Challenge

This is a social contribution activity where donations are accumulated whenever customers participate in the Dr. G skin analysis service and customers can participate in donations simply by checking their skin health status. When the Dr. G skin analysis is completed twice, a donation of KRW 1,000 is accumulated, and a donation of KRW 1,000 is accumulated every time the skin is analyzed, and a donation of KRW 1,000 is added in cases where the skin score is improved in the second skin analysis. for each skin analysis. way. The collected donations are donated to the Hallym Burn Foundation to support burn patients suffering from skin health problems. Through the foregoing, Gowoonseesang Cosmetics promotes the healthy growth of low-income burn patients and severe burn patients through acute burn treatment, skin reconstruction, scar site restoration, and rehabilitation together with customers.

Division	2021 Skin Health Sharing Challenge	2022 Skin Health Sharing Challenge
Implementation period	August 2021 - December 2021 (4 months)	January 2022 ~ December 2022 (12 months)
Content promoted	A total of 8,090 customers supported burn patients simultaneously with their skin health care. A total of KRW 50 million was delivered with the accumulated donation amount of KRW 10,899,000 collected through the challenge and additional donations	As of August 9, KRW 17,192,000 has been collected ➔ https://www.dr-g.co.kr/brand/event/DonationChallenge?eventId=66&type=ing&etype=all



K go sponsoring

Sponsoring unpopular sports events is also an effort of Gowoonseesang Cosmetics to create positive synergy thereby spreading sustainable values. Therefore, in August 2022, Gowoonseesang Cosmetics sponsored the Best Female Go Player Contest hosted and supervised by the Hanguk Kiwon, and provided Dr. G's products to all female go players who participated in the content as a gift. Gowoonseesang Cosmetics will continue to create sustainable values through various social contribution activities such as sponsoring unpopular sports events.

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FACTBOOK

1. Financial Performance

Summary Consolidated Statement of Financial Position	Indicator		Unit	2019	2020	2021	Remarks
	Assets	Current assets	million won	73,969	97,585	113,149	
		Non-current assets	million won	9,076	8,096	9,843	
		Total assets	million won	83,046	105,681	122,993	
	Liabilities	Current liabilities	million won	19,747	18,740	19,901	
		Non-current liabilities	million won	4,722	3,439	2,614	
		Total liabilities	million won	24,469	22,179	22,516	
	Capital	Capital	million won	2,552	2,552	2,552	
		Capital excess of par value	million won	12,309	12,309	12,309	
		Earned surplus	million won	43,771	68,755	85,476	
		Total equity	million won	58,577	83,502	100,477	
Summary Consolidated Comprehensive Income Statement	Indicator		Unit	2019	2020	2021	Remarks
	Sales		million won	153,268	155,502	176,616	
	Cost of sales		million won	60,090	57,445	68,409	
	Operating profit		million won	33,320	32,703	26,274	
	Net profit during the term		million won	25,563	24,984	16,721	
	R&D investment cost		million won	1,906	2,510	3,185	

* A subsidiary of Gowoonseesang Cosmetics is Gowoonseesang (Shanghai) located in China, wholly owned by Gowoonseesang Cosmetics.

2. Non-financial Performance

● Governance

Category	Indicator		Unit	2019	2020	2021	Remarks
Operation of Board of Directors	Number of times of board of directors meetings held	Total number of times of board of directors meetings held	Case	4	2	2	
		Regular board of directors meeting	Case	1	1	1	
		Special board of directors meeting	Case	3	1	1	
	Outside director attendance rate	Number of outside directors who attended board of directors meeting	Person	6	4	4	
		Attendance rate	%	75%	100%	100%	
		Number of internal directors who attended board of directors meeting	Person	8	4	4	
		Attendance rate	%	100%	100%	100%	
Category	Indicator		Unit	2019	2020	2021	Remarks
Composition of Board of Directors	Composition of outside directors	Total	Person	2	2	2	
		Male	Person	2	2	2	
		Female	Person	0	0	0	
	Composition of internal directors	Total	Person	2	2	2	
		Male	Person	2	2	2	
		Female	Person	0	0	0	
	Internal/outside directors	Number of female directors	Person	0	0	0	
		Ratio of female directors	%	0	0	0	

● Social

Category	Indicator		Unit	2019	2020	2021	Remarks
Present state of entire employees	Total number of domestic and overseas employees	Total	Person	120	171	193	
		Male	Person	32	43	48	
		Female	Person	88	128	145	
	Total number of domestic employees	Total	Person	104	148	170	
		Male	Person	28	39	43	*For full-time employees
		Female	Person	76	109	127	
	Total number of overseas employees	Total	Person	14	20	17	
		Male	Person	4	4	4	*For full-time employees
		Female	Person	10	16	13	*Employees of Gowoonse Sang Cosmetics China branch
Category	Indicator		Unit	2019	2020	2021	Remarks
Present states of employees by type	Domestic and overseas employees - regular	Total	Person	118	168	187	
		Male	Person	32	43	47	
		Female	Person	86	125	140	
	Domestic and overseas employees - non-regular	Total	Person	2	3	6	
		Male	Person	0	0	1	
		Female	Person	2	3	5	
Category	Indicator		Unit	2019	2020	2021	Remarks
New employment	Newly hired employees	Total	Person	32	68	50	
		Male	Person	4	15	12	*Newly hired employees: Full-time employees based on the head office and contract employees for more than one year (excluding daily and short-term part-time workers)
		Female	Person	28	53	38	
Category	Indicator		Unit	2019	2020	2021	Remarks
Voluntary retirement	Voluntarily retired employees	Number of voluntarily retired employees	Person	12	20	20	*Calculation criteria: Based on the loss of four major insurances excluding those subject to recommended resignation and those with expired contract
		Ratio	%	100	87	87	*Based on full-time employees at the head office (voluntarily retirees/all retirees, full-time employees at the head office +contract employees for at least 1 year)
Category	Indicator		Unit	2019	2020	2021	Remarks
Employee diversity	Diversity of recruitment	Female employees	Person	77	110	128	
		Number of disabled employees	Person	0	0	0	
		Ratio of minority group employment	%	65	65	68	*Minority groups: the disabled and women

Category	Indicator		Unit	2019	2020	2021	Remarks
Use of flexible working system by employees	Number of employees who used the teleworking system	Male	Person	0	31	41	
		Female	Person	0	87	111	
		Total	Person	0	118	152	
	Number of employees who used the selective working hour system	Male	Person	18	43	47	
		Female	Person	71	125	140	
		Total	Person	89	168	187	
Category	Indicator		Unit	2019	2020	2021	Remarks
Employee Personnel Evaluation	Employees who received regular personnel evaluation	Number of employees who received regular personnel evaluation	Person	104	148	170	For full-time employees Based on head office, Logistics Center
		Ratio	%	100	100	100	
Category	Indicator		Unit	2019	2020	2021	Remarks
Employee Medical Check-up	Ratio of employees who received medical check-up	Number of employees subject to medical check-up	Person	104	148	170	
		Number of employees who received medical check-up	Person	69	49	69	
		Ratio	%	66	33	41	
Category	Indicator		Unit	2019	2020	2021	Remarks
Employee Maternity Leave, Parental Leave	Number of maternity leave users	Total	Person	1	3	3	For full-time employees Based on head office, Logistics Center
		Male	Person	0	0	1	
		Female	Person	1	3	2	
	Number of parental leave users	Total	Person	5	9	9	
		Male	Person	0	1	2	
		Female	Person	5	8	7	
	Ratio of continuous service for at least 12months after a parental leave	Total	%	0	11	44	
		Male	%	0	0	0	
		Female	%	0	11	44	
Category	Indicator		Unit	2019	2020	2021	Remarks
Employee Code of Ethics Pledge	Employee code of ethics pledge	Number of employees who pledged	Person	-	-	177	
		Ratio	%	-	-	97	
Category	Indicator		Unit	2019	2020	2021	Remarks
Employee Training	Safety and health education	Trained employees	Person	-	134	189	
		Number of times of training	Number of times	-	1	4	

Category	Indicator		Unit	2019	2020	2021	Remarks
Employee Training	Human rights education	Trained employees	Person	-	134	167	Legal compulsory education, safety and health education, new employee education
		Number of times of training	Number of times	-	1	1	
	Information security education	Trained employees	Person	-	134	167	
		Number of times of training	Number of times	-	1	1	
	Employee training	Education investment cost	million won	3,072	8,529	7,419	
		Total training hours	Hour	32	317	410	
		Training hours per employee	Hour/person	26	58	44	
Category	Indicator		Unit	2019	2020	2021	Remarks
Whistle Blowing	Whistle blowing received	Number of whistleblowing cases received	Case	0	0	0	*Whistleblowing: Includes anti-corruption, sex discrimination, sexual harassment in the workplace, and harassment in the workplace
		Number of whistleblowing cases handled	Case	0	0	0	
		Number of cases of disciplinary actions based on whistle blowing	Case	0	0	0	
		Whistleblower Handling Rate	%	-	-	-	
Category	Indicator		Unit	2019	2020	2021	Remarks
Workplace Health and Safety	Frequency rate of injury		%	0	0	0	
	Severity rate of injury		%	0	0	0	
	Occupational Illness Frequency Rate		%	0	0	0	
Category	Indicator		Unit	2019	2020	2021	Remarks
Social Contribution Activities	Total donations		million won	100	100	100	Regular sponsoring of the Green Umbrella Child Fund Korea
Category	Indicator		Unit	2019	2020	2021	Remarks
Customer Satisfaction	Customer satisfaction	Score	Point	-	4.6	4.5	*Perfect score 5 points Consumer Complaints and Counseling Satisfaction Survey Score
		Number of cases received	Case	-	5	12	
	Receipt of consumer complaints	Number of cases handled	Case	-	5	12	
		Handling ratio	%	-	100	100	
Category	Indicator		Unit	2019	2020	2021	Remarks
Violation of bylaws and laws	Occurrence of discrimination case	Number of cases received	Case	0	0	0	
		Number of cases handled	Case	0	0	0	
		Handling ratio	%	-	-	-	
	Occurrence of child labor	Number of child labor employees	Person	0	0	0	
	Legal measures against unfair transaction such as act to hamper competition and monopoly	Number of cases occurred	Case	0	0	0	

Category	Indicator		Unit	2019	2020	2021	Remarks
Violation of bylaws and laws	Violation of environmental laws and regulations	Number of cases occurred	Case	0	0	1	In accordance with the “Act On The Promotion Of Saving And Recycling Of Resources,” the fine was paid for exceeding the standard for packaging space ratio.
		Amount of fine	Won	0	0	1,600,000	
	Violation of laws and regulations in social and economic aspects	Number of cases occurred	Case	0	0	0	
		Amount of fine	Won	0	0	0	
	Violation of customer privacy and loss of customer information	Number of cases of complaints	Case	0	0	0	
	Violation of legal regulations and self-regulation on marketing communications	Number of cases occurred	Case	0	0	0	

● Environment

Category	Indicator		Unit	2019	2020	2021	Remarks
Energy Consumption	Energy consumption	Total	TJ	0.2	0.6	0.7	Based on head office and logistics center *Energy consumption in 2019 was counted only with the energy used at the Logistics Center
		Total floor area	m ²	3,276	8,521	8,521	
		Energy consumption basic unit	TJ/m ²	0.00006	0.00007	0.00008	
	Energy consumption within the organization	Electricity	TJ	0.2	0.6	0.7	
		Renewable energy consumption ratio	%	0	0	0	
Category	Indicator		Unit	2019	2020	2021	Remarks
Water Resource Management	Water use	Water consumption	ton	-	197	193	Based on head office *It is impossible to count water consumption in 2019 *Due to the nature of this company’s business, water consumption and intaking water volume are the same












SASB

The US Sustainability Accounting Standards Board (SASB) is a non-profit organization that establishes non-financial reporting standards and establishes and operates the SASB Index, a sustainability accounting standard. Therefore, Gowoonseesang Cosmetics has reported its sustainability data in accordance with the standard for the sector of household & personal products.

Topic	Code	Indicator	Report page and details
Water Management	CG-HP-140a.1	1 Total water withdrawn	➡ 43 : Since separate facility was installed in the laboratory in the head office to intake and use water, 193 tons of water was used in 2021.
		2 Total water consumed, (thousand m3), percentage of each in regions with High or Extremely High Baseline Water Stress	All the water used is taken in South Korea, where the water stress index is classified into Medium-High.
	CG-HP-140a.2	Description of water management risks and discussion of strategies and practices to mitigate those risks	The water used in the laboratory is in the form of purified water purified using filters for purifying water and the quantity used is not larger than 2 tons per year. Although there has been no water management plan thus far, our company recognized the importance of water resource management in the process of implementing ESG management, and plans to systematize the management plan so that water resources are not wasted hereafter.
Product Environmental, Health, and Safety performance	CG-HP-250a.1	Revenue from products that contain REACH substances of very high concern (SVHC)	Since our company does not plan to export to the EU, our company has not checked the relevant content thus far.
	CG-HP-250a.2	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	Since our company does not plan to export to California, our company has not checked the relevant content thus far.
	CG-HP-250a.3	Discussion of process to identify and manage emerging materials and chemicals of concern	➡ 12, ➡ 29, ➡ 33 : The R&D center complies with the domestic Cosmetics Act and selects raw materials based on the following criteria. <ul style="list-style-type: none">• Safety review : Raw materials excluding harmful ingredients and by-products (Safety)• Effectiveness review : Raw material with proven efficacy on the skin (Efficacy)• Animal ethics review : Raw materials that have not been experimented animals (Cruelty Free)• Review of the characteristics of the manufacturing country : Raw materials with residual radioactivity tested in a certain country (Hazard Free)• Ecosystem hazard review : Raw materials that are sustainable with coral and aquatic plants (Reef-Safe)• Circulation risk review : Raw materials of which the discharge and circulation are not risky (Microplastic Free)
	CG-HP-250a.4	Revenue from products designed with green chemistry principles	➡ 25~29, ➡ 33 : Our company uses eco-friendly packaging materials and has improved containers to facilitate recycling and separate disposal of wastes. In addition, in order to reduce the impact on the ecosystem, our company is developing products using raw materials certified as being eco-friendly and is researching and developing vegan cosmetics from which animal raw materials have been eliminated. In 2021, there were a total of two vegan products, which achieved sales of 373 million won.
Packaging Lifecycle Management	CG-HP-410a.1	1 Total weight of packaging	Total weight of packaging is 1,145ton.
		2 Percentage made from recycled and/or renewable materials	PCR glass is used for 50%.
		3 Percentage that is recyclable, reusable, and/or compostable	Biodegradable biomaterial (PLA) spatula, of which 80-98% is biodegradable, has been certified for biodegradation.
	CG-HP-410a.2	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	➡ 25~29, ➡ 33 : Our company plans to utilize eco-friendly packages (green tea paper, Centella asiatica paper, mineral paper, paper ketobashi, paper packaging, plastic-free delivery box, paper pouch, pulp mold, fsc certified paper, soy ink), easy-to-recycle plastics (single material container, metal-free pump, shrink film, transparent PET, PCR plastic container, PCR glass bottle container), and reuse packages (cold storage bag, pulp mold machine).
Environmental & Social impacts of palm oil supply chain	CG-HP-430a.1	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	Thus far, our company has not checked any relevant content.

UN SDGs

The UN Sustainable Development Goals (SDGs) are the UN’s global mid- to long-term development plans that are implemented with 17 goals to solve global economic, environmental, and social problems by 2030. Gowoonseesang Cosmetics actively supports the UN SDGs, and promotes activities to support the achievement of the 17 goals and 169 detailed goals.

UN SDGs Indicator	Main actions		Report Page
	Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none">• With a view to strengthening organizational capabilities in a growing culture, online training processes are reinforced, and employee performance evaluations are conducted regularly.• Health checkup and psychological counseling programs are operated so that employees can immerse themselves in their work in a physically, mentally and socially healthy state.	➔ 22~23
	Ensure inclusive and equitable quality education and promote life-long learning opportunities for all	<ul style="list-style-type: none">• Online training is conducted and implemented so that employees can grow through learning.• In order to create an environment where employees grow through employee training, common competency, job competency, and leadership competency strengthening programs are implemented.	➔ 34
	Achieve gender equality and empower all women and girls	<ul style="list-style-type: none">• As a female-friendly company with a female worker ratio exceeding 75%, Gowoonseesang Cosmetics pursues an organizational culture that is good for females to work, and operate various female-friendly systems such as shortening working hours throughout the pregnancy period, allowing prenatal checkups during work, and providing 2 years of parental leave.• The company conducts organizational culture diagnosis every year, and in 2022, the company was selected as a Good Company to Work for in Asia’ for two consecutive years and as a ‘Good Company to Work for’ for three consecutive years.	➔ 22~23
	Ensure access to affordable, reliable, sustainable, and modern energy for all	<ul style="list-style-type: none">• To secure package sustainability, the company promotes activities to reduce energy consumption with packaging materials made using eco-friendly raw materials.	➔ 25~28
	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	<ul style="list-style-type: none">• The company implements human rights management that guarantees the basic labor rights of employees to create quality jobs.• The company strives to achieve sustainable growth through a sound and transparent decision-making process that avoids an arbitrary decision-making system in which authority and responsibility are concentrated on one person and pre-verifies agendas through a consensus body in which employees participate.	➔ 22~24
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none">• In order to secure the eco-friendliness of containers and packaging materials for sustainable growth responding the demand for improvement of the environmental impact of cosmetics, the company uses eco-friendly packaging materials, redesigns packages to ensure ease of separate disposal, and provides detailed separate disposal guides.• By developing vegan and eco-friendly products, the company reduced impacts on the environment and ultimately laid the foundation for sustainable growth.	➔ 25~29
	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none">• As the trend of sustainable consumption of cosmetics spreads, the company replace existing cosmetics and packaging materials with eco-friendly materials, redesigns packages, and provides separate disposal guides for easy recycling.• The company secures sustainability by purchasing raw materials from those cooperative companies that actively promote ESG management.	➔ 25~29
	Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none">• The company respond to the climate change crisis by manufacturing containers from raw materials that can reduce carbon emissions during the product use cycle.• The company does not use excessive packaging materials and strives to reduce wastes.	➔ 25~28
	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	<ul style="list-style-type: none">• The company launched reef-safe sun care that excluded the use of avobenzone, oxybenzone, and octinoxate, which are marine ecosystem pollutants contained in sunscreens in consideration of coral reef protection and marine ecosystems.	➔ 29
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	<ul style="list-style-type: none">• The company enhances the sustainability of forests by purchasing packaging materials through cooperative companies that secured FSC certification, a certification of packaging materials that protect forests.	➔ 25~29
	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	<ul style="list-style-type: none">• The company established a code of ethics for employees and ethical management policies regarding conducting business honestly and transparently, respecting stakeholders, and fulfilling corporate social responsibilities as the standard for ethical management.• The company operates an ethics reporting site for violations of ethics and compliance to receive information.	➔ 35

GRI CONTENT INDEX

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	102-49	Changes in reporting	➡ 2	Not applicable because this report is the company's first report
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Topic	Disclosure	Title	Report Page	Remarks
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Independent Assurance Statement

To: The Stakeholders of GOWOONSESANG COSMETICS Co., Ltd.

Introduction and objectives of work

BSI Group Korea (hereinafter “the Assurer”) was asked to verify 2021 Gowoonseesang Cosmetics sustainability report (hereinafter “the Report”). This assurance statement applies only to the relevant information contained in the scope of the assurance. Gowoonseesang Cosmetics is solely responsible for all information and assertion contained in the report. The responsibility of the assurance is to provide independent assurance statement with expert opinions to Gowoonseesang Cosmetics by applying the verification methodology and to provide this information to all stakeholders of Gowoonseesang Cosmetics.

Assurance Standards and Levels

This assurance was based on the AA1000AS v3 (2020) Assurance Standard and confirmed that the report was prepared in accordance with the Core Option of GRI Standards, the international standards guidelines of sustainability reports. The assurance level was based on the Type 1 that confirmed compliance with the four principles of AA1000 AP (2018) in accordance with the AA1000 AS.

Scope of Assurance

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

- Based on the period from January 1st to December 31st 2021 included in the report, some datas include first half of 2022.
- Major assertion included in the report such as sustainability management policies, strategies, objectives, business and performance
- Information related to material issues determined as a result of materiality assessment
- Appropriateness and consistency of processes and systems for data collection, analysis and review

The following contents were not included in the scope of assurance.

- Financial information
- Disclosures in the international standards and initiatives index excluding GRI
- Other related additional information such as the website presented in the report

Methodology

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

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

Limitation

The assurer performed limited verification over a limited period based on the data provided by the reporting organization. This means that no significant errors are found during the verification process, and that there are limitations associated with the inevitable risks that may exist. The assurer does not provide assurance for possible future impacts that cannot be predicted or verified during the verification process and any additional aspects related thereto.

Assurance Opinion

- On the basis of our methodology and the activities described above, it is our opinion that
- The information and data included in the report are accurate and reliable and the assurer cannot point out any substantial aspects of material with mistake or misstatement.
 - The report is prepared according to the Core option of the GRI Standards.
 - The assurance opinion on the four principles presented by the AA1000 AP (2018) is as follows.

AA1000 AP (2018)	
Inclusivity: Stakeholder Engagement and Opinion	Gowoonseesang Cosmetics defined consumers, employees, shareholder/investor, cooperative companies and partners, local communities and the government (local governments and related organizations such as associations) as key stakeholder groups, and operates communication channels for each group for stakeholder engagement. Gowoonseesang Cosmetics conducted a survey on internal and external stakeholders and collected various opinions and expectations of stakeholders based on the response results, and reflected the derived material issues in decision-making on sustainability management.
Materiality: Identification and reporting of material sustainability topics	Gowoonseesang Cosmetics derived the issue pool of 32 topics through the risk assessment process and communication with stakeholders, based on the results of media research, benchmarking global advanced companies, analysis of major global initiatives related to sustainability, and opinions collected from communication channels of each stakeholder group. Gowoonseesang Cosmetics conducted a materiality assessment that comprehensively considered stakeholder interest and business impact, and selected the 8 material issues identified.
Responsiveness: Responding to material sustainability topics and related impacts	Gowoonseesang Cosmetics establishes and implements a response plan for each issue to appropriately respond to the derived core issues that reflects the expectations of stakeholders, and discloses detailed response activities and performance for them in the report.
Impact: Impact of an organization's activities and material sustainability topics on the organization and stakeholders	Gowoonseesang Cosmetics implemented the process to identify and evaluate the impact on organizations and stakeholders related to important issues. Gowoonseesang Cosmetics make decisions on operations and management of impacts that could arise from each important issue by identifying and assessing the impacts, risks, and opportunities regarding selected important issues. And the results of impact, risk, and opportunity factors analysis on important issues were used for decision-making to respond to each issue, and the process was disclosed in the sustainability report.

Key areas for ongoing development

- It may be helpful to advance the sustainability management system to consider the major industries and characteristics, establishing a mid- to long-term ESG plan, including joining sustainability-related initiatives and establishing an environmental management system, and specifying the process and objectives for identifying sustainability issues.
- It may be helpful to advance the sustainability management system to operate and disclosure ESG committees dedicated to sustainability issues, organizations dedicated to ESG and organization's key roles and responsibilities.

Statement of independence and competence

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

Evaluation against GRI 'In Accordance' Criteria

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

[Universal Standards]

Organizational Profile 102-1~13/ Strategy 102-14/ Ethics and Integrity 102-16~17/ Governance 102-18, 102-22/ Stakeholder Engagement 102-40~44/ Reporting practice 102-45~56/ Management Approach 103-1~3

[Topic-specific Standards]

- Economic: 203-1, 203-2, 205-3, 206-1
- Environmental: 302-1, 303-3, 303-5, 307-1
- Social: 401-1~3, 403-6, 403-9, 404-1, 404-3, 405-1, 406-1, 416-1

Major joined organizations

Names of joined associations and initiatives	Year of joining	Name of managing organization
Korean Personnel Improvement Association	2022	Korean Personnel Improvement Association
Korea International Trade Association	2022	Korea International Trade Association
Korea Cosmetics Association	2022	Korea Cosmetics Association
Korea Global HR Officer Association / Korea Foreign Enterprise Human Resource Management Association G-CHRO (KOFEN HR)	2021	Korea Foreign Enterprise Human Resource Management Association

GOWOONSESANG

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