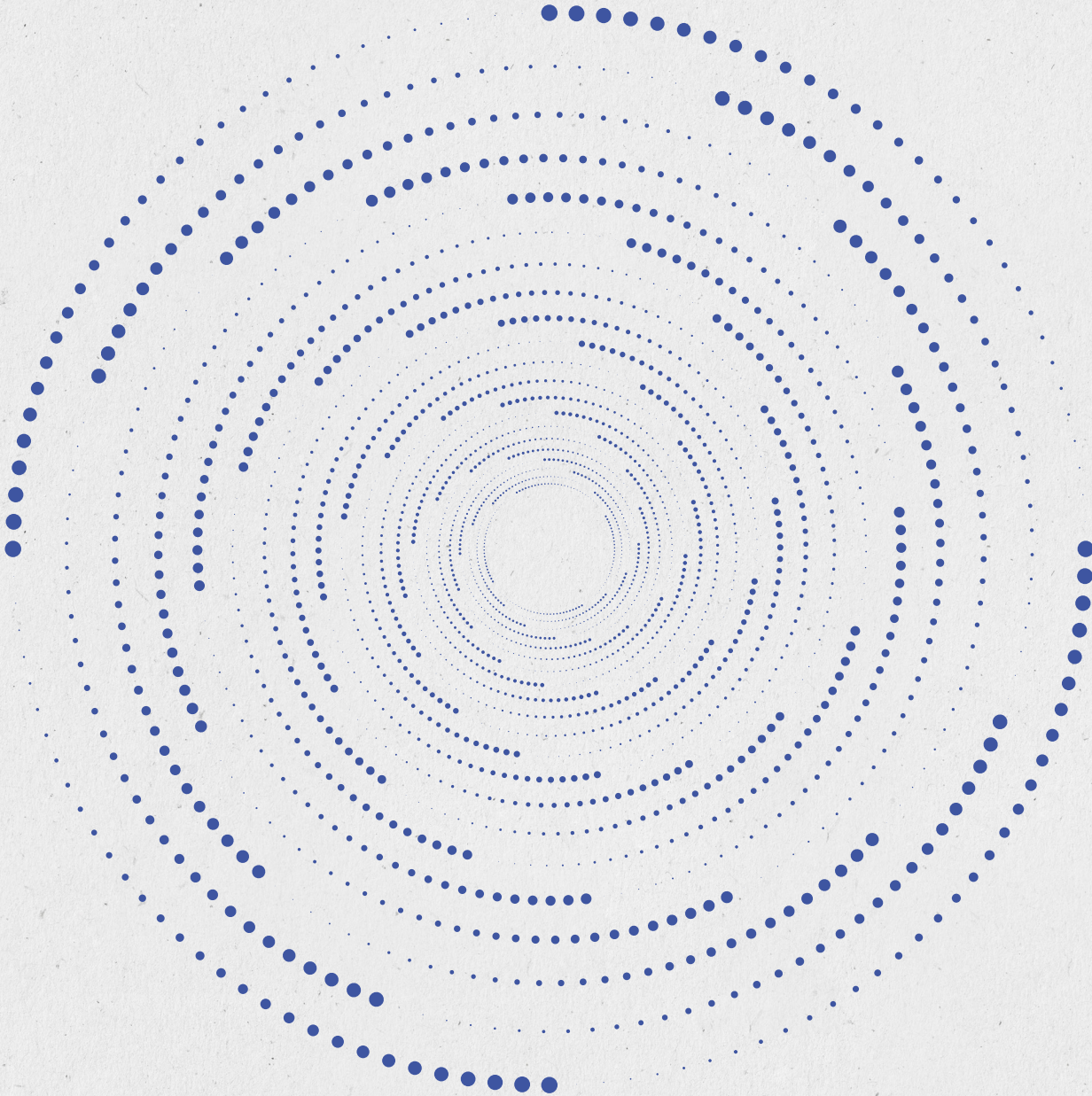


2023 AEKYUNG INDUSTRIAL SUSTAINABILITY REPORT



Fragrant Resonance



SMALL ACTIONS, BIG CHANGES

TO ENSURE FRAGRANT ENCOUNTERS CONTINUE.

Aekyung Industrial is committed to spreading the fragrance of a happy and fulfilling life.
We aim to create a happier and more fragrant world through our positive influence
on society in the way we do best. That is what we do best, and that is our mission.



LOVE & RESPECT

2023 AEKYUNG INDUSTRIAL SUSTAINABILITY REPORT

Fragrant Resonance

ABOUT THIS REPORT

Overview

Since 2022, we have been publishing the Sustainability Report and utilizing it as a communication channel to share our sustainability activities, achievements, and future plans. Through the annual publication of the Sustainability Report, we aim to communicate transparently with various stakeholders and strive for sustainable growth.

Scope and Period

The scope of this report includes consolidated financial information for financial performance, and focuses on all domestic business sites of Aekyung Industrial for non-financial performance.

*All domestic worksites: Head Office, AKIC, Cheongyang Plant, Daejeon Plant (closed since October 2023), R&D Center, and Domestic Logistics Center.

The reporting period covered is from January 1, 2023 to December 31, 2023, and some items that need to be tracked are presented with data for the past three years. Regarding certain items of the information used in the report that require special attention to the scope and period, additional notes have been provided for the reader's convenience.

Reporting Standards and Principles

This report has been prepared in compliance with the Global Reporting Initiative (GRI) Standards 2021, which provide guidelines for sustainability reporting,

and the Household & Personal Products Industry Standards of the Sustainability Accounting Standards Board (SASB), the U.S. sustainability accounting standards. Additionally, the report incorporates other indicators, including the key targets of the UN-SDGs.

Reporting Assurance

This report has been third-party assured by the Korean Foundation for Quality, a specialized assurance organization, to ensure the accuracy and reliability of the reporting content. Details on the assurance opinions are included in the Appendix.

Inquiry on Report

For inquiries regarding this report, please contact us at the email address below.

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Department | Sustainability Management Division ESG Team

E-mail | ak.esg@aekyung.kr

2023 AEKYUNG INDUSTRIAL SUSTAINABILITY REPORT

Fragrant Resonance

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INTRODUCE AK

THE FRAGRANT POWER THAT TOUCHES THE HEART

AK remembers the power of scent. Our fragrant movements touch hearts and guide us on an emotional journey.

We believe that small but consistent actions blend into our lives fragrantly, and we know that these efforts lead us to beautiful moments.



CEO MESSAGE

Dear esteemed and beloved stakeholders,
We would like to express our heartfelt gratitude for your continuous support and attention, which have enabled Aekyung to evolve over the past 70 years.
Building on a history of numerous 'firsts,' we are now poised to advance further as a 'global lifestyle beauty company.' Your unwavering interest and encouragement have been instrumental in this journey, and we sincerely thank you.

Since 2021, Aekyung has consistently achieved an 'A' (Korea ESG Standards Institute) rating in corporate ESG evaluations. This accomplishment reflects not only the dedication of our employees who have continually pursued customer satisfaction based on our mission and corporate philosophy of 'Love (愛) and Respect (敬),' but also the great love and interest from all our valued stakeholders in Aekyung. We believe this is a precious outcome of the combined efforts and commitment of everyone involved.

In today's corporate management, ESG is not an option but a necessity. To achieve sustainable growth, we must go beyond merely satisfying our shareholders, employees, and customers who purchase our products. We must foster co-growth with a broader range of stakeholders, including our partners and local communities, and maintain transparency and fairness with all stakeholders.

Aekyung is dedicated to establishing a genuine ESG execution system. Since the establishment of the ESG Committee under the Board of Directors in 2023, we have formed an ESG team specifically focused on advancing our sustainability management system in dedication to our Sustainability Management Division and its ESG operations. Our commitment extends beyond merely strengthening the ESG organization. Starting this year, we aim to expand our efforts towards activity-oriented ESG initiatives that focus on shared growth with many of our stakeholders.

The year 2024 is meaningful as it marks the 70th anniversary of founding of Aekyung Group.

Despite the challenging business environment characterized by high interest rates, exchange rates, and energy prices, we must not cease our pursuit of sustainable growth through challenge and innovation. We achieved a definitive turnaround in our business performance in 2023 after overcoming the long COVID-19 period, and we will continue to drive 'globalization,' 'digitalization,' and 'premiumization' to forge a path for substantial growth.

Moving forward, Aekyung will build on our commitment to challenge and innovation for sustainable growth, striving to be a trusted company for customers, shareholders, and employees. We are dedicated to putting our customers first and enhancing their quality of life, while maintaining transparency and fairness with all our stakeholders.
Thank you.

Kim Sangjoon
CEO of Aekyung Industrial

COMPANY INTRODUCTION

Aekyung Industrial began as Aekyung Oil and Fat Industry Co., Ltd. in 1954 based on the corporate philosophy and vision of ‘Love and Respect’, and established Aekyung Industrial Co., Ltd. in 1985. Since then, Aekyung has grown with the love and trust of consumers. Starting with the launch of the ‘Mihyang’ beauty soap, Aekyung developed Korea’s first dishwashing detergent ‘Trio’, achieving growth in the household products sector, and expanded into the cosmetics business. Additionally, Aekyung extended its business into the global market, responding quickly to the market and becoming a leading global lifestyle and beauty.

Employees	Sales	Sales Composition	Operating Profit
912 Persons	668.9 billion KRW	38% ^{*Cosmetics} 62% ^{*Household goods}	61.9 billion KRW

^{*}Number of employees: Total number of employees, including registered directors.
(the business report discloses the total number of employees excluding registered directors.)

Korea Institute of Corporate Governance and Sustainability

^{*}Year of Evaluation: 2023



Overall Rating



Environmental



Social



Governance

Aekyung Industrial Co., Ltd. Overview

Company Name	Aekyung Industrial Co., Ltd.
Founded	April 25, 1985
Head Office	188, Yanghwa-ro, Mapo-gu, Seoul, Korea
Field of Business	Lifestyle and Beauty(BEAUTY CARE, PERSONAL CARE, HOME CARE)
CEO	Chai Dongseok, Kim Sangjoon
Business Sites	Head Office, AKIC(Aekyung Innovation Center), R&D Center, Cheongyang Plant, Cheongyang CDC, Logistics Centers(Cheongyang, Yongin, Gimhae), Aekyung (Shanghai) Trade

Business Location(Country) Address

Business Sites	Location(Country)	Address
Head Office		188, Yanghwa-ro, Mapo-gu, Seoul
AKIC(Aekyung Innovation Center)		41, WorldCupBuk-ro 6-gil, Mapo-gu, Seoul
R&D Center		120, Sinseongnam-ro, Yuseong-gu, Daejeon
Cheongyang Plant	Republic of Korea	1547-9, Chungui-ro, Jeongsan-myeon, Cheongyang-gun, Chungnam
Cheongyang CDC		1547-9, Chungui-ro, Jeongsan-myeon, Cheongyang-gun, Chungnam
Cheongyang Logistics Center		1547-9, Chungui-ro, Jeongsan-myeon, Cheongyang-gun, Chungnam
Yongin Logistics Center		11, Euni-ro 20-gil, Yangmyeon-si, Cheoin-gu, Yongin-si, Gyeonggi
Gimhae Logistics Center		224, Hallim-ro, Hallim-myeon, Gimhae-si, Gyeongsangnam-do
Aekyung (Shanghai) Trade	China	Unit 01 ,Floor 6 ,Building C, MIXC , No.1799, Wuzhong Road, Minhang District, Shanghai, China



Global Network

Aekyung is emerging as a leading global lifestyle and beauty company by supplying excellent products to our global customers.

Global Sales

232.3
billion KRW

Asia & Oceania

211.7
billion KRW

China, Hong Kong, Taiwan, Japan, Mongolia, Singapore, Vietnam, Uzbekistan, Cambodia, Malaysia, Indonesia, Nepal, Laos, Myanmar, Kazakhstan, Kyrgyzstan, Philippines, Thailand, India, Australia

Europe and Others

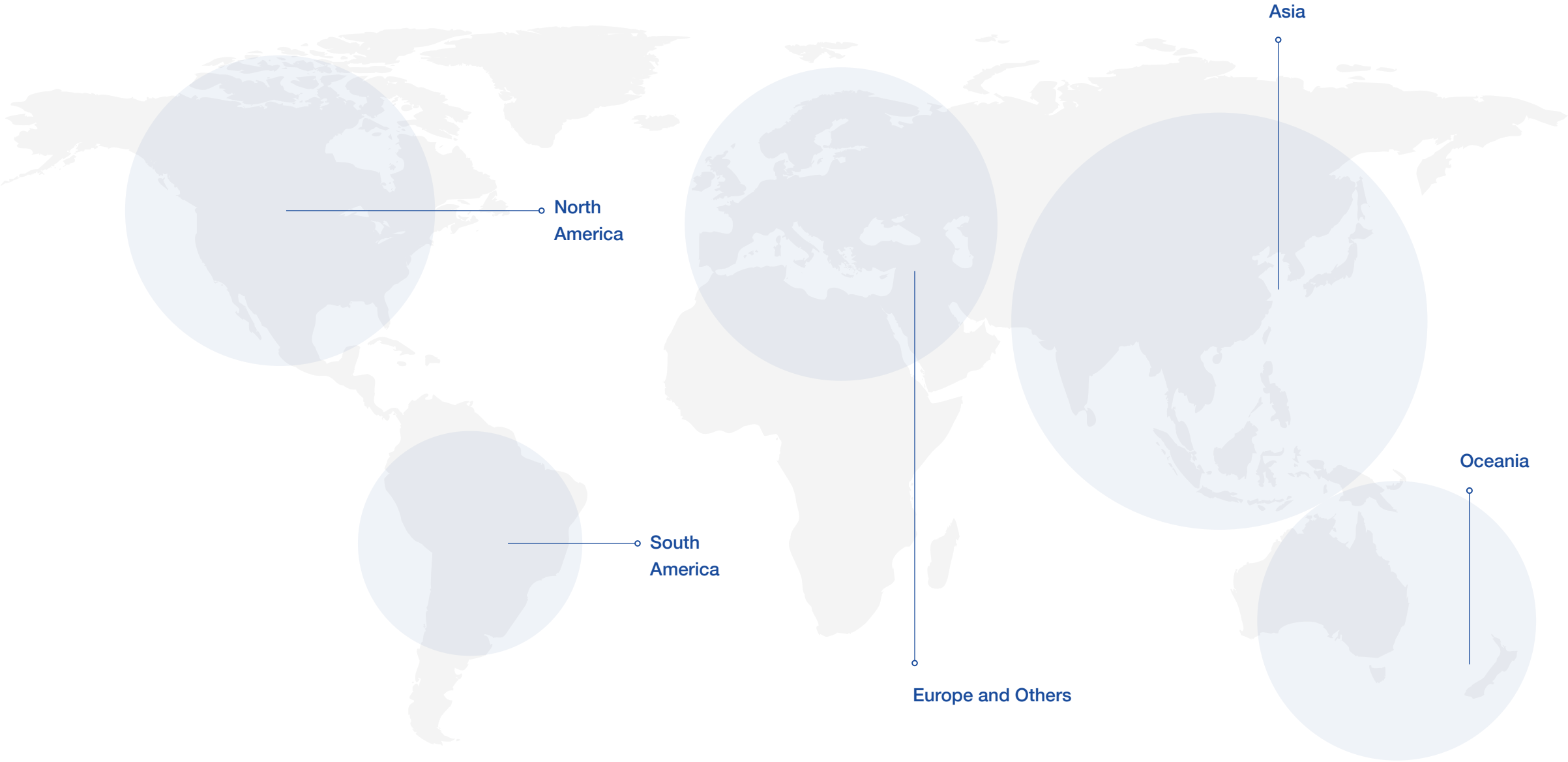
11
billion KRW

Germany, Russia, Ukraine, Poland, Moldova, United Kingdom, Spain, Belarus, Türkiye, United Arab Emirates

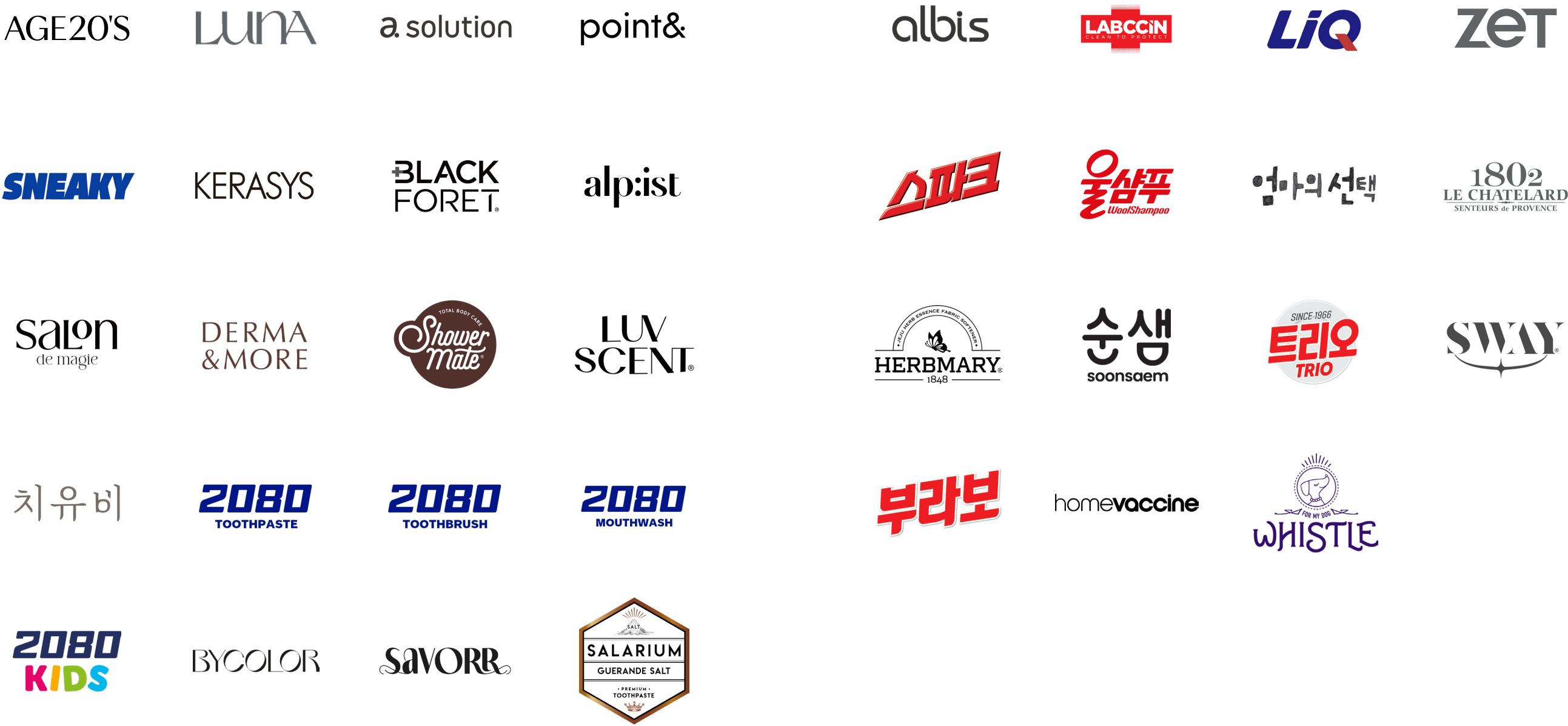
North and South America

9.6
billion KRW

Canada, United States, Paraguay, Chile, Mexico, Guatemala



BRAND PORTFOLIO



BRAND PORTFOLIO | BEAUTY CARE

AGE20'S

My Beautiful Ritual,
AGE20'S



LUNA

Makeup for professionals,
LUNA



a. solution

Troubles Care Specialist
Brands Offering Derma
Solutions



point&

We do all about clean,
point&



SNEAKY

An easy way to be
unobtrusively handsome,
Men's Styling Brand,
SNEAKY



BRAND PORTFOLIO | PERSONAL CARE



KERASYS
Korea's No.1 Professional Hair Clinic System, KERASYS



BLACK FORET.
A professional hair-care brand to reduce hair loss symptoms, BLACK FORET



alp:ist
A vegan beauty brand that coexist beautifully with nature, alp:ist



2080 TOOTHBRUSH
Keep 20 healthy teeth at the age of 80



2080 MOUTHWASH
Healthy teeth for life, 2080 MOUTHWASH



2080 KIDS
Step-by-step care for your child's permanent teeth, 2080 KIDS



salon de magie
A premium brand for salon care, SALON de MAGIE



DERMA & MORE
Scalp care for healthy hair DERMA & MORE



Showermate
A body healing mate for you, SHOWERMATE



BYCOLOR
A functional beauty dental brand that satisfies emotion and reason



SAVORR
The fragrant freshness and dignified breath



SALARIUM
Salt, recreated from the beginning



LUV SCENT
A personalized-scented wash and scrub recommended by a world-renowned perfumer

SMALL ACTIONS, BIG CHANGES



치유비
Provides care and nurturing tailored to the changing needs of women's bodies and emotions on a 28-day cycle, Chiuu b



2080 TOOTHPASTE
Keep 20 healthy teeth at the age of 80



albis
A baby & kids care brand for happy and healthy children



LABCCIN
The easiest way to maintain your hygiene, LABCCIN

BRAND PORTFOLIO | HOME CARE



All the features for today's laundry, with LIQ now



Make your laundry easier and make your life worthwhile! Re-discover your laundry with ZET



Powerful cleaning even in cold water! SPARK!



A smart dishwashing lifestyle with the 3rd generation dishwasher detergent, SWAY!



Trio's technology as-is! A specialized food materials brand



More than just home cleaning, homevaccine



No. 1* neutral detergent in Korea, Wool Shampoo



An eco-friendly homecare brand found with motherly love



A premium fragrance brand from Provence, France, LE CHATELARD 1802



Listen to Nature! WHISTLE



A fresh Jeju that remembers with fragrance, HERBMARY 1848



A mild and clean fragrance that thinks about family and nature, SOONSAEM!



Korea's first dishwashing detergent, TRIO!

BRAND PORTFOLIO | BEST SELLER

*By brand, based on the top sales revenue in 2023

Here are the most beloved products from Aekyung Industrial in 2023.



AGE20'S
Signature essence cover pact



LUNA
Long-lasting tip concealer



KERASYS
Lovely & Romantic Perfume Shampoo



BLACK FORET
Frozen Cool & Deep Clean Shampoo



SHOWER MATE
Clean cotton body wash



2080
Total blue



BYCOLOR
Dazzling Toothpaste



LIQ
Ultra gel essence



ZET
Max Perfume Color Care Lavender



SPARK
Original refill



Antibacterial
TRIO



LABCCIN
Total hand wash

PHILOSOPHY & VISION

[BUSINESS PHILOSOPHY]

A company that creates abundant and happy lives

“Advanced Management”

Executives and managers use their expertise and experience to stay ahead.

“Progressive Thinking”

By anticipating the possibility of the future, all employees develop a positive and enterprising mindset.

“Innovative Technology”

Create products with a high level of customer satisfaction based on technology that is ahead of the competitors.

[VISION]

With love and respect as our top priority, Aekyung brings happiness to the lives of customers and employees.

“Innovation & Pioneering”

Our team of global talent overcomes the fear of failure and tackles new challenges.

“Appreciation & Communication”

We appreciate and respect our customers and employees and strive to make the right decisions.

“Trust & Integrity”

We pursue authenticity and valuable experiences through ethical and transparent practice.

[VISION STATEMENT]

‘Innovation & Pioneering’ are the most important values for us as our purpose of work, while ‘Appreciation & Communication’ are values for creating a good culture in our work environment, and ‘trust & integrity’ are the most fundamental values for our work attitude.

Based on the fundamental attitude of ‘trust and integrity’, we hope to become ‘Aekyung’s people’ who grow through innovative and challenging work under the culture and environment of gratitude and communication.

[MANAGEMENT POLICIES]

Digital Transformation

Premium-based profitability enhancement

Accelerating globalization

Strengthen support department for growth

Creative and inclusive organizational culture

BUSINESS PERFORMANCE

Financial Performance

Aekyung Industrial achieved domestic and international sales of 668.9 billion KRW in 2023, marking a 9.6% growth compared to the previous year. The operating profit increased by 58.7% from the previous year, reaching 61.9 billion KRW.

Sales

668.9

billion KRW

Year-over-year

+9.6%

Operating profit

61.9

billion KRW

Year-over-year

+58.7%

Global Business Performance

Out of Aekyung Industrial’s total sales of 668.9 billion KRW, domestic sales accounted for more than half at 65.3%, followed by China at 25.1% and other regions at 9.6%.

Domestic

436.6

billion KRW

China

167.9

billion KRW

Others

64.4

billion KRW

Total

668.9

billion KRW

Domestic

65.3%

China

25.1%

Others

9.6%

*Share of sales in 2023

Cosmetics Division

Focusing on store channels, Korean cosmetics are becoming less dependent on China and more recognized in Japan, Southeast Asia, and the U.S. due to the expansion of Korean content.

Aekyung Industrial is flexibly responding to the needs of diverse consumers and evolving purchase channels, and is solidifying its position domestically by operating brand-specific online malls and launching products exclusive to online channels. In addition, to enter global regions outside of China, we are establishing local marketing strategies and launching localized products that reflect the characteristics of each country.

Moreover, to expand the business beyond China, we are striving for export diversification by establishing local marketing strategies and launching localized products that reflect the characteristics of each country. China is also seeking growth opportunities by actively utilizing channels such as shortforms as online/mobile consumption trends expand among young consumers.

Type	Unit	2021	2022	2023
Sales	billion KRW	221.7	219.7	251.3
Operating profit		29.1	28.5	36.3



Household Goods Division

Aekyung Industrial has driven structural growth amidst fierce market competition and volatile external conditions such as rising raw material costs by diversifying product portfolios and channels. In recent years, consumers have shown a preference for eco-friendly and premium products as they pursue ‘value consumption’, where consumers make purchasing decisions based on their values.

In response, we are continuously launching various eco-friendly, vegan, and other premium products tailored to the needs of our consumers.

Also, we are expanding contact points with customers through various channels such as H&B stores and online platforms, in addition to the existing large-scale retail channels. We are striving to expand the global market, as we have done in the cosmetics business.

Type	Unit	2021	2022	2023
Sales	billion KRW	352.2	390.7	417.6
Operating profit		-4.7	10.6	25.6



ESG STRATEGY FRAMEWORK

ESG Strategic Goals | Transformation with ESG Challenges

Categorization	Strategy Keywords	3 Strategic Directions	9 Strategic Priorities	17 Action Items	Relevant UN SDGs
Environmental	Practice Zero Waste	Advancing the Clean Cycle Business Model through Green Transformation	· Green TIE (Tec/Info/Edu) Expansion	· Reduce waste by managing waste management and strengthening recycling processes · Save energy by investing in renewable energy facilities by 2030 · Participate in Climate Change Mitigation by Enhancing Capabilities for Managing Air Pollutants and Greenhouse Gas Emissions by 2030 · Strengthen the integration of Green Transformation to enhance environmental training for employees	13CLIMATE ACTION 17PARTNERSHIPS FOR THE GOALS 12RESPONSIBLE CONSUMPTION AND PRODUCTION
			· Green Partnership Enhancement	· Establish a sustainable green supply chain by managing and supporting partners' environmental capabilities · Strengthening green business models by identifying and supporting green/recycled raw materials and products	
			· Green Value Experience Provision	· Enhance AKGI(Aekyung Green Index) operations · Participate in expanding not only cosmetic plastics initiatives but also environmental initiatives	
Social	Valuable Partnership	Building a coexistence and sustainability management system by strengthening community communication	· Happy Employees' Community	· Reinforce a positive organizational culture through corporate culture innovation · Establish global standards for working environment and human rights management	3GOOD HEALTH AND WELL-BEING 5GENDER EQUALITY 11SUSTAINABLE CITIES AND COMMUNITIES 8DECENT WORK AND ECONOMIC GROWTH 16PEACE, JUSTICE AND STRONG INSTITUTIONS
			· Mutual Growth Partners Community	· Create a mutually beneficial supply chain by establishing systems and support programs that embrace partners	
			· Collaborative Consumers Community	· Strengthen systems for product safety, quality management, and customer satisfaction	
			· Co-prosperity Local Community	· Strengthen and encourage participation in corporate social responsibility programs involving employee · Promote social communication through the publication of reports from a non-financial perspective	
Governance	Strengthening the Compliance System	Strengthen trusted ESG management by upgrading BOD leadership	· Organizing a BOD respected and ensured of its diversity and independence	· Implement responsible management by strengthening the leadership and roles of BOD · Establish a global-level governance system by expanding diversity and ensuring independence of BOD	10REDUCED INEQUALITIES 16PEACE, JUSTICE AND STRONG INSTITUTIONS
			· Establishing a BOD and audit organization with more expertise	· Strengthen ESG management execution by upgrading their expertise	

DOUBLE MATERIALITY ASSESSMENT

Aekyung Industrial conducts the materiality assessment in accordance with the ‘GRI Standards’, a guideline for sustainability reporting, and reports on selected key issues that may impact our sustainability management.

We ensured reliability through third-party verification of the process, evaluation, and results of selecting key issues, based on the four principles of inclusiveness, materiality, responsiveness, and impact.

Evaluations were conducted by applying the double materiality concept under the ‘GRI Standards’, considering both financial materiality and socio-environmental materiality to identify the key/strategic issues.

We have identified a total of three key issues and seven strategic issues by evaluating the respective issues based on business strategic direction, social and environmental materiality, and stakeholder interests. We will continue to address ongoing financial and socio-environmental issues both internally and externally by implementing strategies that promote sustainable growth and socio-environmental value at Aekyung Industrial.

Process

STEP 01. Organize an Issue Pool

- Identify global economic/social/environmental issues
- Apply changes in industry-related policies, regulations, etc.
- Analyze consumer trends
- Analyze ESG trends and key indicators
- Analysis of the Industry and Competitors

STEP 02. Identify Key ESG Issues

Analyze the Financial Materiality

- Promote mid to long-term strategic goals and direction
- Survey employees in the financial field
- Analyze AR/IR, strategy reports, and agendas
- Analyze ESG evaluation results

Analyze Social & Environmental Materiality

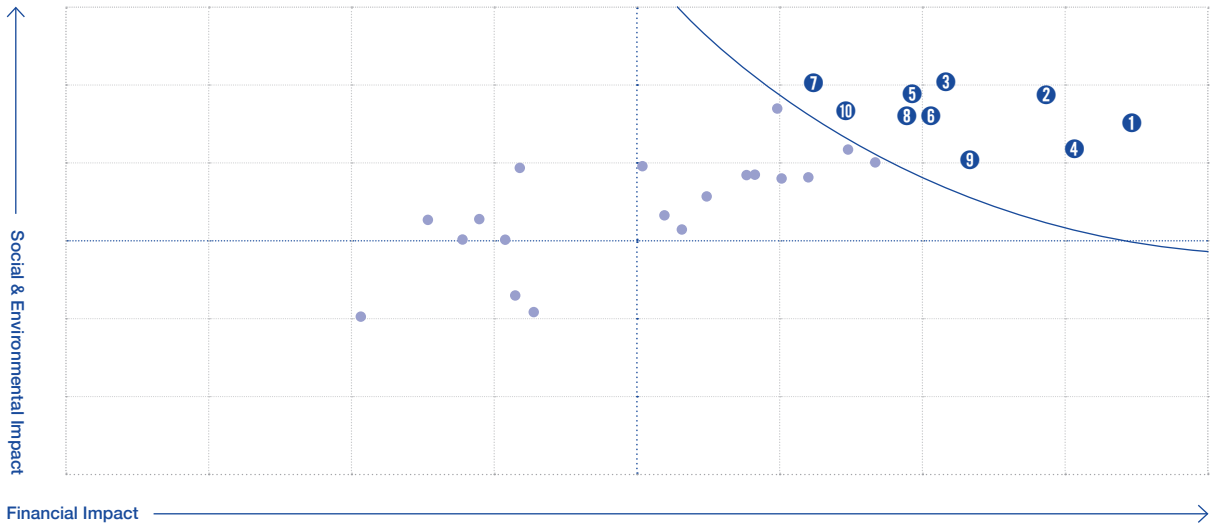
- Interview internal & external stakeholders
*Employees, external experts
- Analyze domestic/international companies with the best ESG practice
- Review ESG-related guidelines and indicators

STEP 03. Select ESG Key/Strategic Issues

- Select final issues and report to the BOD

Derive Materiality Issues		Page	GRI INDEX
Key Issues	Developing eco-friendly products and increasing the sales share	40 - 43	GRI 301
	Complying with fair trade	70, 95 - 96	GRI 206
	Improving waste recycling rate	39, 46	GRI 306
Strategic Issues	Improving customer service and satisfaction	72 – 74	GRI 416, 418
	Protecting shareholder interests and rights	87 – 94	GRI 2-29
	Enhancing information protection systems	75 – 76	GRI 418
	Strengthening safety/health management systems	59 – 66	GRI 403
	Strengthening ethics/anti-corruption management	71, 95 – 98	GRI 205
	Reducing the environmental impact of product packaging	39 - 44, 51 – 52	GRI 301
	Increasing efforts to reduce greenhouse gas, energy, and water consumption	37 - 38, 45 - 46, 48	GRI 305, 302, 303

Results of the Double Materiality Assessment



Rank	Area	Issue	Financial Impact	Social & Environmental Impact
1	Environmental	Developing eco-friendly products and increasing the sales share	3.70	8.85
2	Social	Complying with fair trade	3.37	9.57
3	Environmental	Improving waste recycling rate	3.09	9.94
4	Social	Improving customer service and satisfaction	3.57	8.54
5	Governance	Protecting shareholder interests and rights	2.97	9.60
6	Social	Enhancing information protection systems	3.04	9.12
7	Social	Strengthening safety/health management systems	2.72	10.06
8	Governance	Strengthening ethics/anti-corruption management	2.95	9.17
9	Environmental	Reducing the environmental impact of product packaging	3.27	8.09
10	Environmental	Increasing efforts to reduce greenhouse gas, energy, and water consumption	2.75	9.40

Critical Issue Management

Rank	Issue
1	Developing eco-friendly products and increasing the sales share
2	Complying with fair trade
3	Improving waste recycling rate

Survey

Period	Method	Details
2024.04.11 - 04.19	Online Survey	Survey on Financial, Social, and Environmental Impacts of Stakeholders for Establishing Aekyung Industrial's ESG Strategic System
Target		
Internal Stakeholders	Employees	All employees
	Group Affiliates	Aekyung Chemical, Jeju Air
External Stakeholders	Shareholders	AK Holdings
	Partners	Main Partners
	Customers	AK Lover
	Media	-
	Local Community	-

STAKEHOLDER COMMUNICATION

We define our key stakeholders as ‘employees’, ‘customers’, ‘shareholders/investors’, ‘partners’, and ‘local communities’ that directly or indirectly affect our business activities, and strive for mutual growth through active communication. Communication channels are operated for each stakeholder to gather their feedback and implement responsive actions accordingly.

Type	Employees	Customers	Shareholders/ Investors	Partners	Local Communities
Communication channel	· ‘Creating A Better Workplace Committee’, Labor-Management Council · ‘Report’ channel, AK’s Grievance Handling System · ‘Love & Respect Day’, Internal communication channel · ‘ON AEKYUNG’, Group webzine · ‘AEKYUNG DOODRIM, Product idea suggestion channel · ‘Occupational Health and Safety Committee’ for health and safety deliberations	· Corporate site and brand websites · Social media channels (Instagram, Facebook, Post, Naver TV, YouTube, etc.) · Aekyung Supporters ‘AK Lover’ · ‘CRM Team’, a team dedicated to customer consultation · Sustainability Management Report	· Annual General Meeting of Shareholders · Homepage disclosures and announcements · IR / AR / Business Report / Audit Report and other disclosure reports · Sustainability Management Report	· Communication channel for partners, ‘SRM System’ · Regular meetings with major partners · ‘Contractors’ Association’ for health and safety	· Social contribution programs
Key Interest/ Issue	· Fostering good labor relations · Improving the employees’ work environment · Addressing employees’ grievances · Internal communication channels and engagement · Providing opportunities for growth and self-development	· Providing Smooth and Prompt Information and Feedback · Improving product/service quality	· Enhancing shareholder value · Business Performance · Providing transparent information about Aekyung	· Mutual Growth · Fair Trade · Supporting Suppliers’ Sustainable Management	· Mutual growth with the local community · Managing environmental impacts around our business sites
Response Activities	· Improving organizational culture and expanding employee benefits · Operating an Open Feedback Channel · Organizing management-employee communication opportunities through ‘Love & Respect Day’	· Surveying consumer satisfaction and claims satisfaction · Receiving feedback on products and services · Operating a customer idea suggestion program	· Disclosing quarterly and annual results · Establishing mid to long term dividend strategies	· Operating the ‘SRM System’ · Collaborative development of eco-friendly packaging materials · Assessing Partner ESG and Linking Compensation to Results	· Operating and expanding social contribution programs · Monitoring the air quality around business sites · Surveying the ecosystem of the Chiseongcheon River basin

DESIGN MANAGEMENT

Design philosophy We design your future.

- Design Strategy
- 01. Design from your perspective
 - 02. Design to reflect the innate values
 - 03. Design to increase the brand value
 - 04. Design to create a happier life
 - 05. Design for the future

Design Management Activities

Launched AGE20’S Wishful Rabbit Edition

Create a cute rabbit design to the pact case to symbolize abundance to celebrate the Year of the Rabbit in 2023.



AGE20’S X Drop Drop Drop Collaboration

AGE20’s, a flagship cosmetics brand of Aekyung, has collaborated with lifestyle brand “Drop Drop Drop” to showcase “Essence Cover Pact New Original Drop Drop Drop Drop Edition,” which features unique and sensual design.



Aekyung Innovation Center, AKIC

Aekyung Innovation Center (AKIC) was remodeled to reflect the company’s new business strategy and changing social values. The five-story AKIC was built with metal and glass as its main materials, expressing innovation with the visual novelty using light and inspiration from new experiences through the transformation of space to drive innovation and creativity.



2023 HIGHLIGHTS

Achieved an overall ‘Grade A’ for the third consecutive year in KCGS ESG Rating.

Received ‘A’ for Environment, ‘A+’ for Social, and ‘A’ for Governance in 2023.



LABCCIN Kitchen Care Antibacterial Dishwashing Detergent

1. Obtained certification for ‘Green Technology’ and ‘Green Technology Products’
2. Selected as Green Product of the Year, 2023
3. Received Grand Prize in the Green Packaging Contest



We received the ‘Green Technology’ certification for our technology that uses naturally derived essential oils to replace antibacterial substances in dish detergents. Additionally, we obtained the ‘Green Technology Products’ certification for LABCCIN Kitchen Care Antibacterial Dishwashing Detergent. This innovative solution was selected as a Green Product due to its high evaluation for replacing synthetic preservatives with naturally derived essential oils from mustard seed extract, thereby reducing chemical usage while achieving the same level of cleaning power and antibacterial performance.

It also won the grand prize, the Chairman’s Award of the Korea Environment Packaging Institute, at the 13th Green Packaging Contest for introducing eco-friendly packaging materials considering resource recycling and recyclability.

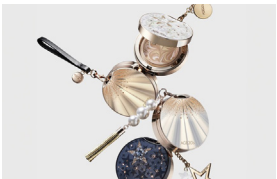
OBTAINED ISO 45001 CERTIFICATION FOR ALL BUSINESS SITES.

ISO 45001 is an international health and safety management system established by the International Organization for Standardization (ISO). It is the highest level of certification for health and safety that is awarded after a rigorous evaluation of a company’s systems and procedures to prevent various industrial accidents.

Following the certification of the Cheongyang Plant in December 2022, Aekyung Industrial achieved ISO 45001 certification for all its business sites, including the Head Office, R&D Center, and Logistics Centers in Yongin and Gimhae.



Winner of iF Design Award 2023



AGE20'S Essence Cover Pact Stellar Edition

Based on the concept of “Me, shining in the midst of the constellations in the night sky”, this product beautifully captures the brilliance of constellations, expressing a variety of lights that change depending on the viewing angle.



AGE20'S Biomelift Skincare

The soft curves connecting linear shapes delicately visualize new moments of encountering beauty.



LUNA Professional Makeup Brand

LUNA focused on the brand logo as one of the design elements that embodies the brand’s identity, and used with different typeface thickness to express the multi-faceted perspectives that LUNA pursues.



alp:ist Vegan Personal Care Brand

Inspired by the Alps of Switzerland, alp:ist expressed eco-friendly aesthetic in a modern vase-shaped container, with colors that evoke the freshness of nature and Alpine snowflakes.

Winner of 2023 PENTAWARDS



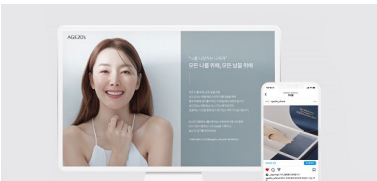
LiQ's Zet Pro Power Shot, ‘Gold Award’ in the Home, Leisure & Other Markets Category

LiQ Zet Pro Power Shot won the Gold Award in the Home, Leisure & Other Markets Category at the 2023 Pentawards for its simple design that highlights straight lines to express the powerful cleaning power of the detergent in the product package.



BYCOLOR, Beauty Dental Brand ‘Bronze Award’ in the Body, Health & Beauty Category

BYCOLOR won the Bronze Award in the Body, Health & Beauty Category at the 2023 Pentawards for its color-emphasized design that allows customers to find their own unique color by applying different product colors based on various oral concerns.



AGE20'S
Ranked No.1 in digital customer satisfaction^(HTH) survey for women’s cosmetics for two consecutive years



KERASYS
Won the Grand Prize in the Xiaohongshu(小红书) RED CASE



LiQ Zet Pro Power Shot
Won the 2023 Reddot Design Award

ENVIRONMENT

SWEET HARMONY WITH NATURE

We respect nature's resources and commit to sustainable development.
We value harmony with nature and develop our products through a creative
process inspired by it.

In doing so, our brands pursue sustainable beauty while fulfilling
environmental and social responsibilities.

NET ZERO 2050 ROAD MAP

We have established the NET ZERO 2050 ROAD MAP to achieve carbon neutrality. We are preparing and implementing various measures to reduce greenhouse gases gas emissions from our business activities. Our goal is to achieve net-zero greenhouse gas emissions by 2050, striving towards carbon neutrality.

Mid to Long Term Goals

2050 | Achieve NET ZERO
2030 | Achieve a 30% reduction in greenhouse gas emissions compared to 2022 levels
2040 | Achieve a 70% reduction in greenhouse gas emissions compared to 2022 levels

Detailed Plan for Greenhouse Gas Emission Reduction



*Numbers have increased year-over-year due to the expansion of new GHG emissions measurement scopes (e.g., business vehicles) starting in 2023.

Greenhouse Gas Emissions Reduction Strategies

01. Improve Facility Energy Efficiency

Through facility investment in 2023, we improved the wastewater treatment plant facility at the Cheongyang Plant, enhancing energy efficiency. We will continue to improve the energy efficiency at our plants through continuous green process investments and gradually reduce greenhouse gas emissions.

[Green Process Investments]
2021: 2.54 billion KRW (95% of the plan)
2022: 1.88 billion KRW (exceeded 100%)
2023: 1.15 billion KRW (exceeded 100%)

02. Use Renewable Energy

In December 2023, we installed a photovoltaic power generation facility at the Aekyung R&D Center, contributing to the reduction of carbon emissions by replacing conventional energy sources with renewable energy.

The electricity generated by the solar power facility is self-consumed, saving electricity bills and reducing carbon emissions by about 130tCO2-eq per year. Starting with Aekyung R&D Center, we aim to actively respond to global climate change by replacing conventional energy with renewable energy at our sites.

03. Expand Eco-Friendly Technology & Product Launches

In 2023, we achieved environmental certification for 218 products, contributing to the preservation of the environment by expanding eco-friendly products and services. We will strengthen the positive cycle where consumers naturally participate in eco-friendly activities by using our products.

SMART GREEN MANAGEMENT

Since declaring ‘Smart Green Management’ in May 2010, we have been striving to supply eco-friendly products.

To achieve our mid- to long-term goal of Smart Green Management by 2030, Aekyung has been applying our internal eco-friendly index, AKGI (Aekyung Green Index), in product development. This includes efforts to reduce the amount of plastic used and to develop products that are easy to recycle. Starting from 2023, we have established evaluation criteria for the material and structure of our product packaging based on the Ministry of Environment’s recycling policy direction, enabling us to objectively assess packaging designs. In addition, we expanded the evaluation targets from household products and some cosmetics items to all products, and established an internal management system aimed at developing sustainable eco-friendly packaging.

Smart Green Management Goals

Type			2024	2027	2030
Resource Circulation	Waste Recycling		80% waste recycling target	85% waste recycling target	90% waste recycling target
	Optimize AKGI Levels	Household Products	Design all new model products developed after 2024 at Level 5 or higher	Design all SKUs at LEVEL 5 or higher	AKGI Code modernization and optimize levels
		Cosmetics	Maintain 5% of SKUs at LEVEL 6 *LEVEL 6 Products: Lip tints, concealers, mist, essence, etc.		

Environmental Risk Management

Aekyung Industrial manages the launch and sales of green products through green purchasing. With the increase in the proportion of eco-friendly purchases, sales of green products have been affected financially. As a remedy, we are striving to increase the number of eco-friendly products and increase sales by producing recycled/reusable products during new product development.

Risk	Issue	Financial Impact	Enforcing Remediation
Expand eco-friendly product development and increase proportion of sales	The proportion of eco-friendly purchases increases but the sales of green products decrease	Proportion of eco-friendly purchases in 2021: 0.7%	— Expand recycled products with reduced plastic usage
		Eco-friendly product sales: 64.614 million KRW	
		Proportion of eco-friendly purchases in 2022: 2.0%	
		Eco-friendly product sales: 53.631 million KRW	
		Proportion of eco-friendly purchases in 2023: 3.2%	— No. of Recycled Product Items in 2023 7,992,769 EA
		Eco-friendly product sales: 53.662 million KRW	

Smart Green Management Strategy | Eco-friendly Management System — 01.

For smart green management, we purchase eco-friendly raw materials based on green purchasing standards to expand the launch of eco-friendly products. In 2023, the purchase of eco-friendly raw materials amounted to KRW 9.99 billion, an increase of 72% compared to the previous year. We are striving to provide consumers with sustainable products with low environmental impact by expanding the development and utilization of eco-friendly packaging materials with our partners.

Green Purchasing Policy

- Environmentally certified products as defined by the Act on Promotion of Saving and Recycling of Resources and its regulations.
- Waste reduction products such as packaging units, light weighting, refills, container collection, etc.
- Recycling certified products as defined by the Act on Promotion of Saving and Recycling of Resources and its regulations.
- Other items recognized for their eco-friendliness, including recycling using flame-retardant materials and waste raw materials, as well as obtaining environmental labels from foreign countries.

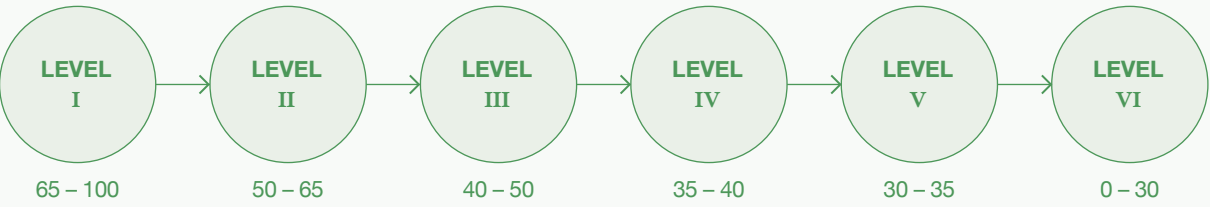
Green Purchasing Management

- ❶ To ensure the continuous promotion of green purchasing, the company must disclose all information regarding its green purchasing policy, guidelines, evaluation criteria, and evaluation methods, as well as all related matters, to both internal stakeholders and suppliers.
- ❷ The company shall designate and maintain an evaluation criteria and a vision for assessing the eco-friendliness of suppliers and the green attributes of purchasing items.
- ❸ In consultation with the heads of departments related to the operation and maintenance of the quality/environmental management system, the company shall endeavor to select suppliers and develop materials to expand green purchasing.

AKGI *AEKYUNG GREEN INDEX

We apply an internal eco-friendly index (AKGI) to develop sustainable products, such as reducing the amount of plastic used and developing products that are easy to recycle. In line with the Ministry of Environment’s recycling policy, we have established an evaluation criteria for the packaging and material structure of our products and operate them to objectively evaluate the packaging designs.

In particular, we revised the AKGI index in 2023 to expand the scope of evaluation, rationalize the evaluation criteria, and reward evaluations of eco-friendly activities. By 2025, we aim to design all SKUs at Level 5 or higher for household products and maintain 5% of cosmetics SKUs at Level 6.



Smart Green Management Strategies | Eco-friendly Product Launch — 02.

We will expand resource circulation by recycling, and increase the number of products that use sustainable packaging materials to take a step further towards ‘ZERO WASTE,’ and increase the launch of eco-friendly products.

Product Packaging PIR, PCR Usage

7,992,769EA | Plastic Volume : 286,415kg

01.
Recycling

alp:ist
Vegan Moisture Body Wash &
Body Lotion

Plastic usage
compared to
the previous year

-40% Reduction
↓

We have obtained vegan certification from the Korea Agency of Vegan Certification and Services by applying vegan formulas that exclude animal-derived ingredients in the manufacturing processes. Moreover, PIR(Post Industrial Recycled) materials made from recycled plastic residues for our product containers.



point&
Deep Clean Lip &
Eye Remover Long Pads

Plastic usage
compared to
the previous year

-50% Reduction
↓

In line with clean care, we have completed a vegan prescription certified by the Korea Agency of Vegan Certification and Services.

We used green-certified packaging materials with environmentally friendly inks for the pouch, and 50% post-consumer recycled plastic(PCR-PP) for the cap.



02.
Eco-friendly Package



BLACK FORET
Frozen Cool & Deep Clean Anti-hair loss Shampoo

We have used aluminum containers which are more recyclable than plastic, and labels that are easy to peel off by hand.



alp:ist
Vegan Scalp Care Shampoo Bar
‘Baby Powder Fragrance’



a.solution
Acne Clear Houttuynia Cordata Toner Pad



a.solution
Extreme Rebarrier Essential Lotion

We used foldable boxes certified by the Forest Stewardship Council(FSC) for packaging and vegetable-based soy ink to practice clean beauty.



BYCOLOR
BYCOLOR Gift Set



BLACK FORET
Black Foret Shampoo Gift Set

We used plastic-free paperboard packaging, integrated drawers in the top and bottom cases, and added handles on the cases to reduce the unnecessary use of shopping bags.

Smart Green Management Strategies | Expand Eco-Friendly Certification — 03.

Aekyung is creating green value for resource circulation by expanding the launch of eco-friendly technologies and products. In 2023, Aekyung Industrial’s sales from eco-friendly products amounted to 53.7 billion KRW, accounting for 8% of the total sales.



Certifying ‘Green Technology’ and Recognizing ‘Green Technology Products’

We have obtained the ‘Green Technology’ certification(Certification No. GT-22-01557) for our eco-friendly dishwashing detergent manufacturing technology, and also obtained the ‘Environmental Labeling Certification’ from the Korea Environmental Industry & Technology Institute in 2021 by replacing synthetic preservatives with natural extracts.

The technology was applied to ‘LABCCIN Kitchen Care Antibacterial Dishwashing Detergent’, which was certified as a ‘Green Technology Product’(Certification No. GTP-22-03259) and replaced synthetic preservatives with naturally derived essential oils such as mustard seed extract to reduce the use of chemicals.

Green Product of the Year, 2023

The ‘LABCCIN Kitchen Care Antibacterial Dishwashing Detergent’ was selected as the ‘2023 Korea’s Green Product of the Year’. This award, organized by the Korea Green Purchasing Network, is determined by a combination of consumer panels, voting bodies, and consumer environmental organizations. The selection criteria include eco-friendliness and product performance. The ‘LABCCIN Kitchen Care Antibacterial Dishwashing Detergent’ was recognized for replacing synthetic preservatives with naturally derived essential oils, thereby reducing the use of chemicals. It achieved the same level of cleaning power and antibacterial performance as our existing products.the same level of cleaning power and antibacterial performance to our existing products.



Eco-Label Certified Products

The eco-label certification aims to provide consumers with information through the eco-label attached to products that have shown an improvement in their environmental performance among other products of the same category. It is overseen by the Ministry of Environment, with certification conducted by the Korea Environmental Industry & Technology Institute (KETI). Aekyung Industrial has obtained certification for 218 product items and continues to strive to expand the number.

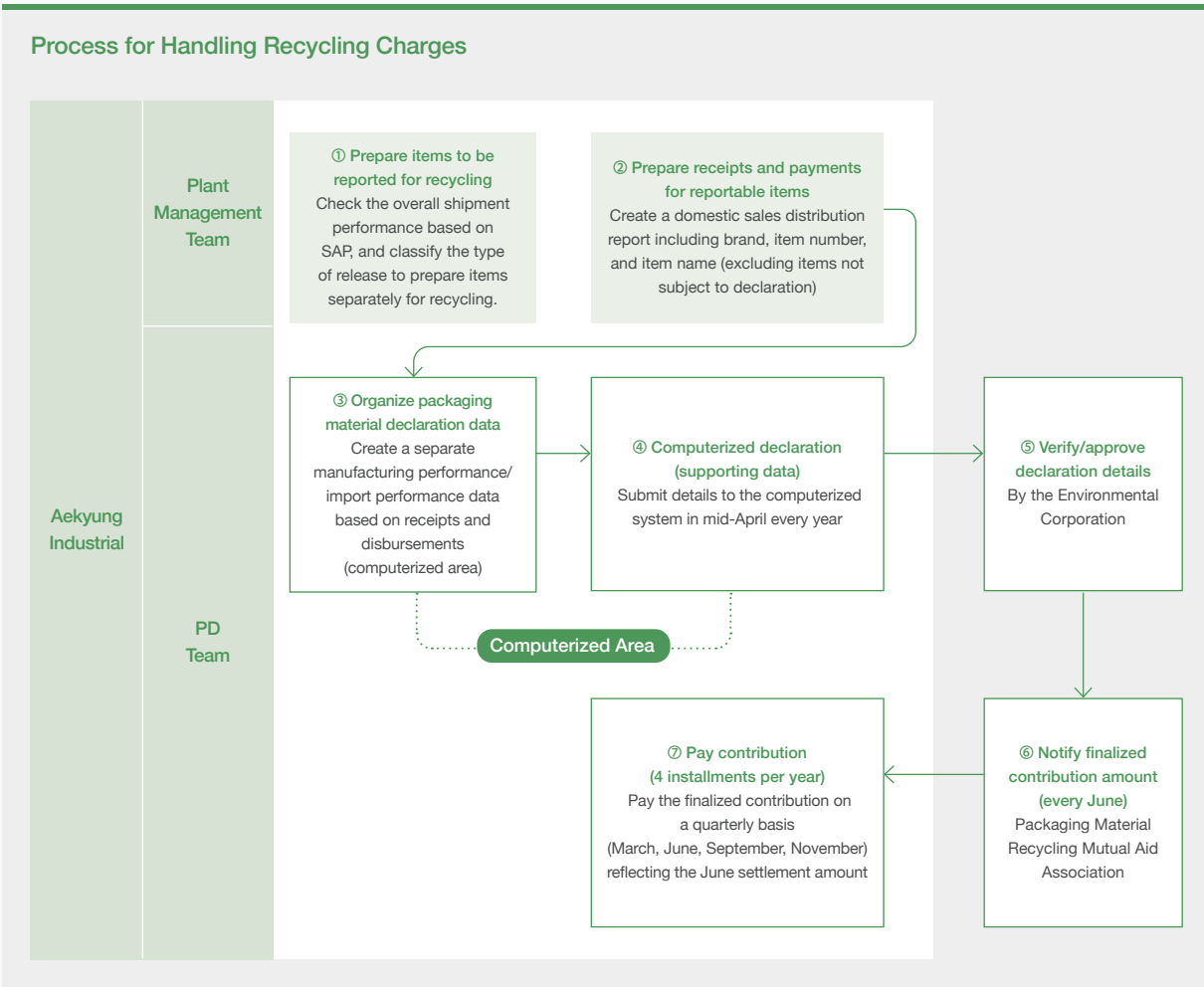
Number of Eco-Label Products in 2022	Number of Eco-Label Products in 2023
184 Items	218 Items

Smart Green Management Strategies | Recycling Charge — 04.

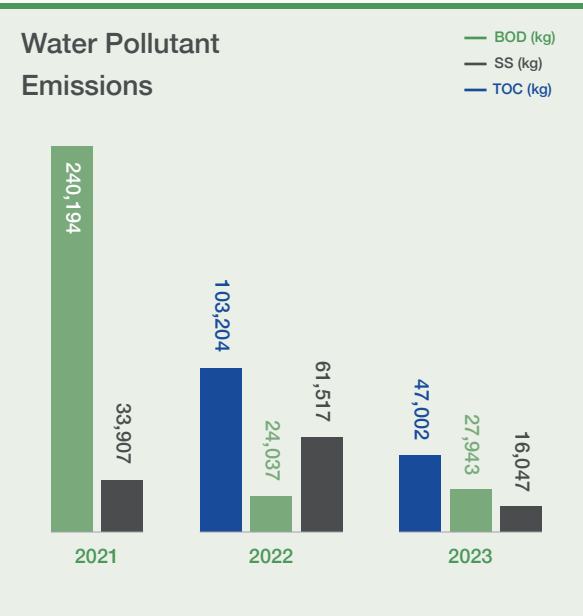
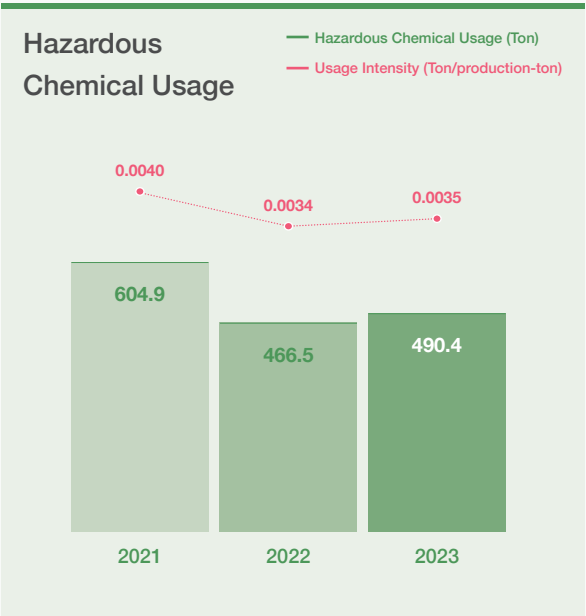
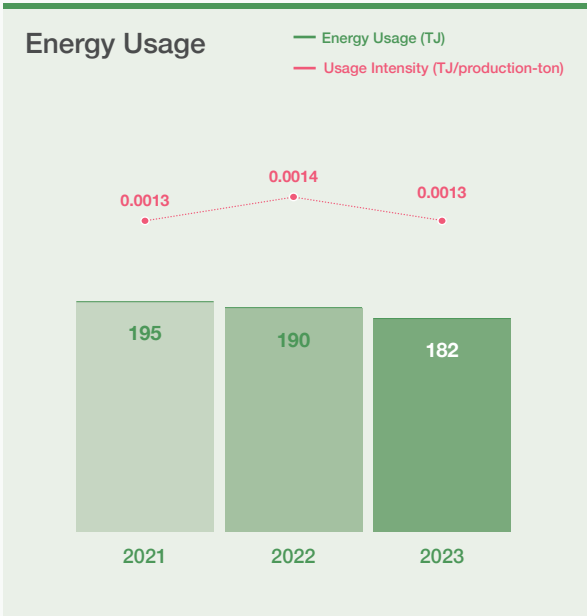
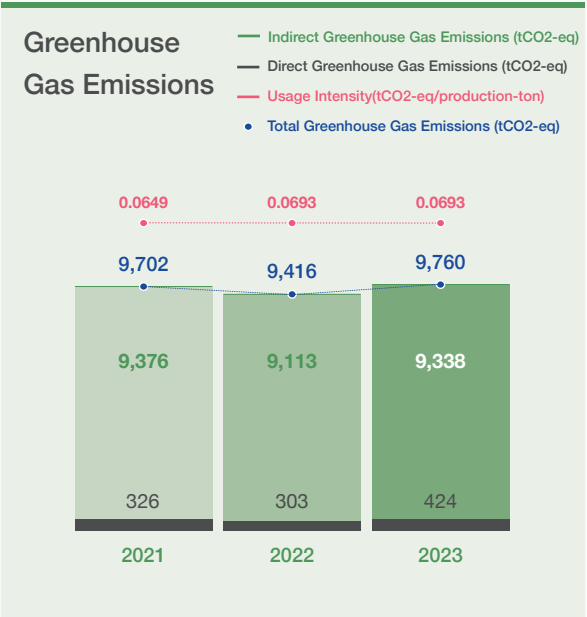
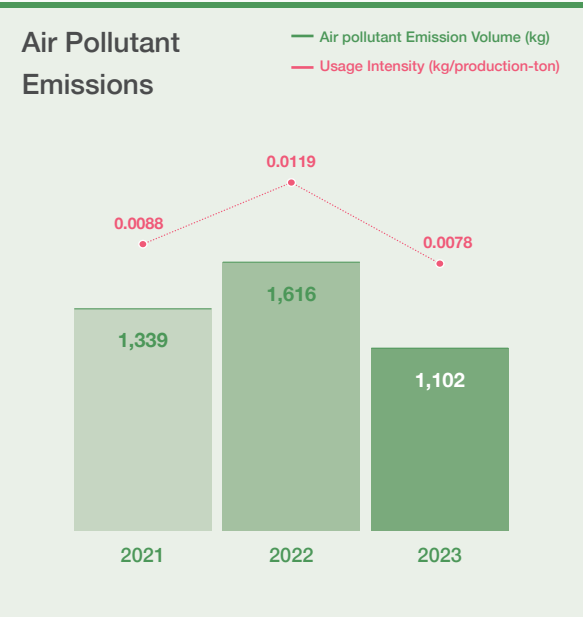
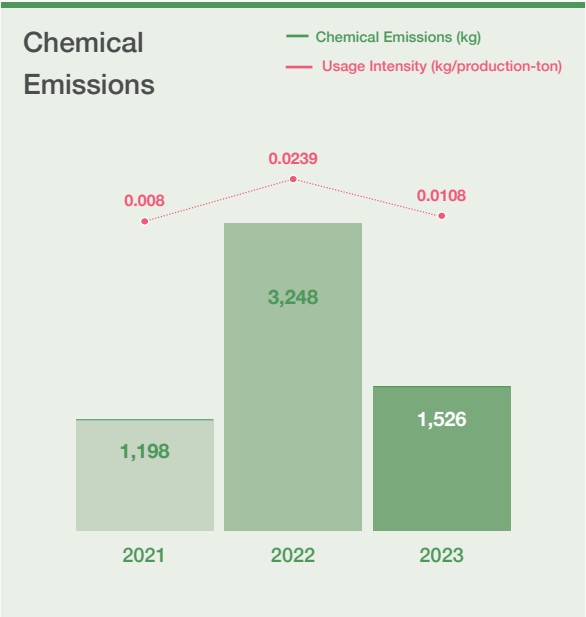
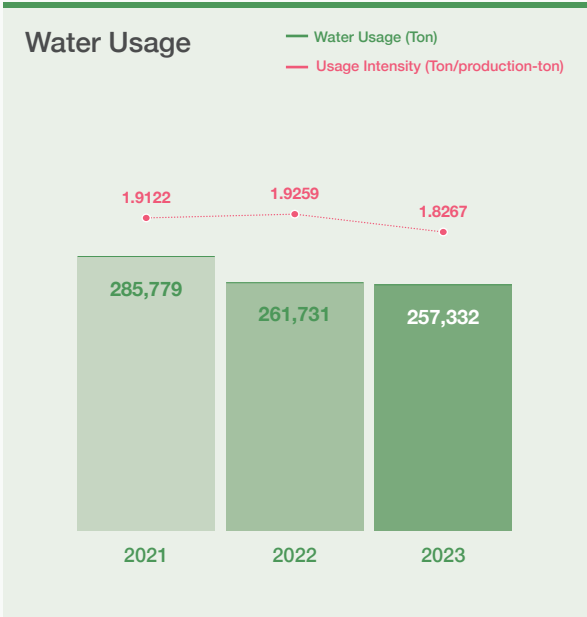
We have computerized our processes to efficiently manage our recycling charge.

Type	Unit	2018	2019	2020	2021	2022	2023
Released Quantity	Ton	8,966	9,452	11,251	8,928	7,616	9,172
Amount	billion KRW	1.48	1.59	1.59	1.61	1.57	1.34

* Recycling Charge: Including all SKUs subject to recycling



ENVIRONMENTAL PERFORMANCE



ENVIRONMENTAL MANAGEMENT

We have established an environmental management system^(ISO14001) to strive for sustainable environmental management under a systematic environmental framework. We also monitor regulated areas of environmental management once a month and conduct semi-annual compliance assessments to establish and implement improvement plans for non-compliance.

Environmental Management Policy

환경경영방침

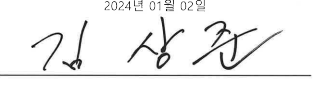
“스마트그린경영 활동으로 사회의 지속 가능한

- 전과정사고(Life Cycle Thinking)를 통한 모든 업무 프로세스의 친환경화
- 글로벌 환경 리스크 대응 역량 강화
- 환경경영성과의 지속적 개선

※ 스마트그린경영: 소비자가 당사의 제품과 서비스를 누리는 순간 자연스럽게 친환경 소비자가 될 수 있도록 제품 및 사업장의 친환경적 설계·개발·관리를 전사 직원이 참여하는 경영활동

위와 같은 환경경영방침의 구체적 실행을 위해 환경경영에 대한 당사의 내부 및 외부 이슈를 발굴하여 지속적으로 개선하고, 당사 조직의 모든 지식 역량을 동원하여 이해관계자가 만족하도록 한다.

2024년 01월 02일



애경산업주식회사 대표이사 김 상 준

Environmental Management Organization



Law & Regulation Management System

Area of Management	Details	Managing Department
Environmental Management	Clean Air Conservation Act	Production EHS Team
	Water Environment Conservation Act	Production EHS Team, Research EHS Part
	Chemical Substances Control Act	Production EHS Team, Research EHS Part
	Soil Environment Conservation Act	Production EHS Team
	Waste Management Act	Production EHS Team, Research EHS Part, Logistics Strategy Part
	Chemical Registration and Evaluation Act	Research EHS Part

* In 2023, there was one violation of environmental regulations (failure to implement recommendations for improving compliance with the Odor Prevention Act). To prevent recurrence, we have installed relevant prevention facilities.

Investing in Environmental Management

Type	Unit	2021	2022	2023
Plan	Million KRW	2,667	1,877	1,144
Investment		2,544	1,885	1,158
Implementation Rate	%	95.4	100.4	101.2
Main Details	New construction of a wastewater treatment plant		New construction of a wastewater treatment plant, TOC measurement device purchasing	Wastewater treatment plant facility improvement (process line change), odor prevention facility installation (activated carbon adsorption tower)

Water Resource Management

Water Management

Aekyung Industrial receives water from Jeongsan Agricultural Industrial Complex for production and purifies it through the Reverse Osmosis^(RO) process for use. Aekyung’s water use decreased by 1.68% year-on-year, while production increased by 4,972 tons, resulting in a 5.15% decrease in unit volume. The Cheongyang Plant continues to improve its production processes for water use reduction and management.

Wastewater Management

Aekyung Industrial physically, chemically, and biologically treats wastewater generated from production activities at our wastewater treatment plant and discharges it to the final wastewater treatment plant in Cheongyang Agricultural Industrial Complex. When discharging to the wastewater treatment plant, we measure the TOC^(total organic carbon), an indicator of wastewater organic pollutants, and discharge the wastewater at a level 42% higher than the legal discharge permit standard.

In addition, we invested approximately 100 million KRW to expand the water pollution prevention facilities at our Cheongyang Plant, enhancing the efficiency of wastewater management. Aekyung Industrial is committed to continuously improving the wastewater management system to systematically and effectively minimize environmental impacts through discharge into water systems.

Waste Resource Management

Waste Management

In 2023, Aekyung established a new waste storage center at the Cheongyang Plant to improve the effective and clear classification and processing of waste. Waste is meticulously sorted during transportation within the plant, and the data is continuously monitored under the supervision of the environmental personnel.

We consistently identify recycling companies to increase the amount of waste recycled. In fact, we have increased the waste recycling rate by about 52% compared to the previous year. In the future, we will conduct on-site inspections of waste processing companies to ensure compliance with regulations and the effectiveness of recycling, further increasing the recycling rate and ultimately achieving zero waste.

ENVIRONMENTAL PROTECTION ACTIVITY

Zero Disposable Products Challenge

Zero Disposable Products Challenge is an eco-friendly relay campaign launched by the Ministry of Environment in February 2023 with the aim of reducing the use of disposable products in our daily life to practice carbon neutrality and protect the environment.

Aekyung Industrial has joined the Zero Disposable Products Challenge, promising to reduce the use of disposable products in our daily life. We are also promoting sustainable product design by expanding eco-friendly packaging, reducing the amount of plastic used, and developing environmentally friendly manufacturing technologies.

2030 Cosmetics Plastic Initiative

Aekyung Industrial has declared the “2030 Cosmetics Plastic Initiative” with the Korea Cosmetics Association to address the issue of plastic packaging in cosmetics and achieve a sustainable circular economy.

Under the slogan “Beautiful Us, Beautiful Earth,” companies participating in the 2030 Cosmetics Plastic Initiative will execute a ten-point action plan to achieve the four main goals: 100% elimination of non-recyclable products^(RECYCLE), 30% reduction of petroleum-based plastics ^(REDUCE), promotion of refills^(REUSE), and self-collection of sold containers ^(REVERSE COLLECT).

Internal Campaigns



Aetom Day (Aekyung-Tumbler Day)

The 10th day of every month is designated as a day to use tumblers. On this day, employees are encouraged to reduce their use of disposable items by offering double Green Points at the company’s cafe, “Cafe 14.”

* Green Points: Employees who use their personal mug or tumbler receive one stamp per drink. After collecting seven stamps, they get one free drink.



Digital Carbon Diet Campaign

In response to the increasing carbon emissions affecting our planet, Aekyung Industrial’s employees have initiated an internal campaign, the “Digital Carbon Diet”, which consists of easy carbon reduction activities that are easy to participate in with a few clicks and a short amount of time in our daily routine. Storing a single email generates 4 grams of CO2, so deleting one unnecessary email reduces CO2 emissions by 4 grams.

To celebrate Earth Day, each employee deleted over 50 emails which as a result reduced approximately 393 kilograms of CO2 emissions in just one day through the “Aekyung Carbon Diet” campaign.

BIODIVERSITY CONSERVATION ACTIVITIES

We have monitored the water ecosystem and air environment around Aekyung’s Cheongyang Plant, and we are protecting the ecosystem and preserving the biodiversity by cultivating the Chiseong Stream and planting native plants based on the monitoring results.

Chiseongcheon Stream Cleanup & Native Plantings

The Chungcheongnam-do ditch cleaning project is being carried out to preserve ditches and restore ecology to improve water quality and restore ecosystem health in the province, and to promote win-win development with local communities. The main targets of the program are the mainstream of Chiseongcheon Stream and Yeokchon-ri, Jeongsan-myeon, located near Aekyung Industrial’s Cheongyang Plant. The 2023 event consisted of planting 420 lilacs along the 490-meter-long Aekyung Lilac Trail, which has been built since 2020, and maintaining the watershed of Chiseongcheon Stream. In addition, 3,502 aster koraiensis and 420 Korean early lilac which are nationally protected species, were planted along a 200-meter section of Hudong Stream near Aekyung Industrial Cheongyang Plant. By planting and preserving these plants, we are protecting the local ecosystem and contributing to biodiversity conservation activities.

Native Plant Status

Type	Unit	Aster koraiensis	Korean early lilac
Planting Quantity	EA	3,502	420
Planting Area	m	200	

Development of Native Plant Resources

To preserve and expand the use of native plants, we continue to research resources and apply their benefits to new products. In 2023, we developed a cosmetic product that strengthens the skin barrier using callus, a plant native to Ulleungdo to not only differentiate our products but also expand biodiversity conservation activities by promoting the use of plant resources.

Native Plant Based Products

Product
AGE20'S Essence Cover Pact ID
a.solution 4HA Turnover Peeling Pad
a.solution Acne Clear Houttutnia Cordata Toner Pad

Aquatic Ecosystem Monitoring

For about four months from June to October 2023, we monitored the flora, fauna, and fish species in Chiseong and Hudong streams near the Cheongyang Plant to understand the distribution of ecosystem diversity based on field surveys of the water environment, including flora, fauna, and fish, centered on the Chiseongcheon water system, where Aekyung Industrial’s Cheongyang Plant is located. The analysis revealed the presence of the first-grade endangered Eurasian otter and the second-grade endangered leopard cat near the Cheongyang Plant, indicating effective environmental management in the area. This project aims to compile comprehensive data on the Chiseongcheon watershed and to provide objective and accurate information to develop strategies for maintaining the Chiseongcheon watershed and improving polluted areas.

Aquatic Ecosystem Monitoring Results - Current Status

Birds	18 species 68 population
Mammals	6 species
Fish	13 species
Plants	62 families 157 species, 23 variants and 3 varieties ^(183 species in total)

Air Pollutant and Odor Survey

We measure air pollutants and odors in the Chiseong Stream basin and propose policies for improvement. Based on the monitoring results, we are working to protect the ecosystem by seeking ways to improve the environment, such as installing activated carbon adsorption towers to prevent odors.

AK PRODUCT LIFECYCLE ASSESSMENT

Aekyung Industrial only uses ingredients and raw materials whose efficacy, quality, and safety have been fully verified through decades of accumulated technology and strict standards. From an LCA perspective, we thoroughly check our products from the production stage so that the finished products are safe and suitable for both people and the environment. Additionally, we thoroughly monitor and analyze whether there are any adverse reactions or complaints even after the product launch, and reflect them in our product improvement and development.

01. Raw Material Safety Assessment

- ① Safety Inspection
- Comply with raw material introduction process standards that are stricter than domestic and international standards.
- ② Safety Assessment
- Confirmation of raw material safety through cytotoxicity, phototoxicity, and eye irritation substitution tests^(HET-CAM).

Step 01

Rigorous Ingredient Selection	· Eliminate harmful ingredients and set strict formulation standards for each ingredient. · Secure decades of ingredient research technology and database.
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Step 02

Thorough raw material management	· Evaluate the safety analysis more thoroughly than actual regulatory standards. ① HET-CAM Test ② Skin Irritation Test
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Step 03

Various Safety Assessments	· Comply with global quality standards throughout the entire production process and conduct safety assessments in various perspectives. ① HET-CAM Test ② Sensitive Skin/Scalp Test ③ Skin and Eye Irritation/Irritation Test ④ Dermatologic Test ⑤ Non-comedogenic Test ⑥ Skin Allergy Test
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Step 04

Post-management	· Monitor and collect/analyze adverse reactions and complaints that occur after product use. · Systematically respond to customers and reflect product development/improvement based on our skin claim management system.
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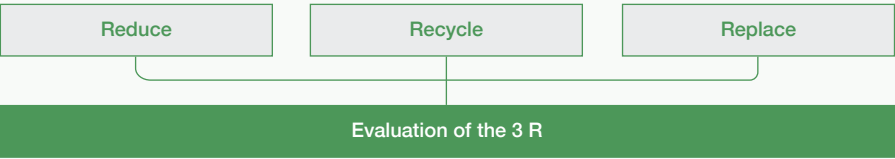
02.Product Safety Assessment

- ① Product Safety Management
- Ensure standards for heavy metals, phthalates, parabens, and strict internal safety controls are met.
- ② Risk Assessment
- Assess the product safety based on exposure scenarios and expert opinions from safety assessment specialists .
- ③ Safety Assessment considering Exposure
- Depending on the level of exposure to the product, tests for skin irritation, sensitive skin irritation, and HET-CAM are performed for products with potential eye irritation concerns. For products that cannot be tested on the skin, cytotoxicity tests are also conducted.
- ④ Various Product Certification Labels
- Gain public recognition and external credibility with a third-party certification system .
- Natural Organic Certification : Certification by the Ministry of Food and Drug Safety , products made with natural ingredients / Certified Product : a.solution Daily Relief Repair Cream.
- Eco-mark Certification : Products certified for eco-friendliness such as biodegradability / Certified Product : Dishwashing detergent including Trio.
- Green Technology Product Certification : Green technology products certified for eco-friendliness / Certified Product : LABCCIN Kitchen Care Anti-bacterial Dishwashing Detergent.
- Vegan Certification & Halal Certification : Products not containing animal-derived ingredients and products that did not perform animal testing throughout the production process / Certified Product: alp:ist.

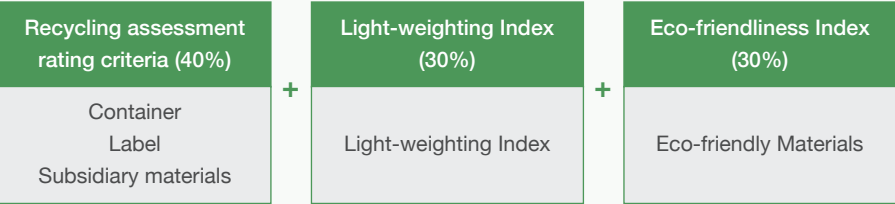
SMALL ACTIONS, BIG CHANGES

03. Evaluation of Packaging Materials

Quantitatively evaluate packaging materials in terms of the 3Rs (Reduce, Recycle, Replace), a set of metrics that improve environmental performance.



AKGI Evaluation Method



2023 AKGI Standards

Rating Items	Score	Level	Level Standard
Recycling Rating	40	Level I	65 – 100
Eco-friendly Material	30	Level II	50 – 65
Light-weighting Index	30	Level III	40 – 50
		Level IV	35 – 40
		Level V	30 – 35
Total	100	Level VI	0 – 30

04. Safety Review of Final Products

- Release products based on the final meeting results of the Product Safety Center.
- Cooperation between development / CRM / purchasing / production / quality control and other related departments to verify the product safety throughout the entire production process .



SOCIAL

THE DAWN OF A PERFUMED COMPANIONSHIP

We demonstrate respect for social, cultural, and human values,
and convey the impact of our interactions with the community in a fragrant resonance.

New experiences and discoveries are the starting point for a better world.
By practicing social responsibility, we strive to create a better future together
by fostering sustainable development and a fair society.
Aekyung Industrial will be a beautiful growth partner for all those
who seek fragrant experiences.

ORGANIZATIONAL CULTURE

‘Colorful AK’,
Organizational
Culture Improvement
Campaign

As a strategy to foster talent, we launched the ‘Colorful AK’ campaign to improve organizational culture to increase worker diversity and build an organizational culture that maximizes creativity. We do not discriminate based on gender, disability, nationality, etc. with the goal of increasing the diversity of employees within Aekyung Industrial, and we will continue to implement the campaign with the goal of achieving the percentage of diversity of workers in the mid to long term.



Mid to Long Term Goals for Worker Diversity

Type	Unit	2025	2030
Female Employees Rate	%	38	40
Foreigner Employees Rate		1.0	1.2
Mandatory Employment of Disabled Persons Rate		3.1	3.1

In-house Café,
‘CAFÉ FOURTEEN’

In May 2018, we established ‘Modurak Aekyung Industrial’, a subsidiary-type standard workplace for the disabled, to promote the employment and provide stable jobs for the disabled. In August of the same year, we opened CAFÉ FOURTEEN, an in-house café staffed by employees with disabilities.



Number of
Employees with
Disabilities

27 Persons

Employee Competence Enhancement Program

Newcomer Training

We offer training for new employees in the first and second half of the year, aiming to convey information about Aekyung’s identity and business. The training enhances their understanding of Aekyung Industrial’s organizational culture and job roles to support them in adapting quickly.



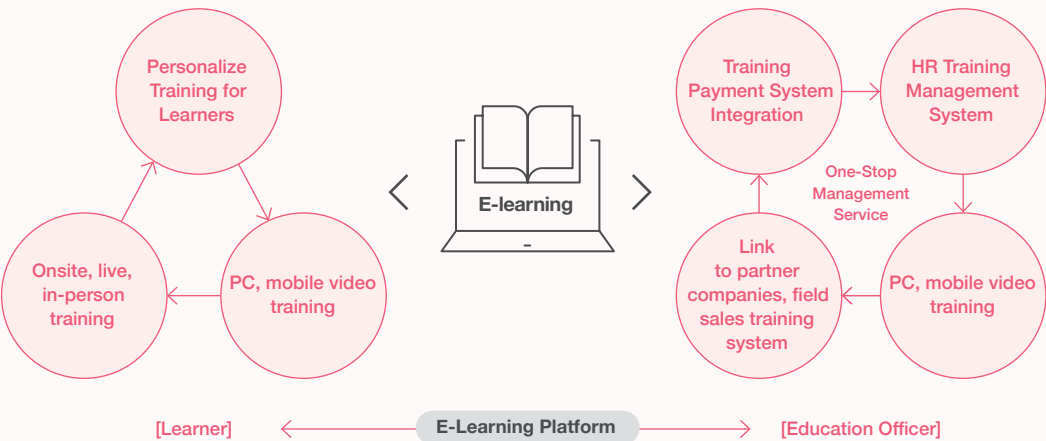
Special Leadership Lectures

We hold special monthly lectures for executives and company leaders. Leadership and business trend experts provide insights from different perspectives to executives and company leaders.



Operation of E-learning Platform

We have opened an e-learning platform to develop our employees’ competencies. Our platform provides more than 2,000 online training contents which are categorized into leadership, job, global^(language), life insight, qualification exam preparation courses, and mandatory legal training. Considering the business characteristics of Aekyung Industrial, we actively support the development of individual competencies by regularly updating contents in the fields of marketing, global competence, and leadership.



Language Education Programs Support

We offer various types of programs to help our employees improve their language skills. For employees with global roles, we support them to improve their language skills systematically and intensively through group foreign language classes, one-on-one tutoring, etc. In addition, we operate telephone and video foreign language courses, online and offline language training, and language test fee support programs for all employees who wish to improve their language skills.

Employee Communication

L&R Day

Aekyung Industrial holds Love & Respect Day(L&R Day) semi-annually to facilitate company-wide communication. L&R Day consists of the “Love” session, where we lovingly review updates from each brand and business division, and the “Respect” session, where we share business and ESG performance with respect for our employees and society. To ensure all employees can participate, the event is also live-streamed online, overcoming spatial limitations.



AK Challengers

The ‘AK Challengers’ initiative was launched to encourage employees to take on new challenges, engage in self-development, and promote mutual interaction among team members.

* Challengers: A habit-building platform application that allows employees to join paid challenges aimed at developing desired habits such as exercise, healthy eating, and self-development. Participants receive rewards by submitting photo evidence upon completion.



Fall Concert

We held a classical music concert with commentary, titled “Capturing Autumn,” to enhance our employees’ appreciation for culture and arts while providing a healing experience. The fall concerts were held once in Seoul and once in Daejeon, offering our hardworking employees the opportunity to relax and enjoy the beauty of fall.



Idea Suggestion Center for Employees, ‘Aekung DOODRIM’



In order to create a happy workplace, successful product development, and increased work efficiency based on the participation and communication of a large number of employees, we operate the Idea Suggestion Center for Employees, where internal employees share their ideas. To recognize this as a space where Aekyung and internal employees can dream and share a better future, we held a knocking event, and employees who made valuable suggestions were rewarded with a small cash prize to show our love and respect.

Committee for Creating a Better Workplace

We operate the Committee for Creating a Better Workplace (Hereinafter referred to as the Committee), a body where employees gather and communicate to create a better company. The committee members participate in the process of improving productivity and quality of working life, which are joint goals of labor and management, and promote rationalization.

Following the revision of the Act on Promotion of Worker Participation and Cooperation, we have improved the selection method of the committee members and will continue to improve it to create healthy labor-management relations. In 2023, the number of labor union members was 254, representing 30.7% of the total number of eligible employees^(eligible employees: 828).

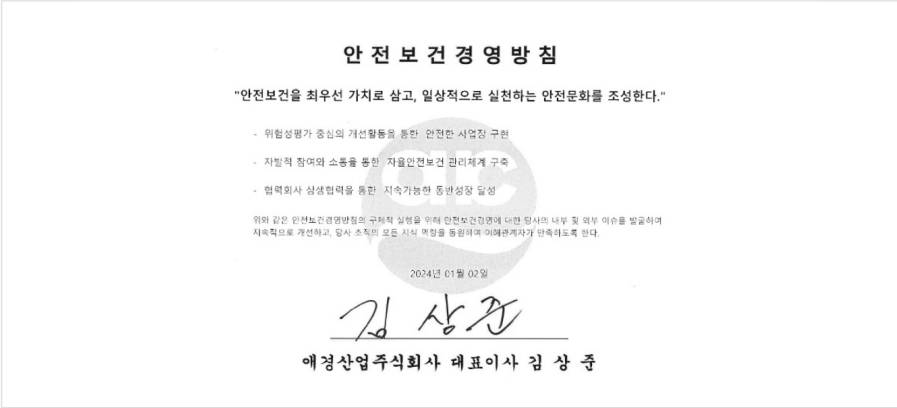
Employees are free to join or leave the labor union at any time, and we manage to ensure that no discrimination or disadvantage occurs.

AK Growth & Development	Employee Growth & Welfare Enhancement
· Improvement of productivity · Efficient operation processes · Policy-related consultations · Discussions on work-life balance	· Employee education · Discussions on development · Improvement of the working environment · Maternity protection for female workers · Health promotion

HEALTH AND SAFETY

To prevent various risks and accidents, we have established a health and safety management policy and operate a dedicated organization to strengthen health and safety. We are committed to raise the safety levels by establishing processes and providing health and safety education to prevent safety accidents. We also operate the Occupational Health and Safety Committee on a quarterly basis to directly communicate with employees about health and safety in the workplace.

Health and Safety Management Policy



Mid to Long Term Goals for Health and Safety

Type	Item	Detailed Item	Goals and Detailed Plan		
			2023	2024	2025
1. Safety	1) Safety Diagnosis	① Workplace safety inspection	At least twice a year	At least twice a year	At least twice a year
		② Safety inspection results	[Completion rate] 92% or more	[Completion rate] 94% or more	[Completion rate] 95% or more
	2) Safety Prevention	① Implementation of improvement plans	[Implementation rate] 85% or more	[Implementation rate] 90% or more	[Implementation rate] 95% or more
		② Safety internalization training	*We actively monitor the implementation of improvement plans that were derived as results of safety inspections and risk assessments at workplaces in the previous year for continuous implementation of improvement plans.		
			At least once a year	At least twice a year	At least twice a year
			* In addition to statutory training, we conduct special training to internalize safety culture to improve the safety awareness of all employees.		
2. Health	1) Health Checkup	① Checkup Rate	[Checkup rate] 92% or more	[Checkup rate] 93% or more	[Checkup rate] 94% or more
		② Results	*(Office employees are eligible for check-ups every two years, but), we encourage an increase in the checkup rate through continuous publicity and expansion of the check-up period to maintain employees' health		
			[Proportion of Observed Employees] 40% or less [Proportion of Employees with Abnormal Findings] 15% or less	[Proportion of Observed Employees] 39% or less [Proportion of Employees with Abnormal Findings] 14% or less	[Proportion of Observed Employees] 38% or less [Proportion of Employees with Abnormal Findings] 14% or less
	2) Health Education	① CPR Training	*We induce a decrease in the proportion of observed employees and employees with abnormal findings by operating health programs(quitting smoking, diet, etc.) at least twice a year		
			[Completion rate] 50% or more	[Completion rate] 65% or more	[Completion rate] 80% or more
			*Cardiopulmonary resuscitation (CPR) training is regularly conducted for all employ-ees as a mandatory training to prepare for emergency situations. — The training completion rate standard is for those who have completed training at least once within three years.		

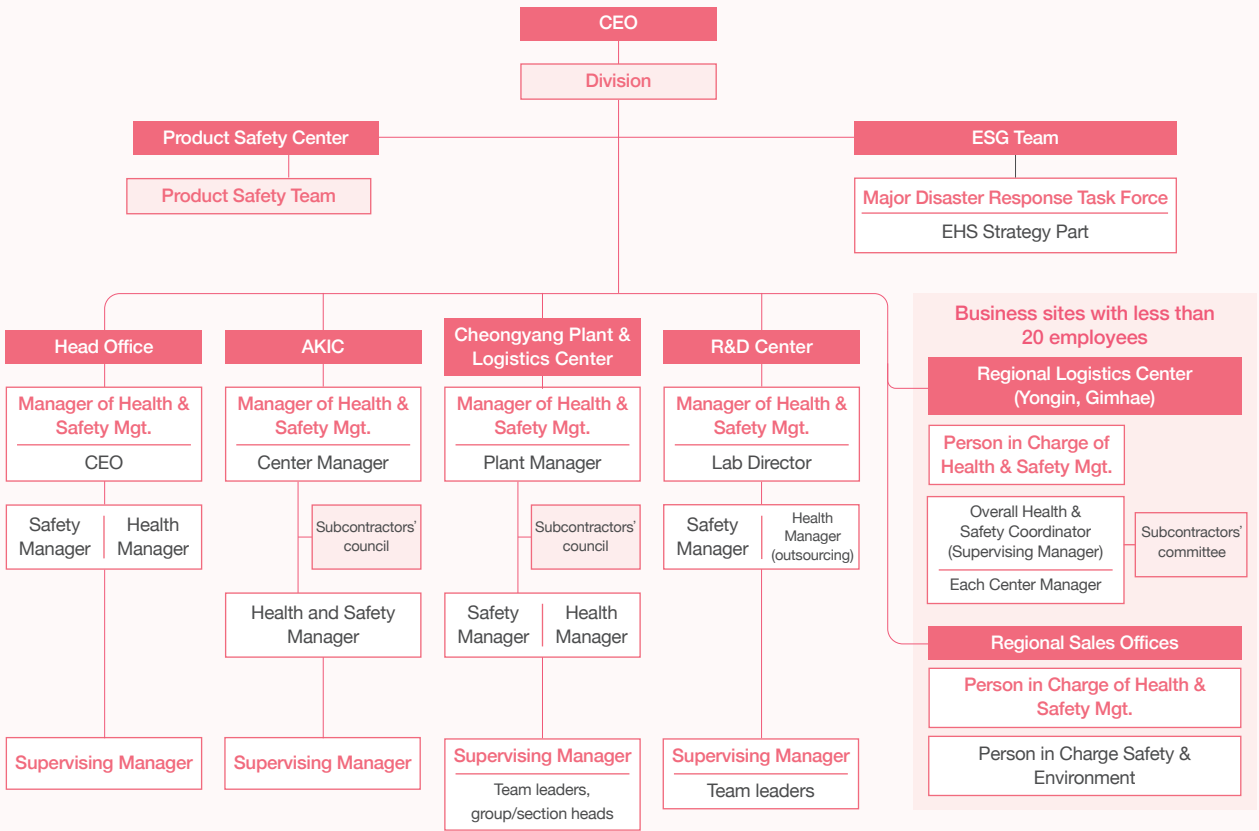
SMALL ACTIONS, BIG CHANGES

Health and Safety Management System 'ISO 45001'

We have obtained the 'ISO 45001' certification, the international standard for health and safety management system. In 2023, following the existing certification of the Cheongyang Plant, we obtained certification for the Head Office, R&D Center, and logistics center, and obtained ISO 45001 certification for all worksites, responding to the requirements of domestic and foreign customers and building trust.



Health and Safety Organization



Safety Activities

Emergency Drills

In the event of an emergency, we conduct emergency evacuation drills for each business site (Head Office, Plant, R&D Center) on a semi-annual basis to minimize damage and ensure the safety of our employees.



* Photo of Head Office Drill Training



* Photo of Plant Drill Training



* Photo of R&D Center Drill Training

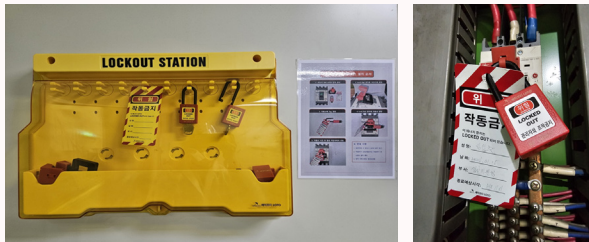
Near Miss Accident Identification System

We are implementing the 'Near Miss Accident Identification System' to prevent safety accidents and enhance employee safety awareness by identifying potential accident risks. The initiative is conducted in both the production and research departments and rewards are given according to the level of the discovered.

Safety Walk Activity

We conduct the Safety Walk activity to identify and mitigate hazardous risk factors for the management of safety, health, and environment management, as well as the prevention of serious industrial and environmental accidents.

Type	Unit	2021	2022	2023
Identificatio	Cases	1,249	545	486
Improvement		1,116	526	486
Improvement Rate	%	89.4	96.5	100



Tool Box Meeting(TBM)

We implement this field-oriented health and safety activity to establish a culture of health and safety by conducting weekly education sessions and sharing risk factors on health safety.

To prevent accidents, we identify potential hazards before starting work, develop countermeasures together, and disseminate cases of serious accidents and guidelines on health and safety.

SMALL ACTIONS, BIG CHANGES

Safety Culture Internationalization Training

To internalize a safety culture, we conducted the 1st Safety Culture Internalization Training for our management supervisors. We provided training on what to do in case of an accident, how to investigate an accident, and safety education through watching accident videos and practical exercises.



Safety Prevention Activities at Logistics Centers

In order to prevent safety accidents, we painted safety lines and marks at the logistics center to eliminate risk factors and installed LED beams to prevent forklift accidents, which are the most significant risk factor in the logistics center. We also conduct safety accident prevention activities through the Forklift 4, 5, and 6 activities, which provide information on four accident cases, recite five driver compliance requirements, and perform six inspection items.



* Painting safety lines/marks * Installation of forklift LED beams



* No. 4, 5, 6 forklift activities

AK EHS LETTER

In addition to the legally required health and safety training, we publish the EHS LETTER monthly to provide employees with information on Environment^(E), Health^(H), and Safety^(S).



SMALL ACTIONS, BIG CHANGES

Health Activities

Mental Wellness & Stress Relief Program

We offer aromatherapy, stretching and yoga, meditation, and breathing exercises for the CRM team employees who interact directly with customers to enhance their mental health and relieve stress.



CPR Training

We conducted theoretical and practical training on CPR and AED training for employees at each workplace, providing practical education to prevent incidents effectively.



Employees who completed training

* In 2023

Site	Unit	Number of Persons
Head Office, AKIC	Persons	111
Cheongyang Plant		75
R&D Center		13

Diet Program

For 6 months, we ran a diet program to reduce body fat and increase muscle mas while motivating a healthy lifestyle and preventing metabolic syndrome. Our program content was expected to enhance strength, flexibility, and muscular endurance to prevent worsening of existing diseases or the development of underlying diseases.

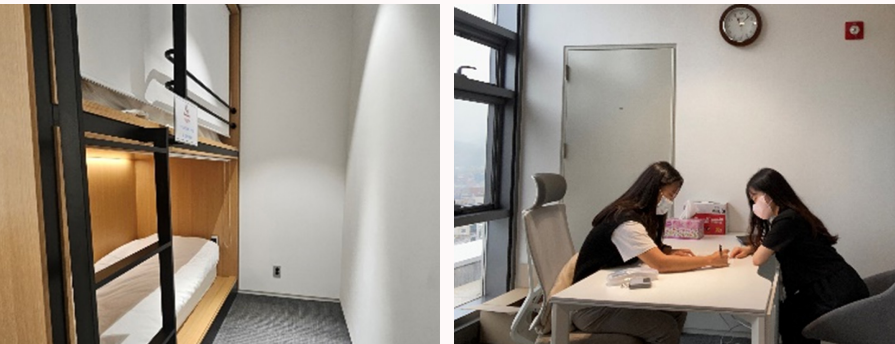
Low-calorie snacks and extra points were provided to encourage employees with metabolic syndrome to participate. As a result, the 2023 health check-up data showed a reduction of approximately 3.2% in the number of ‘obese’ employees.

Rate of Observed Employees at Risk of Obesity

2022	65.1%
2023	61.9%

Healing Terrace

For our employees, we operate a Healing Terrace as a space for healing that provides everything from basic wound care to counseling for mental health.



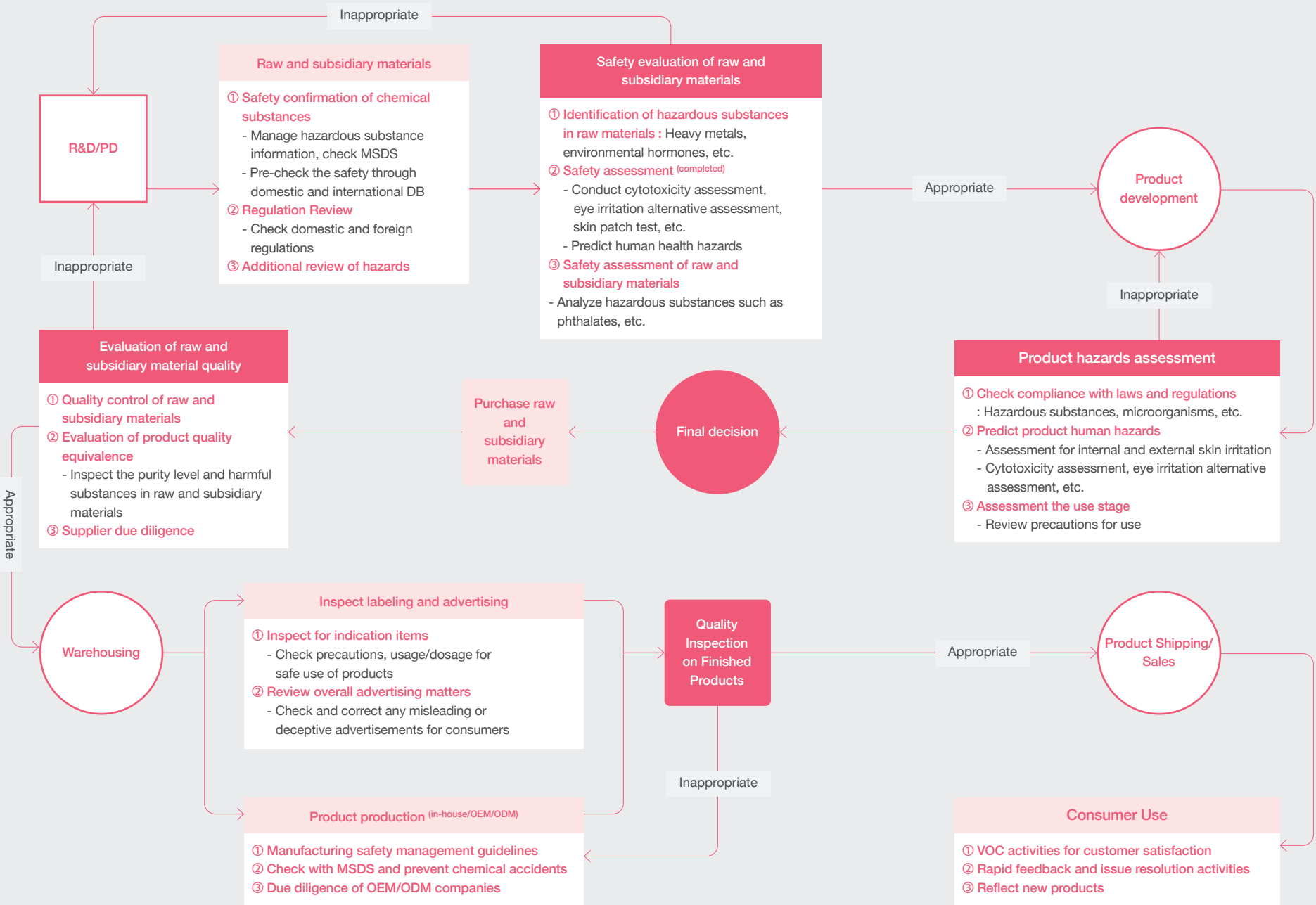
Post Health Check-up Management

We prevent occupational accidents caused by work and underlying diseases by continuously managing and following up on employees’ health checkups. We provide counseling on health check-up results, track disease observations and consultations, and manage blood pressure and blood sugar levels to oversee lifestyle habits. Additionally, we offer guidance and advice based on medical knowledge to implement practical measures in daily life.

Observed Persons/Persons with Abnormal Findings	Health Counselor	Rate of Counseling Completion
114 Persons	103 Persons	90.3%

Principles

Through proactive and rigorous pre-checks, we provide consumers with safe products they can trust and rely on.



* All new products of Aekyung Industrial are launched through a product safety development process.

Product Safety

Product Safety Development Process

Aekyung Industrial has established a process to create products that consumers can trust and use through proactive safety and quality management from raw materials to sales, and applies it to the production of all products.

In addition, we conduct checks on essential matters through an internal product safety/labeling/advertising review process (Product Safety Guide). Regarding our main product item, skin care products, we strive to develop safe products by establishing guidelines for labeling and advertising and continuously educating our employees in marketing, R&D, CRM, quality control, and design centers.

SUSTAINABILITY MANAGEMENT OF
SUPPLY CHAIN

Supporting
Sustainability
Management
Activities of
Partners

Every year, we make early cash payments to our partners to ease their burden before the holidays. For Lunar New Year and Chuseok in 2023, we made early payments of 19.1 billion KRW to 64 and 85 partners, respectively. To support partners in fulfilling their social responsibilities, we provide safety-related training to them. Through joint development of eco-friendly packaging materials, we are expanding products with environmentally friendly elements and providing incentives to partners such as priority allocation of volumes or single supply for a certain period of time to support their sustainability management activities.

Early Holiday Payment to Partners	Lunar New Year	Chuseok
	7.2 billion KRW	11.9 billion KRW

Health and Safety Support for Partners

We conduct safety and health training for partners every year. In 2023, we held a special forklift safety training. The safety manager conducted the training for three partners (62 employees in total) for one hour, and educated them on the current status and cases of forklift accidents and safety tips. We hold a monthly Subcontractors' council for partner companies operating in our business sites, and through the council, we discuss grievances related to the safety and health of our partners and improve them through consultation if there are any issues.



2023
Quality Training for
Main Partners

Company	Main Item	Date	Training Details
S***	Container for chlorine bleach	April	Quality audit for new packaging material companies
Y***	Container for cosmetics	April	Quality inspection to begin re-transaction
T****	Container for fluid/hair product	May	Quality audit(site management, process management, quality document inspection)
H****, H****, Y**, P*****	Liquid pouch	May	Pouch quality stabiliza-tion
S****	Cosmetics label	November	Quality audit for new packaging material companies
C*	Container for cosmetics	November	Quality audit for new packaging material companies

Co-development
of Eco-Friendly
Packaging Materials
in 2023

Item	Product	SKU	Company	Development De-tails
Container	LiQ, WOOLSHAMPOO, point&	15 SKU	E****, D****, T*	Use eco-friendly containers (PIR materials)
Container	AGE20'S, point&	34 SKU	H****, Y****, T****, H*, I**, Y****, M****, T*	Use eco-friendly containers (PCR materials)
Raw material	AGE20'S	1 SKU	Y****	Use eco-friendly containers (PCR materials)
Container	BLACK FORET	5 SKU	D*****	Use aluminum containers, removable labels
Pump cap	alpist, TRIO	3 SKU	Y*****, H*****, S**	Use All PP pump cap
Foldable Box	TISLO	11 SKU	S***	Use FSC certified foldable boxes
Pouch	Spark	1 SKU	A****	Use LLDPE single material pouch
Tube Cap	point&	9 SKU	E*****, G****, D***	Use PCR tube cap
Pouch	LiQ	1 SKU	H****	Use PCR pouch
Pouch	point&	3 SKU	J**	Use PIR pouch
Container	KERASYS, Showermate, LABCCIN	30 SKU	T*, P*****	Change container material (PET→HDPE)
Container	esthaar	2 SKU	E****	Change from col-ored PET to color-less PET

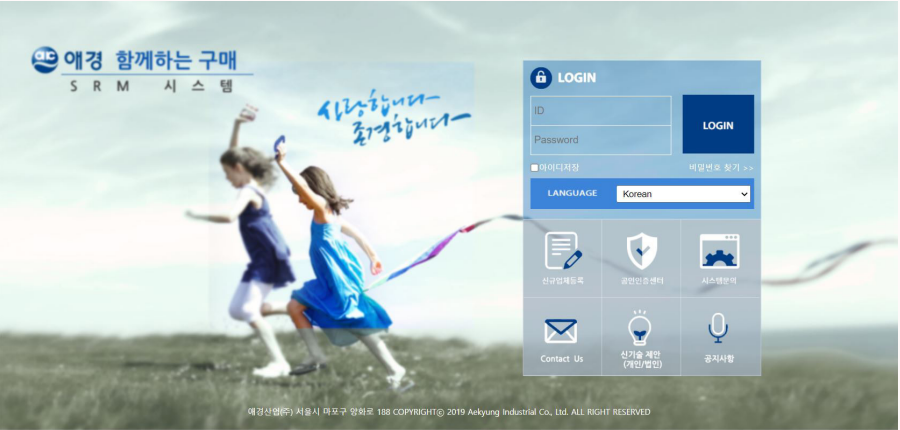


Co-development Effects and Incentives			
Item	Product	Quantity of Use (EA)	Effects
Container	Containers for LiQ 2.7L, WOOLSHAMPOO, point&	540,000	Single source of supply
Pump cap	TRIO 680ml, alpist	110,000	Single source of supply
Container	Showermate 1.2kg	1,720,000	Eco-friendliness and cost reduction effects by changing to PET → HDPE material

Grievance Channel
for Partners,
‘SRM System’

We have created a dedicated communication channel for our partners to ensure smooth communication with them. We review and manage suggestions and ideas from our partners to promote win-win cooperation and strengthen competitiveness.

Type	Unit	2021	2022	2023
Number of Suggestions	Cases	-	4	1
Processing completed		-	4	1
Processing progress		-	0	0



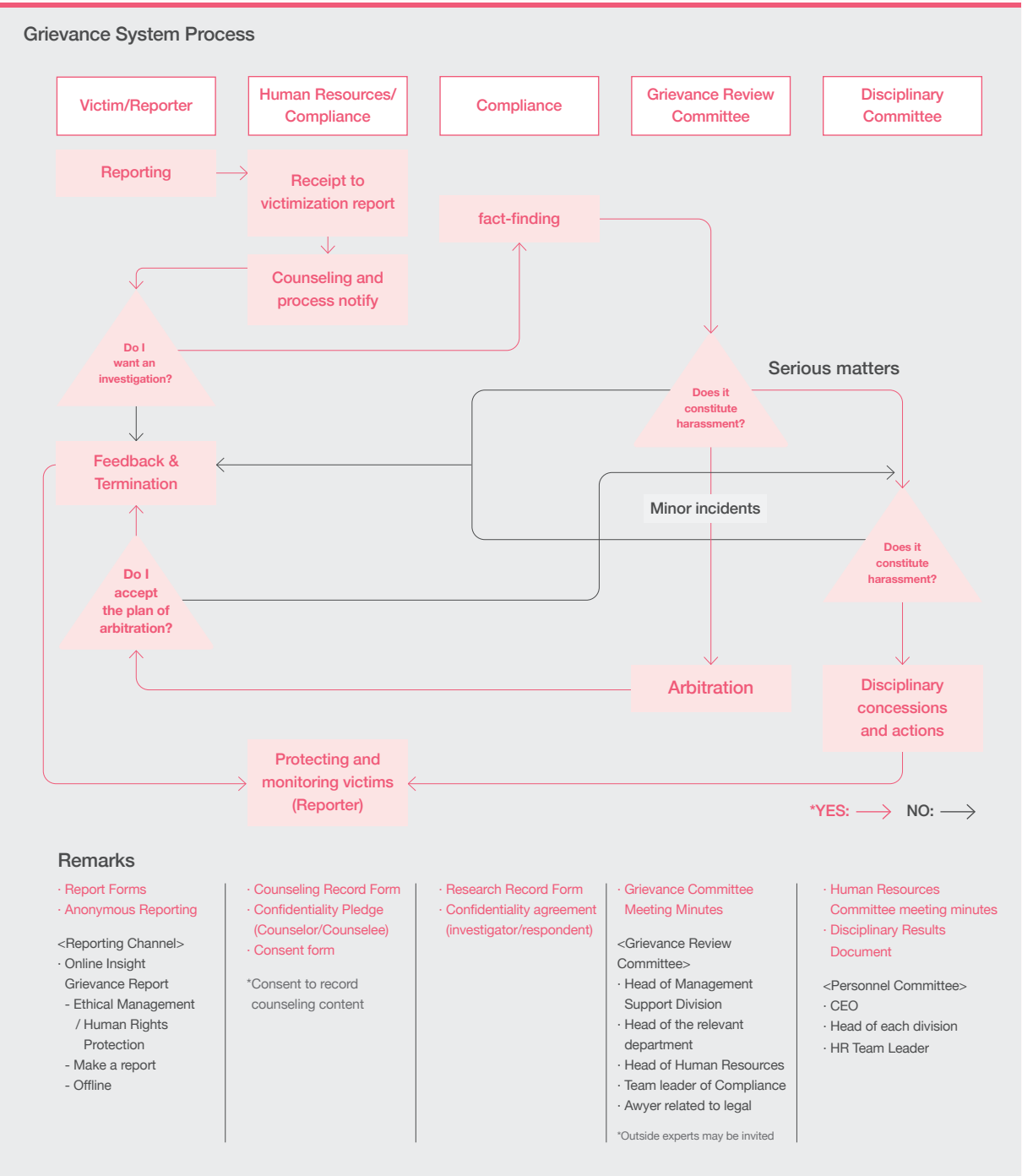
Partner
Assessment

We conduct an initial environmental/quality assessment for new partners. If the score is 60 or higher, we register them as candidates. For partners that have been dealing business with us for more than one year, we conduct a re-assessment based on the purchase performance of 300 million KRW or more and the buyer’s judgment, and establish management standards based on the score to promote environmental management and improve quality assurance of partners by management of incentives and penalties. In addition, we establish a code of conduct for our partners to fulfill their social responsibilities, and suggest and manage compliance matters in areas such as ethical management, labor, human rights, and safety and health.

Environment & Quality Assessment Process	2023
① Initial Assessment	
Assess by the supplier selection criteria (quality & environment)	25 Newly-registered Partners
② Selection	* New company assessment rate: 100%
Register as candidate if the initial assessment score is 60 points or higher	
③ Select companies to be re-assessed	
Re-assess companies that have been dealing business with us for more than one year, with purchase performance of 300 million KRW or more or by the buyer’s judgment	57 companies to re-assessment
④ Re-assessment	
Assessment by re-assessment criteria	
⑤ Quality training	
Assessment of major companies	6 companies subject to quality training

Human Rights
Grievance Channel
‘JEBOHAGI (reporting)’

In 2023, there were a total of six reports through our human rights grievance channel, ‘Jebohagi’ system, and all six cases were handled under the grievance system process. There were no disciplinary actions or punishments in this regard.



Anti-Corruption
Training on
Fair Trade

In 2023, we held the 4th compliance training on contract/fair trade and ethical management. We run training programs to build a clean organizational culture and prevent corruption, and distribute ethics guidebooks to provide internal training to employees to help them make the right decisions in ethical dilemma situations.



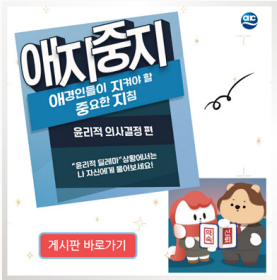
*Photo of contract management and fair-trade training site

Details of Ethics Management Training Completion

Type	Course	Key Target
February	Understanding the subcontracting act and ethical management	The person in charge of Purchasing Team and PD Team
March	Contract practice, LSS utilization and ethical management	New and experienced employees
	IP infringement prevention and ethical management	The person in charge of household goods business marketing and overseas sales
April	Leadership for ethical compliance management	New organizational heads of each business division/sector
	Internal accounting management control training	The person in charge of Purchasing/SCM, Sales, and Production
May	Business ethics and contract management practices	The person in charge of contract management in the production sector
	Contract conclusion and customer management and ethical management	The person in charge of Household goods division
June	Compliance with the protection of trade secrets and ethical management	The person in charge of Research sector
August	IP infringement prevention and ethical management	The person in charge of Cosmetics Business Global and Marketing
November	IP infringement prevention and ethical management	The person in charge of Planning and sales of cosmetics business
December	Understanding and practicing ethical management	All production(on-site) workers in the production sector

Ethical Management Campaign ‘AEJIJUNGJI (Pampering)’

The ethical management campaign ‘AEJIJUNGJI’ launched in March 2023, is an internal campaign that signifies important guidelines to be upheld by our employees. It involves activities such as promoting ethical management practices starting from pledges, contract agreements, information security, and conflict of interest prevention. Additionally, the campaign encourages employee participation in environmental protection initiatives under the ESG framework.



Type	Activity	Main Details
March	‘Ethics Management Practice Pledge’ episode	Verifying and e-signing pledges in personalized groupware
April	‘Making Ethical Decisions’ episode	Provide PC/laptop screensavers (self-diagnostic checklists)
	‘Compliance with the Principles of Contractual Agreements’ episode	Review and manage contracts and ensure compliance when entering into agreements
May	‘Follow the Security Rules’ episode	Shared guidance on trade secret protection practices in the workplace
June	Information Security Sticker Campaign	Placing action stickers on the exterior of work PC/laptops
August	‘Conflict of Interest Prevention and Management’ episode	Distributing guides to prevent and manage conflicts of interest
December	‘Aekyung’s Tumbler Day’ episode	Encourage employees to use tumblers and earn additional green points

INCREASING CUSTOMER VALUE

We strive to create and sustain relationships with our customers and increase customer value.

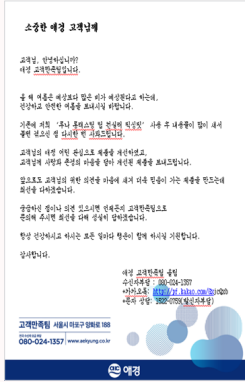
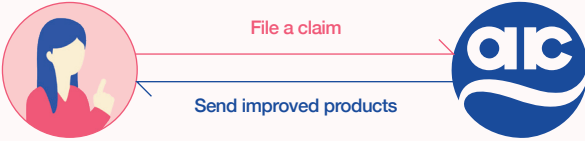
Customer Satisfaction Management

In order to prevent customer churn and secure loyal customers, we are improving the shortcomings by conducting satisfaction surveys not only for customers who have suffered inconvenience but also for customers who have consulted.

Customer Satisfaction after Claim	* Out of 5	Customer Satisfaction after Counseling	* Out of 5
2021	4.5	2021	4.7
2022	4.6	2022	4.7
2023	4.7	2023	4.7

Claim Customer Care Enhancement Activities

Activities to Strengthen Customer Satisfaction Management after Complaint. We actively listen to customer feedback to improve our products. We strive to foster a positive relationship with our customers through continuous customer care, such as sending out improved products to customers who filed complaints.



Active Provision of Information through the ‘Information TIP’ Menu in Aekyung’s Website

We provide information related to the use of our products, as well as information tips that can be useful in everyday life, to ensure the safety and convenience of our customers.



Creating a Safe Consumption Environment

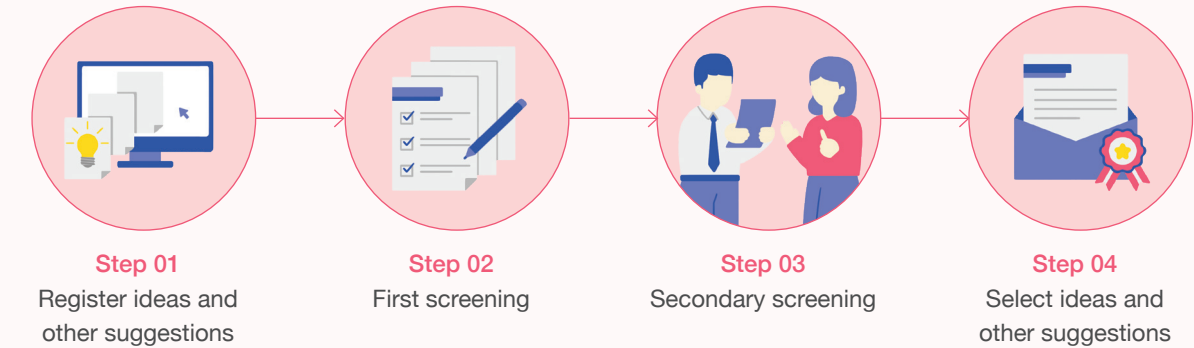
To create a safe consumption environment for household products that are closely related to daily life and to proactively prevent safety accidents in daily life, we organized the ‘Regular Consultation Group for Household Product Businesses’ with the Korea Consumer Agency. To help the visually impaired, who are vulnerable to safety, live a safe consumption life, we provided Braille tags and products that can be hung on products, focusing on eight types of multipurpose items (8 types) that are difficult to identify due to their similar shape.



Customer Relationship Enhancement Activities

Customer Ideas Suggestion

We have a system where anyone who is interested in Aekyung can freely submit ideas in any format. We have released products that reflect the ideas suggested by our customers, and we listen to our customers to ensure that they feel comfortable using our products.



In response to a customer’s request for a white floral scented dryer sheet through the customer idea suggestion system, “HERBMARY 1848 Aroma Sheet Edelweiss” was newly launched.

* HERBMARY 1848 Aroma sheet

Process of Handling Voice of Customer

We handle customer complaints in accordance with the Consumer Dispute Resolution Standards announced by the Fair Trade Commission. We strive for customer satisfaction by establishing and continuously maintaining and managing internal processes to prevent the same claims from recurring.



AK Lover

Aekyung is growing along with our customers through genuine communication, which enables our sustainable growth.



* Sun Essence Pact Calming Long Protection

Co-development Project with ‘Sun Lovers’

In 2023, Aekyung continued its 12th year of collaboration with its supporters, AK Lover, and its flagship brand ‘AGE’20’S’. We collaborated in the launch of the highly satisfying ‘SUN’ product after six months of intensive communication.



Year-end Charcoal Sharing Event

We provide various opportunities for participating in social contribution activities with Aekyung Industrial, supporting natural integration of these practices into everyday life. Through AK Lover, we have established sincere social contribution activities with our customers, donating a total of 11,265 charcoal briquettes in 2023

INFORMATION SECURITY

Aekyung Industrial is committed to information security, with 4.9% of the total IT management personnel dedicated to information security and 9.6% of the total IT budget invested.

We have conducted differentiated training for each target group, including information protection officers and general employees, and are preventing information leakage by activating autonomous personal information protection and improving the level of personal information protection through training. We are also striving to strengthen information security capabilities by conducting information protection activities for intelligent cyber response.

* Number of violations and leaks of the Personal Information Protection Act of 2023: 0 cases

Information Security Activities

- ① Subscription to indemnity insurance for personal information security.

② Proactive discovery and response to infrastructure and security system vulnerabilities.

③ Consulting for pre-inspection of information security disclosure.

④ Provision of company-wide information security training programs.
- ⑤ Operation of internal bulletin boards for enhanced security management.

⑥ Proactive response to security threats.
(pre-emptive blocking of hacker group IOCs, blocking of leaked IP addresses)

⑦ Implementation of data destruction based on the period of storing personal information of the customer counseling system.

⑧ Separation of access rights to customer personal information across various online malls.

Information Security Training

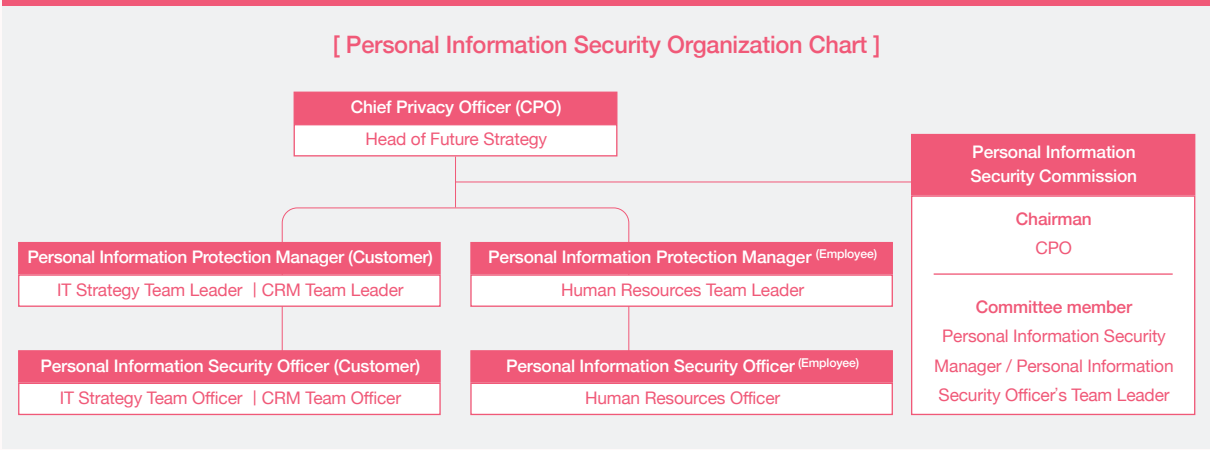
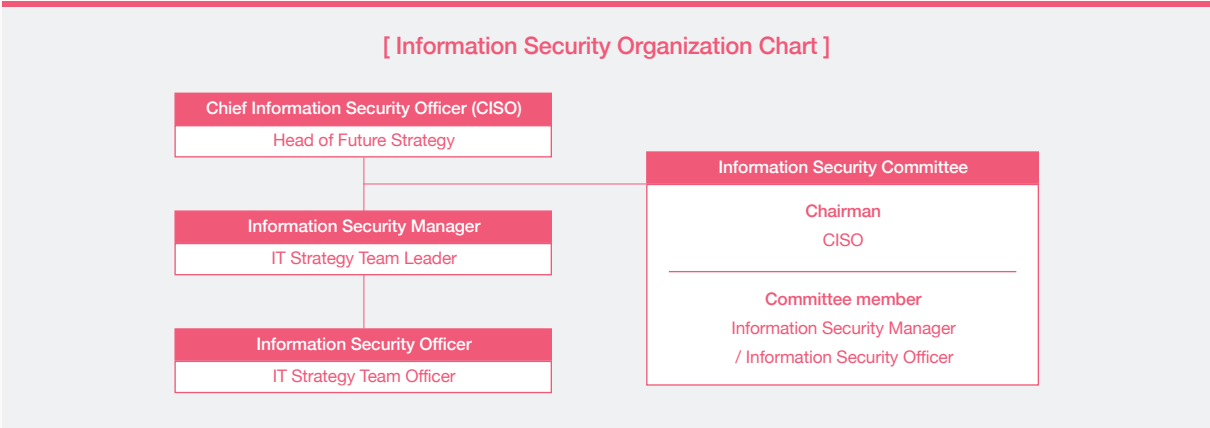
- ① Personal Information Training.

 - Target Audience: Employees and new hires.
 - Education Content.
 - 1) Understanding and case studies of personal information.
 - 2) Definition of information and communications service providers, and personal information handlers.
 - 3) Recent cases of personal information leakage.
 - 4) Considerations for each stage of personal information processing.
 - 5) Provision and outsourcing of personal information to third parties.
 - 6) Processing of sensitive information and unique identification numbers.
- ② Training for Information Security Personnel of the Responsible Organization.

 - Target Audience: Members within the organization responsible for information security.
 - Education Content.
 - 1) Information security threats and characteristics.
 - 2) Main business of personal information security officers.
 - 3) Understanding the stages of personal information processing.

③ Information Security Training for New Employees

 - Target Audience: Employees who have been with the company for less than one month.
 - Education Content.
 - 1) Overview of information security.
 - 2) Understanding of information security management systems.
 - 3) Response procedures for infringement accident.
 - 4) Internal regulations related to information security.



Information Security Process

- ① Personal Data Breach

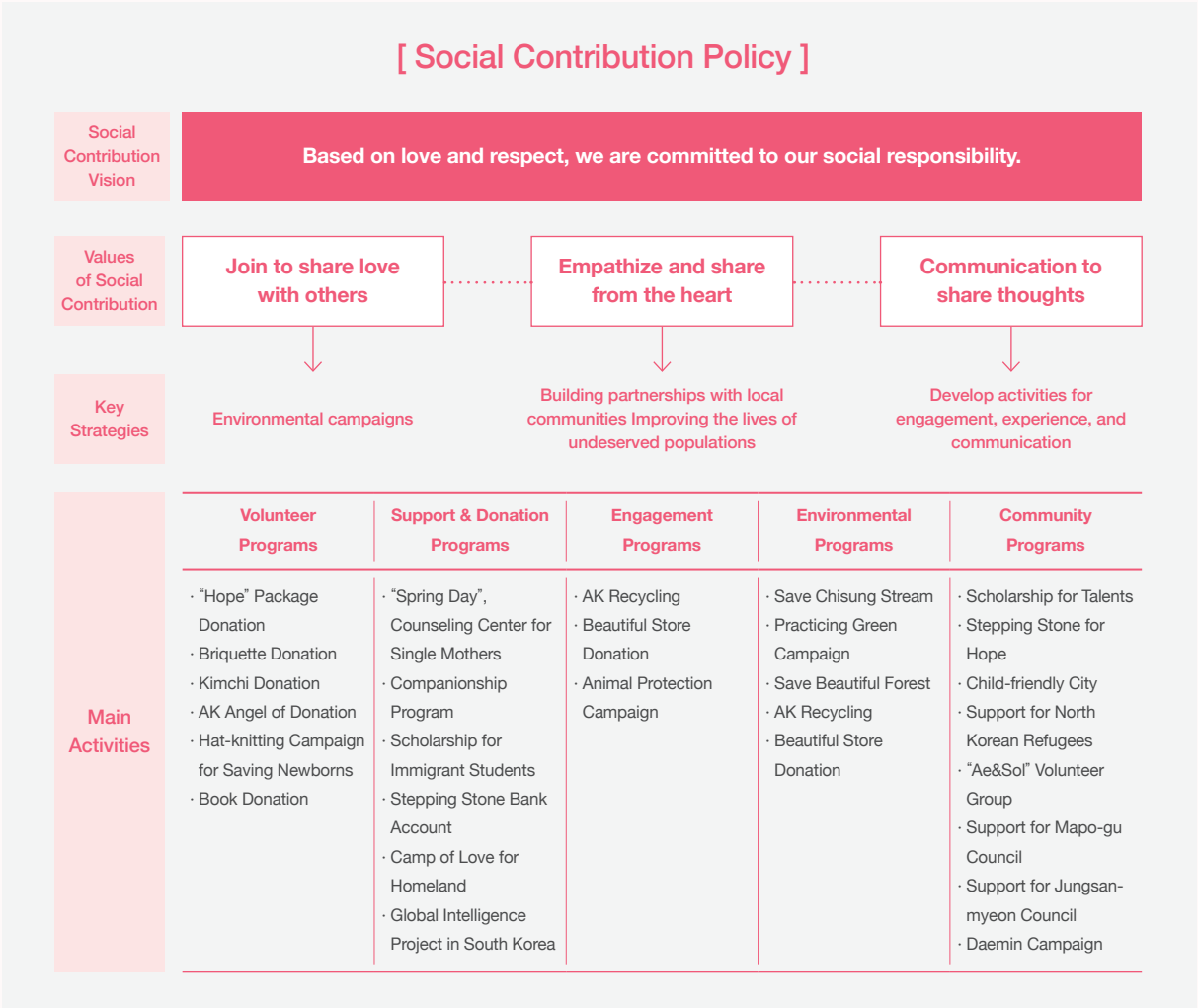
 - Personal Data Breach Reporting and Handling Procedures.
 - 1) Monitoring of external intrusion incidents and receipt of breach indicators.
 - 2) Compilation of a security incident report (overview of the incident) upon notification.
 - 3) Convening relevant department personnel or requesting analysis from external entities.
 - 4) Formation of an Incident Response Task Force ^(TFI) based on the incident severity.
 - 5) Handling incidents through emergency convening of the Information Security Committee, agenda presentation, and determination of response.
 - 6) Reporting of leaked information details and actions taken to the Korea Internet & Security Agency.
 - 7) Notification of breach incident details to affected data subjects, as stipulated under Article 34⁽¹⁾ of the Personal Information Protection Act.
 - 8) Development and implementation of corrective and preventive measures to address the cause of personal data leakage.
 - 9) Dissemination of case studies and prevention education among all employees.
- ② Security Incident

 - Post-incident Checklist.
 - 1) Check for creation of new accounts.
 - 2) Change password files, and check password types and properties.
 - 3) Check for access mode changes in specific files .
 - 4) Check for system utility changes and modifications.
 - 5) Check additional information leakage status in case of information breach incidents.
 - Actions to take Post-incident
 - 1) Prepare temporary measures – preventive measures to avoid recurrence.
 - 2) Apply system environment settings or security patches.
 - 3) Maintain and manage all records until the completion of corrective measures for reported security incidents.
 - 4) Collect, store, and manage evidence related to the security incident for legal action.
 - 5) Analyze and manage statistics based on types of security incidents occurred .
 - 6) Use results for security education and development of future security measures.

LOCAL COMMUNITY

Establishing a vision and strategy for social contribution, we annually discover and execute various programs for mutual development with the local community.

In 2023, our investment in social contribution programs accounted for 2.8% of revenue, with a medium to long-term goal set to expand this to 4.5% of revenue by 2030. We practice sincere giving management, striving for diverse community engagement activities based on values of participation, empathy, and communication.



Mid to Long Term Goals for Local Communities

Investment in social contribution programs by 2030

4.5%

Social Contribution Activities Achievement

Total Cost of Social Contribution

19.06 billion KRW

In kind

18.67 billion KRW

Cash

0.39 billion KRW

Number of Social Contribution Programs

31

Percentage of revenue

2.8%

Local Community Coexistence Activities

Every year, we develop various programs aimed at living warmly and together, making continuous efforts for community coexistence activities.

LOVE & RESPECT 2023 Main Social Contribution Activities



Donated products worth 20 million KRW to vulnerable groups in Cheongyang-gun.



Donated 250 million won worth of products such as sanitary pads to mark World Menstruation Day.



Participated in tree planting events to restore ecosystems in areas affected by wildfires in Uljin.



Provided dental care support for children from low-income families at Yonsei University Dental Hospital.

01. Supporting Employment for Disabled Employees, The Goodwill Store

*Number of disability benefits offered

48 Persons

The Goodwill Store provides valuable salaries to disabled employees with the profits generated from the sale of goods donated by individuals and companies, and creates jobs for people with disabilities to achieve full independence. In May 2023, Aekyung Industrial donated 13,348 items to Goodwill Store and provided salaries to 48 Goodwill Store employees with disabilities, creating jobs for people with disabilities. The average monthly salary of the disabled employees is 1,500,000 KRW, and the total donation amount of 71,618,080 KRW was provided to Goodwill Store's Seongnam, Guri, Suwon Bukmum, Gangseo branches.

Items Donated by Aekyung Industrial	
Quantity	Amount
13,348 Items	71,618,080 KRW

02. Hope Package Sharing Event with Seoul City

* Essential Item Sets

3,000 Sets

To spread a culture of sharing and goodwill during the year-end, we conducted the 2023 Hope Package Sharing Event in collaboration with Seoul City. This event involved distributing 3,000 sets of hope packages containing household and cosmetic products worth 1.2 billion KRW to vulnerable groups. At the event venue, 1,200 sets were prepared, while the remaining 1,800 sets were produced and distributed by the Seoul Welfare Council's Seoul Food Bank Center. Since 2012, Aekyung Industrial has donated a cumulative total of 40.7 billion KRW worth of essential items, including the 2023 Hope Package donation, to support Seoul's disadvantaged neighbors, practicing love and sharing.



03. Settlement Support for Independent Youths in Chungcheongnam-do

* Support Fund

300 million KRW

We hosted a youth settlement support fund ceremony for independent youths in Chungcheongnam-do. Aekyung Industrial has committed to supporting the establishment of first households for independent youths with an annual contribution of 100 million KRW for three years. Chungcheongnam-do administratively supports the recommended recipients for sponsorship. Hope Givers provide individual support to independent youths, ensuring the proper use of sponsorship funds, with post-management assistance from the Chungcheongnam-do Child Welfare Association. A total of 600 independent youths in the region received support through the first household support fund, promoting self-reliance and improving quality of life.



04. Sharing Kimchi

* Sharing

20 years of sharing

Since 2004, Aekyung Industrial has been organizing the annual Kimchi Making Event to celebrate its 20th anniversary this year.

This event involves donating 3,000 bundles (10 tons) of kimchi to marginalized neighbors in the local community such as low-income single-parent households and elderly living alone. As the year-end approaches, this initiative aims to warm the hearts of those in need by sharing kimchi, helping them have a warm year-end. Additionally, our Cheongyang Plant also contributes 400 bundles of kimchi to vulnerable groups in Jeongsan-myeon, furthering efforts for community coexistence.



05. Cultural Sharing Event for Developmentally Disabled Individuals

* Beneficiaries

854 Persons

The "Happy Picnic" event invites individuals with developmental disabilities and their caregivers to cinemas for a cultural experience, fostering social participation among marginalized groups in welfare blind spots. Aekyung Industrial prepared two screenings of different movies, each offering 2 sessions and 3 sessions respectively, to accommodate preferences and availability of disabled individuals. Megabox sponsored one popcorn and a beverage per persons. This meaningful event provides an opportunity for disabled individuals, who often have limited access to cultural experiences, to enjoy movies and socialize in theaters. We plan to continue exploring and promoting various social contribution activities for marginalized groups.



HUMAN RIGHTS MANAGEMENT POLICY

At Aekyung Industrial, we uphold our corporate philosophy of ‘Love’ and ‘Respect’ as our highest values, loving and respecting all stakeholders including employees, customers, shareholders/ investors, partners, and the local community in accordance with human rights principles.

Human Rights Grievance Channel

Aekyung Industrial operates a reporting system to handle human rights-related complaints. All stakeholders of Aekyung Industrial can report through this system, which includes transparent procedures and protections of informant.

*Reporting Link: <https://www.aekyung.co.kr/report>

Types of Reports

Reports encompass misconduct and unethical behaviors related to Aekyung Industrial employees, actions that undermine a healthy corporate culture, and suggestions for improving unreasonable practices. However, unsubstantiated accusations, and matters unrelated to work or personal privacy, are not processed.

Handling Procedures

Reported issues are handled with strict confidentiality. After initial verification and confirmation of the informant’s identity protection principle, an investigation is initiated. Once initiated, an objective investigation is conducted to verify the facts of the report and subsequent actions are taken in accordance with internal regulations. Results are communicated to the informant unless it violates the company’s legitimate rights and interests upon the informant’s request.

Informant Protection

The identity of the informant is kept confidential without exposing or implying any information without their consent. No discrimination or disadvantageous treatment is imposed on informants. If any repercussions occur due to whistleblowing, the affected party can request a review from Aekyung Industrial’ Ethics Department to ensure no harm. Additionally, a voluntary disclosure reduction system is implemented where informants disclosing misconduct involving themselves may receive leniency through adequate consideration.

Principles of Human Rights

① Non-Discrimination

Employees shall not discriminate against others based on gender, religion, disability, age, nationality, skin color, academic ability, or any other grounds, and will foster an organizational culture that respects diversity of employees.

② Working Hours Compliance

We comply with labor laws regarding working hours and strive to provide all employees with opportunities for capability development, enhancing quality of life, and a conducive work environment for job performance.

③ Humane Treatment

We respect all workers and prohibit inhumane practices such as harassment, discrimination, threats, and unreasonable proposals in the workplace that cause physical or mental distress.

④ Prohibition of forced and child labor

We do not tolerate forced labor that contradicts the free will of employees, and we strictly prohibit child labor.

⑤ Freedom of Association and Collective Bargaining

We recognize the freedom of association guaranteed by labor laws and ensure the right to collective bargaining, providing adequate communication opportunities to all employees.

⑥ Industrial Safety

We create a work environment where employees can work safely and healthily, conduct regular inspections, and continuously strive to prevent physical and mental risks and accidents.

⑦ Protection of Personal Information

We rigorously protect the personal information of all stakeholders and do not disclose or use information for purposes other than those approved by individuals.

⑧ Fair Compensation

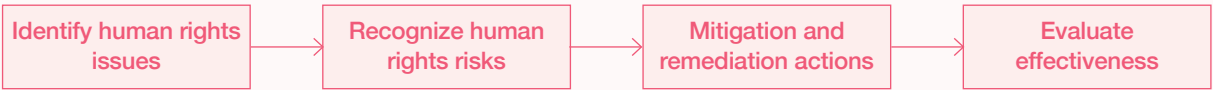
We conduct fair evaluations and give compensation based on performance criteria.

Human Rights Risks

Aekyung Industrial identifies human rights risks and implements remedial measures for each human rights issue. We also manage human rights risks by evaluating their effectiveness according to the current situation.

Type	Assessment Issue	Remedial Measures	Evaluate effectiveness				
			Review Items	Unit	Current Status		
					2021	2022	2023
No Discrimination	Performance appraisal and compensation, gender, disability, national origin, and parental leave use and return-to-work	· Operate an organizational culture enhancement, ‘Color AK’ · Provide disability awareness training · Fertility Treatment Leave, Family Care Leave, and Reduced Work Hours during Pregnancy	Employee gender ratio	Male	66.7	63.3	62.1
				Female	33.3	36.7	37.9
			Employment of Disabled Persons Rate	%	3.5	3.4	3.0
			Parental Leave Return to Work Rate		41.2	52.6	66.7
Working Hours Compliance	Employee Working Hours Management	· Establishing a process to comply with legal working hours with flexible work arrangements	Number of legal working hour violations	Cases	0	0	0
Sexual harassment and bullying in the workplace	Physical, Verbal, and Visual Sexual Harassment	· Operate a reporting center for sexual harassment and harassment in the workplace (AK Grievance System) · Conduct regular prevention training	Number of sexual harassment reports	Cases	0	0	0
	Inappropriate behavior, including name-calling, verbal abuse, and assault, and harassment of unfair work instructions		Number of bullying reports		1	2	0
Prohibition of forced and child labor	Forced Labor	· Forced labor/child labor prohibited by law	Forced Labor	Cases	0	0	0
	Child labor		Child labor		0	0	0
Freedom of association	Collective bargaining agreements	· Free to join and leave · Prevention of Disadvantage/discrimination	Union Membership Rate	%	33.0	30.2	30.7
Health and Safety	Industrial accident management	· Workplace safety inspections (Safety Walk, etc.) · Safety culture internalization training	Safety Walk improvement rate	%	89.4	96.5	100
	Employee Health Management	· Diet Program and Health checkup follow-up management	Rate of Observed Employees at Risk of Obesity		-	65.1	61.9
Information Security	Personal Information leakage Management	· Personal Information Security Training	Number of personal information leaks	Cases	0	0	0
Partners Supply Network Management	Partner Labor Rights	· Conducting safety training for partners and managing partner injury rates	Partner Injury Rate	%	0.53	0.55	0.42
	Unfair Trade	· Operating channels to report unfair behavior	Number of unfair trade reporting	Cases	0	0	1
Local Community coexistence	Protecting marginalized groups in the welfare blind spot	· Conducted cultural sharing events for people with developmental disabilities	Number of beneficiaries with disabilities	Persons	-	700	854

Human Rights Management Process



GOVERNANCE

FRAGRANT RECORD OF VOWS

Our commitment is to help create a fragrant resonance. Through corporate governance, we uphold transparency, fairness, and ethical principles. By pursuing continuous development and transparency, we promise to prepare for the future and deliver a fragrant resonant to both internal and external stakeholders. Through our governance framework, we pledge our dedication to creating a better world together.

BOARD OF DIRECTORS

Current Composition of the Board

The Board of Directors consists of 7 members: 3 inside directors, 3 outside directors, and 1 other non-executive director. The Board operates according to the "Board Operation Regulations," resolving matters stipulated by laws, articles of incorporation, delegated by shareholders' meetings, and important issues regarding company management policies and execution. The Board is constituted with all directors, and the Chairman of the Board is determined by the articles of incorporation, with the CEO serving as Chairman. The company appoints directors who possess suitable qualifications and capabilities for corporate management through compliance with legal procedures such as the Commercial Code. Directors are appointed considering independence, diversity, and expertise through shareholders' meetings, with a term of 3 years as stipulated by the articles of incorporation.

● Chairman ○ Member

Type	Inside Director			Outside Director			Other Non-executive Director
Name/ Date of Birth	Chai Dongseok (M) 1964.5.	Kim Sangjoon (M) 1972. 11.	Ahn Jungtae (M) 1976. 3.	Min Joonki (M) 1961. 3.	Song Heumrae (M) 1961. 9.	Park Hyungmyeong (M) 1962. 1	Lee Janghwan (M) 1974. 5.
Position	現 Aekyung Industrial Co., CEO (Vice-chairman)	現 Aekyung Industrial Co., CEO (Managing Director)	現 Aekyung Industrial Co., Ltd. Head of Household Goods Business Division	現 Sungmoon Accounting Corporation, Certified Public Accountant	現 Geoseong Eleccom Vice President	現 Law firm KIM CHANG LEE Lawyer	現 AK Holdings Co. Financial Team Leader, CFO (Managing Director)
Initial Appointment Date	17.09	23.03	23.03	19.12	19.12	23.03	22.03
Term of Office	23.03 - 26.03	23.03 - 26.03	23.03 - 26.03	22.03 - 25.03	22.03 - 25.03	23.03 - 26.03	22.03 - 25.03
Audit Committee				●	○	○	
Internal Transaction Committee		○		○	●	○	
Independent Directors Nomination Committee		○		○	○		
ESG Committee		○ (E)		○ (G)	○ (G)	● (S, G)	

* Chairman of the Board of Directors: Mr. Kim Sangjoon was appointed as CEO and Chairman of the Board of Directors by the Board of Directors on December 1, 2023
* As of December 31, 2023

Board Operating Principles

Principles of Independence, Diversity, and Expertise

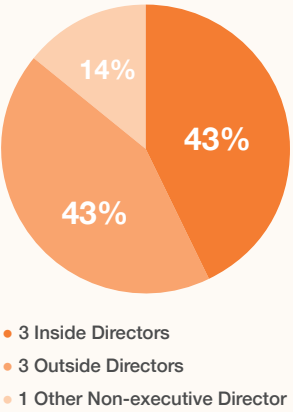
The board of directors operates independently from management and controlling shareholders by adhering to the guidelines for the independence of outside directors to avoid conflicts of interest. This ensures that candidates with special relationships are restricted from being appointed as outside directors, and directors with special interests are prohibited from exercising voting rights on resolutions.

Directors are appointed from various fields essential for corporate decision-making, including management, accounting, finance, and law to enhance the board's expertise. The board maintains a well-distributed board composition, and is organized of members across a wide age range, for multidisciplinary thinking that is not biased toward a particular field to ensure diversity. All directors at Aekyung Industrial are subject to performance evaluations, and the results of these evaluations are used to determine compensation and decisions regarding reappointment.

Independence Guidelines for Outside Directors

- ① Directors, executives and employees engaged in the business of the company or directors, auditors, executives and employees engaged in the business of the company within the last two years.
- ② The shareholder, spouse, and direct and linear descendants, in the case where the largest shareholder is a natural person.
- ③ Directors, auditors, executives, and employees, in the case where the largest shareholder is a corporation.
- ④ Spouses, and direct and linear descendants of directors, auditors, and executives.
- ⑤ Directors, auditors, executives, and employees of the Company's parent company or subsidiaries.
- ⑥ Directors, auditors, executives, and employees of the corporations with significant interests such as business transactions with the Company.
- ⑦ Directors, auditors, executives, and employees of other companies where the Company's directors, executives, or employees also hold positions as directors or executives.
- ⑧ Minors, persons under limited guardianship, or persons under unrestricted guardianship.
- ⑨ A person who has been declared bankrupt and has not been rehabilitated.
- ⑩ A person who has been sentenced to imprisonment or higher, and two years have not passed since the execution of the sentence has ended or the execution has been exempted.
- ⑪ A person who has been dismissed or discharged from office in violation of the law (Article 34, Paragraph 3 of the Enforcement Decree of the Commercial Act) prescribed separately by the Presidential Decree.
- ⑫ The person (the largest shareholder) and his/her specially related persons (specially related persons, Article 34 (4) of the Enforcement Decree of the Commercial Act) if the number of shares owned by the person (the largest shareholder) and his/her specially related persons (specially related persons, Article 34 (4) of the Enforcement Decree of the Commercial Act) is the largest based on the total number of shares issued excluding non-voting shares as a shareholder of a listed company.
- ⑬ A shareholder (major shareholder), spouse, and direct and linear descendants who owning more than 10/100 of the total number of issued shares, excluding non-voting shares, regardless of whose name it is in, or who exercises de facto influence on major management matters of a listed company, such as the appointment and dismissal of directors, executives, and auditors.
- ⑭ Any other person designated by presidential decree who may find it difficult to faithfully perform the duties of an outside director or may affect the management of a listed company (Article 34 (5) of the Enforcement Decree of the Commercial Code).

Board Composition Ratio



Board Competency Scheme

Directors	Leadership	Management	Economy	Finance	Accounting	Legal	Marketing
Chai Dongseok	●	●					
Kim Sangjoon	●	●		●			
Ahn Jungtae	●	●					●
Min Joonki					●		
Song Heumrae	●	●	●	●			
Park Hyungmyeong						●	
Lee Janghwan	●	●	●	●			

Compensation
for Directors and
Auditors

The compensation limit for directors and audit committee members is set by resolution at the shareholders’ meeting pursuant to Article 388 of the Commercial Code. We evaluate and determine compensation within the approved limit based on responsibilities, delegated tasks, and performance outcomes approved by the shareholders’ meeting.

The salary of registered directors is determined comprehensively, taking into account the duties, position, nature of delegated tasks, and results of delegated tasks in accordance with the Regulations on Executive Personnel Management.

Bonuses are determined based on the company’s performance during the period and executive performance evaluations in accordance with the Employment Incentive Payment Regulations.

In addition, benefits including health checkups, accident insurance, and children’s education funds are provided in accordance with the Regulations on Management of Executive Benefits. The salary of the Audit Committee members is paid within the compensation limit considering the nature of the delegated tasks, without separate performance bonuses or welfare benefits.

Shareholders’
Meeting
Approval Amount

Type	Number of Members	Unit	Amount
Registered Directors	9	million KRW	6,500

* Number of registered directors includes all directors who were newly appointed or resigned during the year.

Compensation
*Includes all directors
and auditors

Type	Number of Members	Unit	Total Compensation	Average Compensation / Persons
Registered Directors (excludes outside directors, audit committee)	5	million KRW	2,741	548
Audit Committee Members	4		207	52

* Number of registered directors includes all directors who were newly appointed or resigned during the year.

Compensation
*By Individual

Position	Name	Unit	Total Compensation
CEO	Chai Dongseok	million KRW	1,687

* Current compensation of individuals receiving annual payments exceeding 500 million KRW

Supporting
Organizations for
the Board and
Outside Directors

Board Secretariat

To ensure that the functions of the Board of Directors and its committees are carried out efficiently, we have established a Board Secretariat consisting of six employees from relevant sectors (one division head, one team leader, and four team members) to support the Board.

Current
Shareholders

Type	Number of shares	Shareholding percentage
Largest Shareholders and Related parties	16,672,578	63.13%
1. AK Holdings	11,904,812	45.08%
2. Aekyung Asset Management	4,767,766	18.05%
Employee Stock Ownership Association	568,756	2.15%
Treasury Shares	708,467	2.68%
Others	8,460,134	32.04%
1. Domestic Organizations and Foreigners	2,177,506	8.25%
2. Individual Shareholders	6,282,628	23.79%
Total	26,409,935	100.00%

Dividend Policy

In order to enhance shareholder value and improve shareholder return, Aekyung Industrial determines the dividend policy by comprehensively considering the current management status and financial structure.

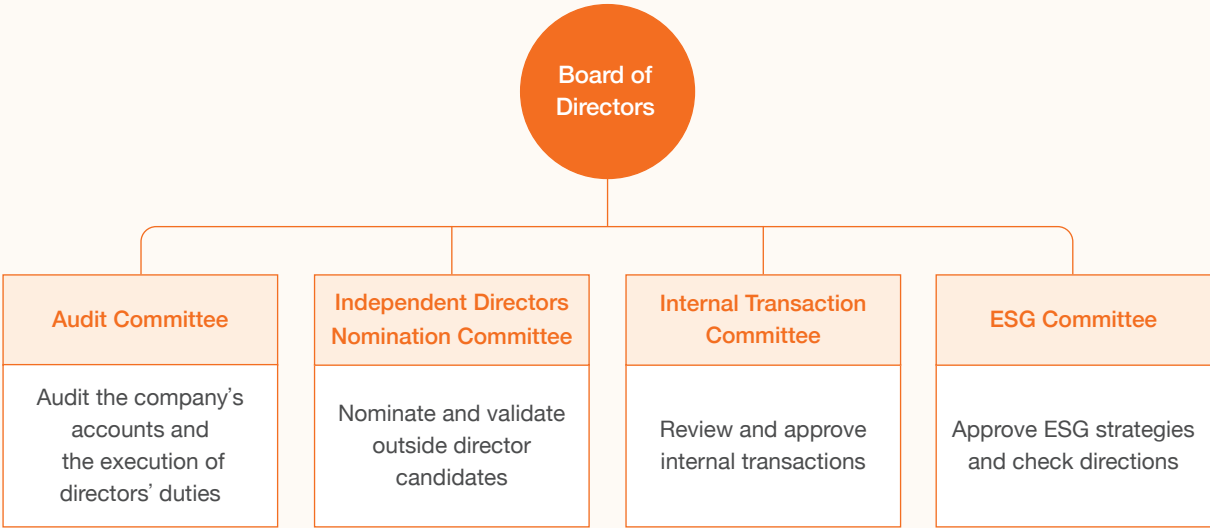
Since listing, we have implemented a dividend policy with a payout ratio of over 20%, and have publicly disclosed a mid to long-term dividend policy with a dividend payout ratio of 30% from 2023 to 2025 to enhance shareholder value by providing predictability in the amount of dividends payable.

Operation of Board Committees

We have established and operate four committees under the BOD: the Audit Committee, the Independent Directors Nomination Committee, the Internal Transaction Committee, and the ESG Committee.

Each committee appoints its members based on expertise, experience, and roles of directors, and operates a supporting organization to effectively conduct committee functions.

Board of Directors 2023



Type		Unit	Status
Audit Committee	Opening	Meetings	7
	Agenda	Cases	11
Independent Directors Nomination Committee	Opening	Meetings	1
	Agenda	Cases	1
Internal Transaction Committee	Opening	Meetings	6
	Agenda	Cases	12
ESG Committee	Opening	Meetings	1
	Agenda	Cases	1

Audit Committee

The Audit Committee operates to enhance management transparency, comprising three external directors with no special relationships with the company. A qualified accountant serves as the committee chair, reinforcing the expertise in committee operations.

Independent Directors Nomination Committee

The Outside Director Nomination Committee recommends candidates based on laws, articles of incorporation, and board regulations. It ensures the independence of external directors and evaluates their capabilities suitable for a global corporation, recommending them to the shareholders' meeting.

Appointment Process of Outside Director



Internal Transactions Committee

The Internal Transactions Committee ensures transparency and fairness in internal transactions based on the regulations on transactions with internal stakeholders we have established.

The committee is composed predominantly of external directors for independence with the roles of preventing and monitoring improper support practices within affiliates to enhance operational transparency.

ESG Committee

To fulfill corporate responsibilities regarding social and environmental impacts of business activities, we established the ESG Committee within the BOD in May 2023.

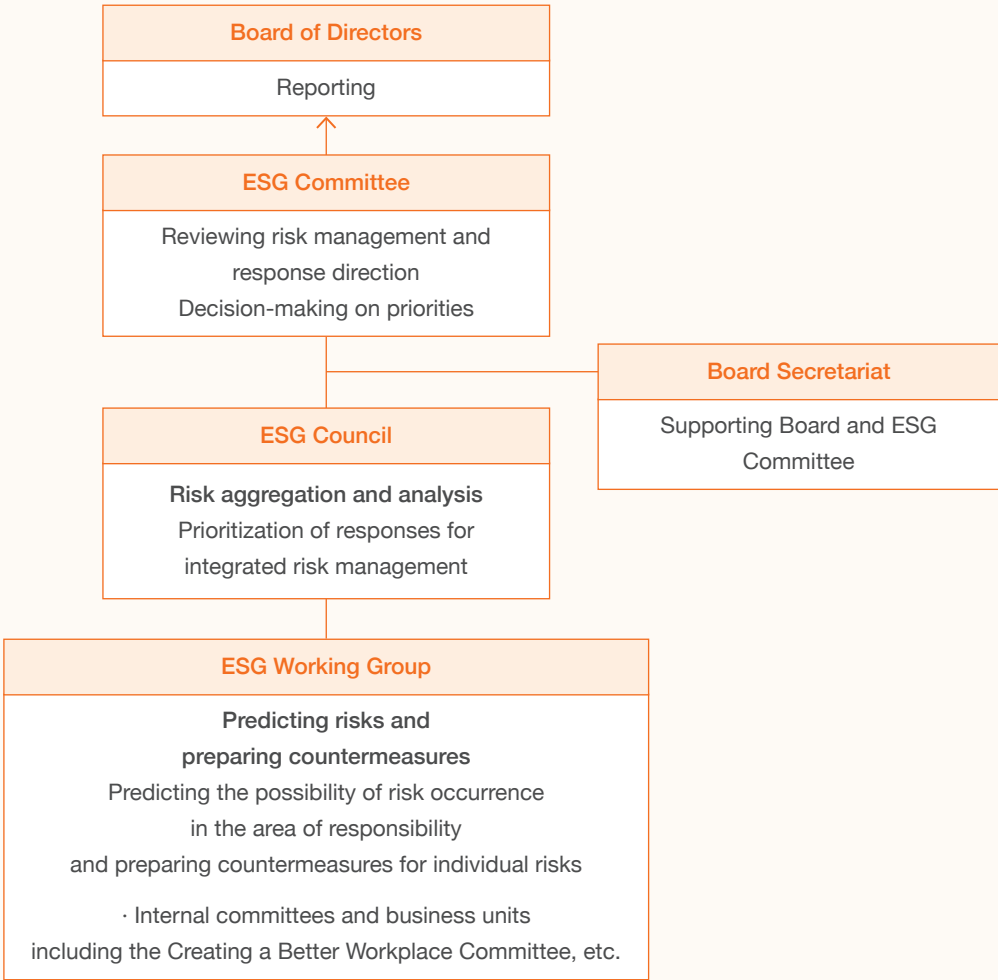
For sustainable management, the ESG Committee proposes strategies and policy directions related to ESG, oversees risk management and ESG performance monitoring, and serves as the highest decision-making body.

INTEGRATED RISK MANAGEMENT

The Head of Integrated Risk Management chairs the ESG Committee and aims to establish a proactive management system by defining risks by category (financial, business, ESG, etc.) and establishing countermeasures to respond to mid to long-term risks. In May 2023, we organized and operated the ESG Committee under the BOD in order to take responsibility for the social and environmental impact of the company, establish a sound governance system, and upgrade ESG management.

Risk Reporting System

Corporate risks are not independent but interconnected. Thus, we prepare and implement measures for an efficient risk response by aggregating individual risks and considering them in an integrated manner from various perspectives, including ESG and business.



Category	Finance	Business	ESG		
			Environment	Social	Governance
Risk Items	Resource Consumption	Business Strategy	Environmental pollution	Health and Safety	Internal Transactions
	Tax	Planning	Resource Consumption	Human Rights	Ethics/Compliance



Tax Payment

Aekyung Industrial complies with tax laws and systems in each country following our global business expansion and pays taxes to fulfill our corporate responsibility. The responsible department monitors tax policies, predicts and evaluates risks, and devises response strategies to prevent practices such as tax avoidance and evasion. Transparent tax payments are crucial activities through which the company contributes to local communities and supports national finances. We are committed to comply with tax laws and enhance tax risk management, ensuring transparency in corporate operations by disclosing these efforts to our stakeholders.

Corporate taxes paid status

Type	Unit	2021	2022	2023
Net income before corporate tax expense	KRW	20,451,724,766	22,750,105,839	59,427,475,005
Corporate tax expense		4,726,261,710	6,067,993,487	10,822,863,524

* There is no global corporate tax payment for Aekyung Industries.

Internal Accounting Management System

In 2023, our internal accounting manager evaluated the operation status of the internal accounting management system and determined that it was effectively designed and operated from a materiality perspective based on the “Conceptual Framework for Design and Operation of Internal Accounting Management System”.

The independent auditor audited our internal accounting management system based on the “Conceptual Framework for Design and Operation of Internal Accounting Management System” issued by the Steering Committee of the Internal Accounting Management System and expressed a qualified opinion that it was effectively designed and operated from a materiality perspective as of December 31, 2023.

As a result of the evaluation of the internal control system, no significant deficiencies in the internal control system other than the internal accounting management system were noted by the external auditor in 2023.

ETHICAL MANAGEMENT

“All employees of Aekyung Industrial are required to contribute to our society by thinking ahead and improving people’s quality of life based on love and respect. To serve as our guiding principles for fulfilling our corporate social responsibilities and primary roles, we have established the following Ethics Charter.”

Code of Ethics



①

Compliance with laws

- Compliance with domestic and international laws and regulations
- Use of inside information
- Prevention of sexual harassment
- Anti-corruption
- Protection of the company properties and information
- Prohibition of gifts and entertainment



②

Obligations toward customers

- Maintaining trust with customers
- Customer satisfaction



③

Obligations toward shareholders

- Respect for shareholders’ rights
- Equal treatment
- Active communication



④

Obligations toward employees

- Fair treatment
- A safe and healthy work environment



⑤

Obligations toward competitors and suppliers

- Fair competition
- Fair trade



⑥

Basic Ethics for Employees

- Ethical corporate culture
- No conflict of interest
- Political activities
- Compliance with the code of ethics

Ethics Charter

- ① We respect the law and social norms and do not engage in any kind of illegal or inappropriate behaviors.
- ② We prioritize trust with our customers and work hard to ensure that they’re satisfied with our products and services.
- ③ We respect our shareholders’ rights and raise our corporate value through transparent and efficient business operation.
- ④ We promote diversity and cooperation and do not tolerate unfair discrimination in our workplace.
- ⑤ We promote fair trade and competition, and mutual benefits as well as healthy markets.
- ⑥ We fulfill our social responsibilities as a corporate citizen.

Ethical Management Organization Chart



ETHICAL MANAGEMENT

Workplace Anti-Sexual Harassment / Anti-Bullying Prohibition Policy

We rigorously handle and manage workplace sexual harassment and bullying in accordance with our internal standard guidelines (company policy).

- We consistently conduct preventive education and promotion to foster a healthy organizational culture.
- We ensure the confidentiality and safety of the victim (or reporter).
- We protect the perpetrator (or alleged perpetrator) until the act of sexual harassment or bullying is confirmed.
- We continuously monitor and manage to prevent secondary damage and recurrence.

Workplace Anti-Sexual Harassment Policy

We prohibit employees from taking advantage of their position or relationship in the workplace to cause another employee or stakeholder to feel sexual humiliation or intimidation, including by conduct of a sexual nature, or to take an adverse employment action against them because of their failure to comply with requests of a sexual nature or other conduct.

Determining Workplace Sexual Harassment 01.

- ① Victim’s Subject Circumstances: Judgment based on the victim’s perspective, not the perpetrator’s intent.
- ② Consideration of Social Norms: Acts that would intuitively cause a reasonable persons in the same situation to feel sexually humiliated or disgusted.
- ③ Case-by-case determination: Determined by considering all circumstances and records as a whole, including the relationship of the parties, location, etc.
- ④ Other: Whether the act was repetitive, whether the target was specific, and whether there was an expression of refusal.

Reporting and Consultation Process 02.

- ① File an online or in-person report through the ‘AK Grievance System’
- ② Counseling process: Refer to page 70 (AK Grievance System).

Disciplinary and Corrective Measures 03.

- ① Conduct a thorough investigation through the Grievance Review Committee and make judgments on major or minor issues, followed by the implementation of appropriate disciplinary actions.
- ② After the resolution of the incident, support and monitor the victim for protection and prevention of secondary damage and recurrence.

Workplace Anti-Bullying Prohibition Policy

We prohibit employees from taking advantage of their position or relationship in the workplace to cause physical or mental distress to other employees or to worsen their work environment by exceeding the appropriate scope of work.

Determining workplace harassment 01.

- ① Taking advantage of a position of superiority or relational advantage in the workplace: This is judged based on the rank/position structure, job competence, and influence within the workplace.
- ② Exceeding the appropriate scope of work: This is determined by assessing the necessity of the work from a societal standpoint and the nature of the conduct.
- ③ Causing physical/mental distress or worsening the work environment: This is determined by evaluating whether the individual’s ability to perform is impaired.

Reporting and Counseling Process 02.

- ① File an online or in-person report through the ‘AK Grievance System’.
- ② Counseling process: Refer to page 70 (AK Grievance System).
- ③ Provide victims with necessary information such as relevant laws, investigation and handling procedures during counseling to give them the option of other alternative remedies.

Disciplinary and Corrective Measures 03.

- ① Conduct a thorough investigation through the Grievance Review Committee and make judgments on major or minor issues, followed by the implementation of appropriate disciplinary actions.
- ② Take appropriate measures such as relocating the worksite or granting paid leave. Appropriate measures such as changing the workplace, ordering paid leave, etc. when workplace harassment is confirmed, upon confirmation of workplace harassment.
- ③ After the resolution of the incident, support and monitor the victim for protection and prevention of secondary damage and recurrence.

ESG FACTBOOK

Financial Performance

Consolidated Financial Statements

* Unit: KRW

	2021	2022	2023
Assets			
I.Current Assets	261,862,420,073	275,603,610,012	268,472,581,367
Cash and cash equivalents	106,052,052,933	120,443,188,331	65,172,406,594
Accounts receivable	47,978,962,924	51,208,168,750	63,686,042,069
Other current receivables	9,204,213,375	2,769,459,992	3,141,582,867
Other current financial assets	15,794,514,348	19,964,671,474	50,369,798,459
Inventory	80,007,310,237	79,017,254,301	78,126,954,585
Other current assets	2,825,366,256	2,200,867,164	2,990,864,793
Estimated assets for sale			4,984,932,000
II.Non-current Assets	169,630,224,957	207,036,005,342	213,900,014,107
Other non-current receivables	3,909,438,650	4,147,609,314	4,518,492,344
Other non-current financial assets	1,743,294,247	2,008,734,247	3,010,657,637
Joint enterprise investment stocks	791,993,114	608,896,480	181,739,552
Tangible Assets	124,658,527,114	140,685,853,700	147,347,337,720
Intangible Assets	6,336,283,008	17,552,690,980	13,487,445,669
Right-of-use asset	28,217,121,130	25,956,224,217	24,875,036,721
Investment in real estate	2,517,897,980	2,517,897,980	2,517,897,980
Other non-current assets	428,967,413	2,565,416,378	1,579,076,126
Deferred tax assets	1,026,702,301	4,365,621,311	2,959,701,017
Derivatives assets		1,216,630,247	2,535,375,269
Net defined benefit assets		5,410,430,488	10,887,254,072
Total assets	431,492,645,030	482,639,615,354	482,372,595,474
Liabilities			
I. Current liabilities	74,958,318,894	116,975,836,193	90,410,809,063
Accounts payable	43,630,311,294	40,355,549,117	42,874,196,320
Other payable liabilities	22,705,690,643	33,046,729,573	35,265,970,714
Short-term borrowings	203,336,960	23,092,000,000	683,000,000
Current lease liabilities	1,862,186,797	936,860,592	793,482,016
Current corporate tax liabilities	3,166,194,696	8,225,211,990	4,535,194,871
Other current liabilities	3,223,337,063	1,894,522,873	6,087,122,759
Provisional liabilities	167,261,441	9,424,962,048	171,842,383
II . Non-current liabilities	10,302,971,757	6,690,083,825	4,335,067,509
Long-term lease liabilities	1,432,472,194	1,042,936,465	1,028,061,727
Non-current lease liabilities	2,251,963,851	1,926,863,998	2,550,771,020
Defined benefit liabilities	6,618,535,712		
Non-controlling interests liabilities		3,720,283,362	756,234,762
Total Liabilities	85,261,290,651	123,665,920,018	94,745,876,572
Equity			
I. Equity attributable to shareholders of the Parent Company	346,231,354,379	358,342,616,186	387,142,792,818
Share capital	26,409,935,000	26,409,935,000	26,409,935,000
Capital surplus	143,348,035,807	143,348,035,807	143,348,035,807
Other capital items	(5,821,850,720)	(9,986,585,577)	(19,902,353,969)
Accumulated other comprehensive income	446,943,755	320,530,673	295,704,060
Retained earnings	181,848,290,537	198,250,700,283	236,991,471,920
II . Non-controlling interest equity		631,079,150	483,926,084
Total equity	346,231,354,379	358,973,695,336	387,626,718,902
Total liabilities and equity	431,492,645,030	482,639,615,354	482,372,595,474

Consolidated Statement of Comprehensive Income

* Unit: KRW

	2021	2022	2023
I . Sales	573,923,184,961	610,410,753,107	668,866,951,127
II . Cost of Sales	331,238,073,079	341,994,114,297	354,139,481,206
III . Gross Profit	242,685,111,882	268,416,638,810	314,727,469,921
IV . Selling and administrative expenses	218,300,103,629	229,377,844,654	252,789,655,938
V . Operating income	24,385,008,253	39,038,794,156	61,937,813,983
1. Other profit	2,329,514,076	4,916,232,416	4,971,473,752
2. Other expenses	8,711,907,199	20,665,886,718	16,483,649,813
3. Financial income	3,184,074,296	5,249,435,886	12,201,412,433
4. Financial expenses	507,630,350	5,605,373,267	2,772,418,422
5. Gains or losses from equity method	(227,334,310)	(183,096,634)	(427,156,928)
VI. Income before income tax	20,451,724,766	22,750,105,839	59,427,475,005
VII. Income tax expenses	4,726,261,710	6,067,993,487	10,822,863,524
VIII. Net income for the period	15,725,463,056	16,682,112,352	48,604,611,481
Equity Attributable to Owners of Parent Company	15,725,463,056	16,556,833,753	48,751,764,547
Non-controlling interests		125,278,599	(147,153,066)
IX. Other comprehensive gain	2,636,622,481	4,961,147,912	(1,910,742,773)
- Gain or loss on overseas operations translation	477,134,664	(126,413,081)	(24,826,613)
- Remeasurement factors of net defined benefit liabilities	2,159,487,817	5,087,560,993	(1,885,916,160)
X . Total comprehensive income	18,362,085,537	21,643,260,264	46,693,868,708
Equity Attributable to Owners of Parent Company	18,362,085,537	21,517,981,665	46,841,021,774
Non-controlling interests		125,278,599	(147,153,066)
Earnings per share			
Basic earnings per common share (Unit : KRW)	600.0	632.0	1,897.0
Diluted earnings per common share (Unit : KRW)	600.0	632.0	1,894.0

ENVIRONMENTAL DATA

Environmental Training for Employee

Program	Unit	Number of participants
Training for workers handing hazardous chemicals	Persons	366

Eco-friendly Purchasing

Type	Unit	2021	2022	2023
Eco-friendly Purchases Amount	billion KRW	2.11	5.81	9.99
Total Purchase Amount		287.1	295.5	313.8
Proportion of Eco-friendly Purchase	%	0.7	2.0	3.2

Eco-friendly Product Sales

Type	Unit	2021	2022	2023
Number of Green Products	Items	38	52	58
Sales of green products	million KRW	64,614	53,631	53,662
Proportion of green product sales	%	11.3	8.8	8.0

Plastic Usage

Type	Unit	2021	2022	2023
Plastic Usage	Ton	8,911	7,600	9,172

* Plastic usage: Amount of synthetic resin (plastic) used, excluding iron, aluminum, glass, etc., subject to recycling fees.

Environmental Management Emission Target and Performance

Type		Unit	2023
Greenhouse Gas	Emission Target	tCO2-eq	9,678
	Emissions		9,760
Energy	Usage Target	TJ	183
	Usage		182
Waste	Emission Target	Ton	1,800
	Emissions		2,201
Water	Usage Target		267,655
	Usage		257,332

Greenhouse Gas Emissions

Type		Unit	2021	2022	2023
Scope 1+2	Direct GHG Emissions	tCO2-eq	326	303	424
	- Cheongyang Plant		159.4	152.2	303.5
	- Daejeon Plant		103.4	85.9	55.7
	- Logistics Center		-	-	-
	- R&D Center		48.5	61.5	49.5
	- AKIC		11.5	-	-
	- Head Office		3.8	3.9	16.1
	Indirect GHG Emissions		9,376	9,113	9,338
	- Cheongyang Plant		7,555.0	7,316.8	7,770.9
	- Daejeon Plant		847.3	813.1	562
	- Logistics Center		399.0	363.2	337.9
	- R&D Center		388.2	454.6	490.5
	- AKIC		52.8	62.4	69.2
	- Head Office		133.7	103.	107.6
	Total GHG Emissions		9,702	9,416	9,760

* Increased year-over-year figures due to the expansion of the scope of measurement of new GHG emissions from 2023 (e.g. business vehicles).

* According to the reporting and certification guidelines for GHG emissions, the total emissions may differ from the sum of Scope 1 and 2 emissions due to decimalization at the site level.

Energy/ Electricity Usage

Type		Unit	2021	2022	2023
Electricity Usage	- Cheongyang Plant	MWh	10,947	10,881	11,637
	- Daejeon Plant		1,844	1,823	1,223
	- Logistics Center		869	791	735
	- R&D Center		845	989	1,068
	- AKIC		115	136	151
	- Head Office		291	224	234
	Total Electricity Usage		14,911	14,845	15,048
Non-Renewable Energy Usage		TJ	195	190	182
Renewable Energy Usage			-	-	0.0045
Total Energy Usage			195	190	182

* Installed solar power generation facilities at Aekyung R&D Center in 2023.

* Non-renewable energy sources: LPG/LNG/Diesel/Gasoline/Electricity/Steam heat output.

Air Pollutant Emissions

Type		Unit	2021	2022	2023
Dust Emissions	Emission Concentration	mg/m3	3.4	5	3.9
	- Cheongyang Plant	kg	727.6	972	393.8
	- Daejeon Plant		611.6	643.7	708.6
	Total Dust Emission		1,339	1,616	1,102
NOx(Nitric Oxide) Emissions	Emission Concentration	mg/m3	-	-	-
	- Cheongyang Plant	Ton	-	Not Detected	Not Detected

* Not registered by eliminating the cause of SOx emission in Cheongyang Plant.

* Introduced NOx measurement in Cheongyang Plant and resulted in non-detection.

Waste Disposal/
Recycling

Type	Unit	2021	2022	2023
Waste Disposal		1,883	1,823	2,201
General Waste		1,820	1,780	2,124
Designated Waste	Ton	63	44	76
Medical Waste		-	-	2
Recycling Amount		852	947	1,739
Recycling Rate	%	45.2	51.9	79.0
Waste Disposal Costs	KRW	413,874,500	337,172,400	334,281,500

* The temporary closure of the Daejeon plant in 2023 led to an increase in waste emissions.
However, waste disposal costs decreased because they were covered by shutdown-specific expenses allocated for Daejeon.

Handling Different
Types of Waste

Business	Type	Method	Unit	2021	2022	2023	
Cheongyang Plant	General	Recycling	kg	752,820	836,860	1,533,700	
		Incineration		121,370	108,770	91,130	
		Landfill		-	-	8,090	
	Designated	Recycling		41,340	37,660	23,600	
		Incineration		2,280	2,280	14,550	
		Landfill		17,790	3,210	1,460	
	Total Waste Occurred			935,600	989,380	1,672,530	
	Recycling Total			794,160	874,520	1,577,300	
Daejeon Plant	General	Recycling	kg	57,750	70,980	67,280	
		Incineration		-	-	-	
		Landfill		100,910	214,520	182,670	
	Designated	Recycling		-	500	-	
		Incineration		1,350	-	9,450	
		Other		-	-	4,660	
	Total Waste Occurred			160,010	286,000	264,060	
	Recycling Total			57,750	71,480	67,280	
Logistics Center	General	Recycling	kg	-	-	111,820	
		Incineration		761,040	525,460	110,470	
	Designated	Recycling		-	-	350	
		Other		-	-	220	
	Total Waste Occurred			761,040	525,460	222,860	
	Recycling Total			-	-	112,170	
R&D Center	General	Recycling	kg	-	1,200	1,920	
		Incineration		25,905	21,049	16,576	
	Designated	Incineration		-	-	21,584	
		Medical		Incineration	-	-	1,670
	Total Waste Occurred			25,905	22,249	41,750	
	Recycling Total			-	1,200	1,920	

Water Usage

Business	Source	Unit	2021	2022	2023
Head Office/ AKIC	Municipal Water		10,629	6,256	6,249
Cheongyang Plant	Groundwater		264,371	244,674	236,041
	Municipal Water		3,994	4,113	4,168
Daejeon Plant	Industrial water	Ton	2,353	2,359	2,183
	Municipal Water		2,926	2,701	1,944
Logistics Center	Municipal Water		-	-	482
R&D Center	Municipal Water		1,506	1,628	6,265
Total Water Usage			285,779	261,731	257,332

* Usage=Water Withdrawal

Wastewater
Discharge

Type	Unit	2021	2022	2023
Overall	Ton	81,625	80,923	90,885

* Wastewater discharge for Cheongyang Plant in 2023.

Water Pollutant
Discharge

Type		Unit	2021	2022	2023
TOC	- Cheongyang Plant	kg	-	103,177	46,976
	- Daejeon Plant		-	22	11
	- R&D Center		-	5	15
	Total TOC Discharge		0	103,204	47,002
BOD	- Cheongyang Plant	kg	240,141	24,034	27,931
	- Daejeon Plant		0	0	6
	- R&D Center		53	3	6
	Total BOD Discharge		240,194	24,037	27,943
SS	- Cheongyang Plant	kg	33,874	61,501	15,980
	- Daejeon Plant				46
	- R&D Center		33	16	22
	Total SS Discharge		33,907	61,517	16,047

Chemical Emissions
& Hazardous
Chemical Usage

Type	Unit	2021	2022	2023
Chemical Emissions	kg	1,198	3,248	1,526.4
Hazardous Chemical Usage	Ton	604.9	466.5	490.4

*Completed training for 366 employees on hazardous chemicals in 2023.
*Since 2023, we have been improving storage facilities in accordance with the small quantity handling facility standards for each hazardous chemical, based on the Chemical Substances Control Act.
*Main Raw Materials Used.
— Household Goods: SODIUM SULPHATE, NAES 26%, refined salt, SORBITOL 70%.
— Cosmetics: SKIN-MILLAR ESSENCE, MT-100TV(pigment), UVINUL MC80.

SOCIAL DATA

Worker Diversity

Type		Unit	2021	2022	2023
Total Number of Workers			867	899	912
Gender	Male		578	569	566
	Female		289	330	346
Employment Type	General	Persons	475	506	520
	Production		260	259	254
	Specialist		71	73	69
	Contract		49	50	58
	Executive		9	8	8
	External Director		3	3	3
Diversity	Disabled		30	31	27
	Foreigner		8	8	7

* Number of employees: Total number of employees including registered directors.
(The total number of employees excluding registered directors is disclosed in the business report.)

Worker Tenure & Turnover Rate

Type	Unit	2021	2022	2023
Average Tenure	Year(s)	8.6	8.9	9.3
Number of Turnovers	Persons	100	102	98
Turnover Rate	%	11.5	11.3	10.7

New Hires

Type	Unit	2021	2022	2023
Female	Persons	63	88	96
Male		41	44	64
20s		51	64	85
30s		36	52	48
40s		10	12	16
50s+		7	4	11
Total		104	132	160
Female Rate	%	60.6	66.7	60
Male Rate		39.4	33.3	40
Total		100	100	100

Worker Diversity by Position

Type			Unit	2021	2022	2023
Ratio of male employees to total employees				66.7	63.3	62.1
Ratio of male employees by position	General	G1	%	47.5	41.8	37
		G2		57.2	51	42.2
		G3		63.1	61.8	62.8
		G4		86.7	80.7	81.6
	Production	L1		86.2	85.7	86.6
		L2		93.8	93.9	93
	Specialist	T1		8.7	4.8	4
		T2		0	0	0
		T3		37.5	26.5	22.2
	Contract	R3		21.7	40.5	52.4
		R4		69.2	50	50
	Supervisor			87.4	81.8	82.7
Ratio of female employees to total employees				33.3	36.7	37.9
Ratio of female employees by position	General	G1	%	52.5	58.2	63
		G2		42.8	49	57.8
		G3		36.9	38.2	37.2
		G4		13.3	19.3	18.4
	Production	L1		13.8	14.3	13.4
		L2		6.3	6.1	7
	Specialist	T1		91.3	95.2	96
		T2		100	100	100
		T3		62.5	73.5	77.8
	Contract	R3		78.3	59.5	47.6
		R4		30.8	50	50
	Supervisor			12.6	18.2	17.3
Ratio of foreigner workers to total employees				0.9	0.9	0.8
Ratio of foreigner workers by position	General	G1	%	4	3.3	4.9
		G2		0.7	1.3	1.2
		G3		0	0	0
		G4		1.2	1.1	0
	Production	L1		0	0	0
		L2		0	0	0
	Specialist	T1		0	0	0
		T2		0	0	0
		T3		0	0	3.7
	Contract	R3		8.7	4.8	0
		R4		0	0	0
	Supervisor			0	0	0

Industrial Accident Rate

Type		Unit	2021	2022	2023
Head Office/ AKIC	All	%	0.00	0.00	0.11
	Accident		0.00	0.00	0.11
	Disease		0.00	0.00	0.00
R&D Center	All		1.23	0.00	0.00
	Accident		1.23	0.00	0.00
	Disease		0.00	0.00	0.00
Cheongyang Plant	All		0.00	0.00	1.19
	Accident		0.00	0.00	1.19
	Disease		0.00	0.00	0.00
Daejeon Plant	All		0.00	0.00	0.00
	Accident		0.00	0.00	0.00
	Disease		0.00	0.00	0.00

* Based on Occupational Health and Safety Administration.

Partner Company Industrial Accident Rate

Type	Unit	2021	2022	2023
Accident Rate	%	0.53	0.55	0.42
Lost Time Injury Frequency Rate (LTIFR)		0.06	0.15	0.37
Number of companies aggregated by injury rate	Company	17	16	19

* Partner: With purchase value of 50% or more.

Labor Union

Type	Unit	2021	2022	2023
Number of Members	Persons	260	259	254
Eligible Membership		787	857	828
Subscription Rate	%	33.0	30.2	30.7

Parental Leave & Return-to-work Rates

Type	Unit	2021	2022	2023
Use	Total	17	19	27
	Male	6	4	7
	Female	11	15	20
Reinstatement	Total	7	10	18
	Male	1	3	4
	Female	6	7	14
Return-to-work Rates	Total	41.2	52.6	66.7
	Male	16.7	75.0	57.1
	Female	54.6	46.7	70.0
Number of workers retained for 12 months or more after returning to work	Total	3	7	-
	Male	0	2	-
	Female	3	5	-
Rates of number workers retained for 12 months or more after returning to work	Total	42.9	70.0	-
	Male	0.0	66.7	-
	Female	50.0	71.4	-

* 100% of returnees of 2023 are still employees (March 2024).

Employee Education & Training Expenses

Type	Unit	2021	2022	2023
Number of people eligible for training	Persons	867	899	912
Total training cost	1000 KRW	719,797	955,021	443,320
Training cost per person		830.2	1,062.3	486.1
Total training time	Hour(s)	34,732	45,130	42,520
Training time per person		40.1	50.2	46.6

Regular Performance & Career Development Assessment

Type	Unit	2021	2022	2023
Number of employees to be assessed	Persons	716	761	785
Rates of Number of employees to be assessed	%	82.6	84.6	86.1

* Employees subject to regular performance assessment:
Excludes executives, and includes general(employees who worked for more than 90 days within the first half-year), production/field(full-time employees who worked for more than one year), specialists(assessment not conducted during the first half-year, which includes the date of hire. Evaluations begin from the following half-year).

Employee Wage

Type	Unit	2023
Total annual payroll	million KRW	59,852
Average salary per person		66
Number of workers	Persons	906

* The number of employees in the employee payroll includes all employees, excluding registered directors, based on the business report.
* Percentage value of total annual compensation: 25.7

Retirement pension

Type	Unit	2021	2022	2023
Number of enrolments	Persons	761	753	786
Subscription (Total amount)	KRW	38,181,866,203	46,551,211,526	56,468,518,950

* Defined benefit (DB)

Government subsidy

Type	Unit	2021	2022	2023
Amount	million KRW	272	196	147

Participating associations

Association	Unit	2023
Korea Cosmetics Association	10,000 KRW	1,782
Korea Marketing Association		300
Korea Health Functional Food Association		150
Korea Standards Association		100
Korea Association of Listed Companies		1,024
Korea Association of Business Executives	Korea Association for the Promotion of Industrial Technology	Environmental Conservation Association
Korea Industrial Safety Association	Business Consumer Professionals Association	Seoul Chamber of Commerce and Industry
Korea Fire Safety Association		

Certification Status

Certification	Certificating Organization	Expiry Date
ISO 14001	Korea Standards Association	March 31, 2026
ISO 7001, 7002		March 31, 2026
ISO 9001		March 31, 2027
ISO 45001		December 25, 2025
ISO 22716	Bureau Veritas	January 19, 2025
Family Friendly Certificate	Minister of Women and Family Affairs	November 30, 2024

GOVERNANCE DATA

Board
Operation

Type	Unit	2021	2022	2023
Number of meetings	Meetings	7	7	8
Attendance (Average)	%	96.6	98.4	100
Internal Director Attendance		100	100	100
External Director Attendance		90.5	95.3	100
Total Number of Agendas	Cases	32	35	48
Number of Votes		23	22	35
Reporting		9	13	13

Board
Organization

Type	Unit	2021	2022	2023
Internal Director	Person	4	4	3
External Director		3	3	3
Other non-executive directors		1	1	1

Board
sub-committee
organization

Type		Unit	Status
Audit Committee	Opening	Meetings	7
	Agenda	Cases	11
Independent Directors Nomination Committee	Opening	Meetings	1
	Agenda	Cases	1
Internal Transaction Committee	Opening	Meetings	6
	Agenda	Cases	12
ESG Committee	Opening	Meetings	1
	Agenda	Cases	1

Current
Shareholder Status

Type	Number of Shares	Stake Percentage
Largest shareholders and related parties	16,672,578	63.13%
1. AK Holdings	11,904,812	45.08%
2. Aekyung Asset Management	4,767,766	18.05%
Our Shareholders' Association	568,756	2.15%
Treasury Stock	708,467	2.68%
Other	8,460,134	32.04%
1. Domestic Organization & Foreigners	2,177,506	8.25%
2. Individual Shareholder	6,282,628	23.79%
Total	26,409,935	100.00%

Director &
Audit Committee
Compensation

Type	Unit	Amount
Amount approved by the shareholders' meeting of registered directors	million KRW	6,500
Total compensation paid		4,696
Average compensation per person		670.86

* The amount approved by the shareholders' meeting is the total amount of the remuneration limit for all directors, including the non-registered executives.

* The total remuneration paid includes the remuneration of external directors who retired during 2023.

*The average compensation per person is a simple average calculated by dividing the total compensation paid by the number of directors in office as of the end of 2023, which may differ from the actual average compensation per person.

External Directors
Education

Execution Date	Program	Number of participants
Mar. 17, 2023	Global trends of Board and Audit Committee	Min Joonki, Song Heumrae
May 19, 2023	chat GPT understanding and impact inspection	Min Joonki, Song Heumrae, Park Hyungmyeong
Oct. 13, 2023	The Climate Crisis and the Future of Korean Business in the Net-Zero Era	Min Joonki, Song Heumrae, Park Hyungmyeong

Report revisions

- Water usage: Adjusted data for 2021 and 2022 due to the addition of facilities (R&D center, logistics center).
- Waste disposal: Adjusted data for 2021 and 2022 due to the addition of facilities (R&D center).
- Employee status: Adjusted data for 2021 and 2022 due to the classification of general employees into executives and outside directors.
- Industrial injury rate: Adjusted data for 2021 and 2022 due to the addition of facilities (Head Office/AKIC, R&D Center).

APPENDIX

GRI Standards

Statement of use	Aekyung Industrial Sustainability Report has been prepared in accordance with the GRI Standards. The report covers the period from January 1, 2023 to December 31, 2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	N/A

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SASB

Topic	Metric	Code	Reference Details
Water Management	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	CG-HP-140a.1	(1) Water Intake: 257,332 Ton (2) Water Usage: 257,332 Ton (3) Aekyung Industrial’s business sites located in areas with high water stress level according to the World Resources R&D Center(WRI) are Cheongyang Plant and Daejeon R&D Center.
	Description of water management risks and discussion of strategies and practices to mitigate those risks	CG-HP-140a.2	As we have production sites located in areas with high water stress levels, we purify and use groundwater to reduce water consumption and we installed flowmeters to track and manage water usage.
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	CG-HP-250a.1	All our raw materials are subject to internal standards in accordance with the Chemicals Control Act, and the Act on Registration and Evaluation of Chemicals, and are inclusive of the EU REACH SVHC. All raw materials can only be used when these internal standards are met. In addition we are maintaining cyclopentasiloxane (D5) and cyclohexasiloxane (D6), which are restricted by Annex XVII of EU REACH, at a standard that is higher than the domestic regulatory level and are developing alternative raw materials and formulations.
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	CG-HP-250a.2	We use only quality ingredients and raw materials that are suitable for cosmetics use in compliance with the ‘Act on the Registration and Evaluation of Chemical Substances’ and ‘Chemical Control Act’, which are domestic regulations in line with the DTSC’s Candidate Chemical List.
	Discussion of process to identify and manage emerging materials and chemicals of concern	CG-HP-250a.3	To ensure product safety, we conduct safety reviews of all raw materials, excluding hazardous chemical components. We continually monitor and evaluate assessments from reputable organizations such as ECHA (European Chemicals Agency), EU SCCS (EU Scientific Committee on Consumer Safety), and the U.S. CIR (Cosmetic Ingredient Review), in addition to complying with domestic regulations. We maintain real-time monitoring to stay updated on global regulatory frameworks, including EU REACH, FDA guidelines, and country-specific pharmacopeias. Internally, within the Aekyung Industrial product safety process, we systematically manage safety information such as Material Safety Data Sheets (MSDS) and Certificates of Ingredients (COI) for all chemicals.
	Revenue from products designed with green chemistry principles	CG-HP-250a.4	We have obtained Green Technology Certification (Certification Number: GT22-01557) for our eco-friendly kitchen detergent manufacturing technology and confirmed the product ‘LABCCIN Kitchen Care Antibacterial Kitchen Detergent’ as a green technology product (Certification Number: GTP22-03259). The sales revenue of ‘LABCCIN Kitchen Care Antibacterial Kitchen Detergent’ in 2023 amounted to 369,000,000 KRW.

Topic	Metric	Code	Reference Details
Packaging Life cycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	CG-HP-410a.1	(1) Total weight of packaging materials: 9172.7 tons (2) Percentage of recycled and/or renewable materials used: 3.1% (3) Percentage of recyclable, reusable, and/or biodegradable materials: 48.9%
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	CG-HP-410a.2	We have established AKGI indicators that can quantitatively evaluate product packaging materials and structures in terms of 3Rs (Reduce, Recycle, and Replace), indicators that improve environmental performance, and are developing sustainable packaging materials.
Environmental & Social Impacts of Palm Oil Supply Chain	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	CG-HP-430a.1	23,670 tons of palm-derived raw materials were sourced in 2023.

Sustainability Report Verification Opinion Statement

Dear Stakeholders of Aekyung Industrial Co., Ltd.

Korean Foundation for Quality (further 'KFQ') has been requested by Aekyung Industrial Co., Ltd. (further 'Aekyung Industrial') to conduct an independent verification on the'2023 AEKYUNG INDUSTRIAL SUSTAINABILITY REPORT,(further 'the Report'). KFQ has responsibility to provide an independent verification opinion against the criteria and scope of assurance as specified below. Aekyung Industrial has sole responsibility for the preparation of the Report.

Verification Criteria and Scope

- Verification Criteria : AA1000AS(v3) and AA1000AP (2018)
- Verification Type: Type 1 [Verification of compliance of four reporting principles (Inclusivity, Materiality, Responsiveness, Impact)]
- Verification Level : Moderate [Verification based on limited evidence collected]
- Verification boundary : The reporting boundary as stated in the report (Head Office, AKIC, Cheongyang Plant, Daejeon Plant, R&D Center, Domestic Distribution Center). The performance and reporting practices of other related companies, business partners and third parties beyond the scope of this verification specified in the report are not included.
- Verification Scope : Compliance with the 4 reporting principles according to AA1000AP and the GRI Standards 2021 reporting requirements

* GRI Standards (2021) Reporting Principles

- Universal Standards : Reporting in accordance with GRI Standards (2021), compliance with the following requirements

Requirements	Compliance	Requirements	Compliance
1. Reporting principles	○	6. Provide reasons for omission	○
2. General Disclosures	○	7. Publish a GRI content index	○
3. Determine material topics	○	8. Provide a statement of use	○
4. Report the disclosures in GRI 3: Material Topics 2021	○	9. Notify GRI	○
5. Report disclosures from the GRI Topic Standards for each material topic	○	-	-

- Topic Standards

Requirements	GRI Standards/Topic Disclosure
Reporting material issues according to the GRI Topic Standards	· GRI 205 : Anti-corruption
	· GRI 206 : Anti-competitive Behavior
	· GRI 301 : Materials
	· GRI 302 : Energy
	· GRI 303 : Water and Effluents
	· GRI 305 : Emissions
	· GRI 306 : Waste
	· GRI 414 : Supplier Social Assessment
	· GRI 416 : Customer Health and Safety

Methodology

In order to assess the reliability of the sustainability performance in the Report against above mentioned criteria, the audit team reviewed sustainability-related processes, systems, internal control procedures, and available performance data. The documentation the audit team reviewed during the verification includes:

- Non-financial information e.g., data provided by Aekyung Industrial , disclosed Business Reports, and information obtained from media and/or the internet; and
- Financial information i.e., Data disclosed in the electronic disclosure system (dart.fss.or.kr) of the Financial Supervisory Service and data posted on the homepage were used, but the contents are not included in the scope of verification.
- International Framework : SASB(Sustainability Accounting Standard Board) Standards/Recommendations – “Household & Personal Products” Indicators in the “Consumer Goods” Sector

The assessment was performed by document verification and interviewing the person in charge including on-site assessment. The validity of the materiality assessment process in the Report and the material issue selection considering stakeholders, the data collection, management, and report preparation procedure as well as the description in the Report were assessed, but external stakeholder interviews were not conducted. Afterwards, it was confirmed that some errors, inappropriate information and misstatement found in the above steps were appropriately revised before publishing the Report.

SMALL ACTIONS, BIG CHANGES

Competency and independence

The audit team was consisted in accordance with KFQ's internal regulations. KFQ has no conflict of interest to the Aekyung Industrial business which could threaten the independence and impartiality of verification, other than providing third-party verification services.

Limitations

The completeness and responsiveness of sustainability performance represented in the Report have inherent limitations due to its nature and the methodology used to determine, calculate and estimate its performance. In accordance with the terms of the contract, we assessed the information and evidence provided by the Aekyung Industrial. We did not perform any further assessment on raw data.

Findings and Conclusions

As a result of the verification, the Report was prepared in accordance with the requirements for 'in accordance with GRI standards 2021' and the assessment team found reasonable objectives to guarantee the four reporting principles of AA1000AP (2018) and the AA1000AS(V3) Type 1 assurance level. We also found no significant errors or inadequacies in the Report regarding compliance with reporting principles.

- Inclusivity

Aekyung Industrial defined the five stakeholder groups (Employees, Customers, Shareholders and Investors, Partners, Community) and identifies material ESG issues related to stakeholders' interests through the communication channels considering the characteristics of each group. The assessment team could not find any major stakeholders that were omitted during this process, and it was confirmed that Aekyung Industrial is making efforts to reflect the collected opinions of stakeholders in its management strategy.
- Materiality

Aekyung Industrial identified 3 core issues and 7 strategic issues through an evaluation considering business strategy direction, social and environmental importance, and stakeholder interests. The assessment team confirmed that the identified material issues were highlighted in this Report, and that the material issues identified in the materiality analysis process were reported in the Report without omission.
- Responsiveness

Aekyung Industrial cares to respond in a timely manner to the needs and key interests gathered from stakeholders. Nothing came to our attention to suggest that its responses and performance are inappropriately described in the Report.
- Impact

Aekyung Industrial identifies and monitors the impact of stakeholder-related material issues throughout its management activities and reports them in the Report as much as possible. Nothing came to our attention to suggest that it does not properly assess and report impacts relating to material issues.

Recommendation for improvement

- KFQ recommends the following developmental approaches for internalize ESG management and to disclose the results of the report effectively.
- We look forward to Aekyung Industrial building a more systematic and robust ESG data management system to improve the reproducibility of information and thereby manage ESG performance more efficiently.



Korean Foundation for Quality



AA1000
Licensed Report
000-80/V3-IWUJH

June, 2024



Ji Young Song

Seoul, Korea

Ji Young Song, CEO

Korean Foundation for Quality (KFQ)

GHG Verification Opinion Statement

GHG Emissions | Aekyung Industrial Co., Ltd

Verification Target	Korean Foundation for Quality (hereinafter ‘KFQ’) has conducted a verification of Scope 1, 2 Greenhouse Gas Emissions (hereinafter ‘GHG emissions’) of Aekyung Industrial Co., Ltd (hereinafter ‘Company’) for 2023.
Verification Scope	KFQ’s verification scope covered on all facilities and emission sources under the operational control and organizational boundary of Aekyung Industrial Co., Ltd during 2023.
Verification Criteria	The verification process was based on [Rule for emission reporting and certification of greenhouse gas emission trading Scheme1)], [2006 IPCC Guidelines for National Greenhouse Gas Inventories] and [ISO14064-1]for every applicable part. 1) Notification No. 2023-221 of Ministry of Environment
Level of Assurance	The Verification has been planned and conducted as the ‘Rules for verification of operating the greenhouse gas emission trading scheme’, and the level of assurance for verification shall be satisfied as reasonable level of assurance. And it was confirmed through an internal review whether the process before the verification was conducted effectively.
Verification Limitation	The verification shall contain the potential inherent limitation in the process of application of the verification criteria and methodology.

Verification Opinions

Regarding to the data of the Greenhouse Gas Emission Consumption from the report through the verification,
KFQ provides our verification opinions as below;

1) GHG emissions for 2023 of Company were properly calculated according to the verification standards.

2) The data and information used in calculating the GHG emissions were appropriate, reasonable, and no significant errors or omissions could affect verification statement were not found;

3) Thus, KFQ concludes that the GHG emissions of Company in 2023 is correctly calculated and stated in accordance with ‘Rule for emission reporting and certification of greenhouse gas emission trading Scheme’.

Unit : tCO2-eq

Scope 1	Scope 2	Total
424.756	9,338.185	9,760

* The totals in this verification statement do not match the totals in emission trading scheme because the total emissions of each facility are calculated by truncating to integer units.

Business Site	Annual GHG Emissions		
	Direct Emission (Scope 1)	Indirect Emission (Scope 2)	Total Volume
Head Office	16.052	107.637	123
Cheongyang Plant	303.461	7,770.928	8,074
Daejeon Plant	55.7	561.998	617
R&D Center	49.543	490.477	540
AKIC (Aekyung Innovation Center)	-	69.282	69
Logistics Centers	-	337.863	337
Total	424.756	9,338.185	9,760

May 16th, 2024



Ji Young Song

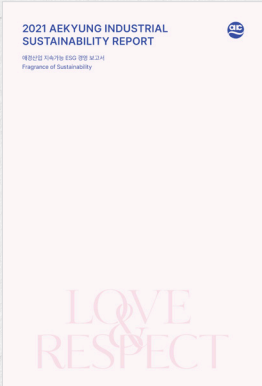
CEO Ji-Young Song
Korean Foundation for Quality

2023 AEKYUNG Industrial Sustainability Report

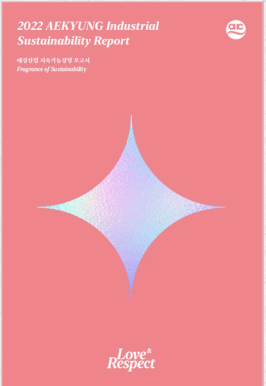
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