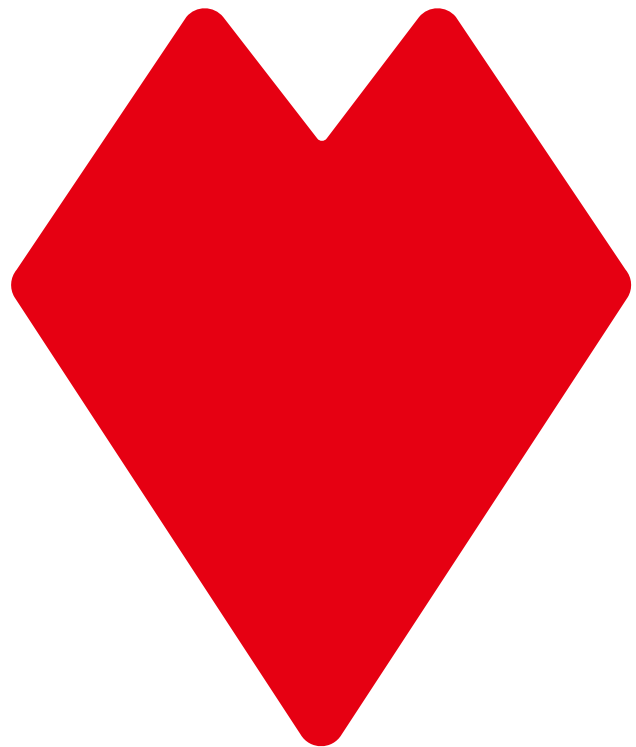
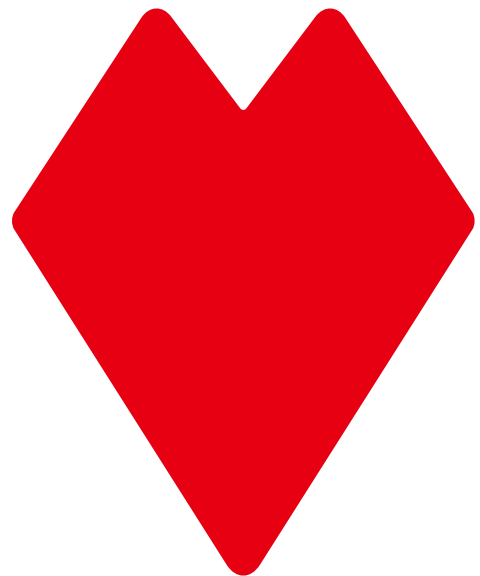
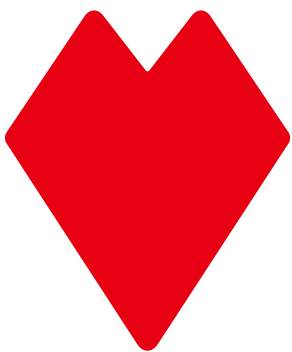


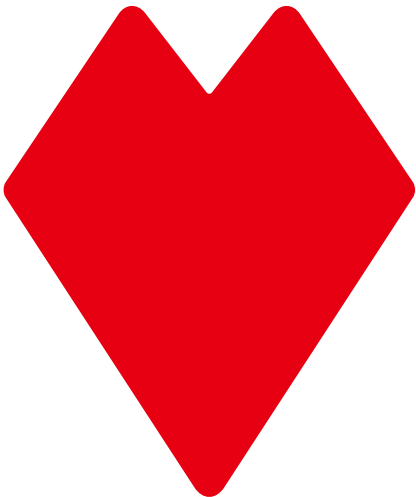
LOTTE SUSTAINABILITY REPORT 2020



Aiming to address changing social issues to continue being loved by everyone.

The company name LOTTE reflects the ambition of our founder to ensure that his company and the products it creates would be loved by everyone. We set our Medium-Term ESG Targets in 2018 to help realize a sustainable society. The targets represent a vision for the type of company we want to be in 2028 and provide guidelines for addressing changing social issues in order to ensure that we continue being loved by everyone. This sustainability report describes our initiatives to achieve these targets.





Our Philosophy

Corporate Message

お口の恋人

Everyday sweet life

LOTTE

LOTTE

LOTTE Group Philosophy

LOTTE Group Mission

We enrich people's lives by providing superior products and services that our customers love and trust.

LOTTE Values

- User Oriented
- Originality
- Quality

LOTTE Group Way

- Safety ● Fair ● Communication
- Employees ● Environment
- Contribution to Society
- Local Communities



The Heart Symbol and LOTTE Group Philosophy

Our heart symbol, created on the occasion of our 70th anniversary, is a graphic representation of our corporate message. A heart shape, representing affection and happiness, is superimposed with the shape of a mouth. This symbol expresses our founding ambition of ensuring LOTTE CO., LTD. and the products it creates are loved by everyone—an ambition we have upheld to this day. Our Group Mission put this idea into words, and we have highlighted three important LOTTE Values to achieve the mission. These two elements of the LOTTE Group Philosophy are complemented by the LOTTE Group Way, which serves as our code of conduct.

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SUSTAINABILITY REPORT 2020

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- 4 The History of “LOTTE-novation”
- 6 At a Glance



The Group as a Whole

This section introduces the important components of the Group’s mindset, and the path taken since our founding to LOTTE CO., LTD. in the present day.

- 8 LOTTE’s Approach to Materiality
 - 10 Medium-Term ESG Targets for 2028
 - 12 1: Food Safety and Reliability
 - 14 2: Food and Health
 - 16 3: Environment
 - 18 4: Sustainable Procurement
 - 20 5: Demonstrating Employees’ Abilities



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Editorial Policy	LOTTE CO., LTD. SUSTAINABILITY REPORT 2020 has been published in order to further understanding among all stakeholders as to our approach and initiatives related to sustainability, with particular focus given to activities conducted in FY2019. This report has been edited referencing ISO 26000, the International Organization for Standardization’s standard for social responsibility. Some information for fiscal years before FY2019 has been amended using more appropriate calculation methods.
Period of Reporting	FY2019 (April 1, 2019–March 31, 2020) For overseas subsidiaries, FY2019 has been adjusted to match their accounting period, which is January 1–December 31, 2019. Furthermore, some of the content reported may include information from before or after the periods stated above.
Scope of Reporting	As a general rule, this report covers LOTTE CO., LTD. (the Company) and its consolidated subsidiaries as of March 31, 2020. In line with this approach, companies subject to reporting of information for fiscal years before FY2019 have been adjusted retroactively. In each instance where the information available is incomplete, the scope reported is clearly indicated. Information for FY2019 regarding the Company does not include information for LOTTE CITY HOTEL CORPORATION (previously the Hotel Business Department and Golf Business Department), which was spun off from LOTTE CO., LTD. in February 2020.
Date of Reporting	October 2020



Message from the President

We once again reexamined our purpose as a company and thought about what we ought to achieve, and what our customers expect of us.

Eiichi Gochou

President
Representative Director

First of all, I would like to offer my sincere sympathies to all those who have contracted the novel coronavirus (COVID-19) and their families, and send them my best wishes for a speedy recovery. I would also like to express my heartfelt respect and gratitude to the health authorities and healthcare professionals who are dedicating themselves day after day to preventing infection from spreading and treating patients.

In 2020, the world was engulfed by spreading COVID-19 infection, which caused unprecedented upheaval within societies and massive impact on economies. Japan was no exception: events such as the government's school closure request, the postponement of the Tokyo Olympics and Paralympics, and the declaration of a state of emergency led to major changes in the way people lead their lives and interact with each other, as well as in their values, and the way companies operate.

As a company that manufactures and sells confectionery and ice cream, we have taken all possible measures to ensure rigorous hygiene management and prevent infection of our employees, suppliers, or anybody else involved with our operations, as we work to continue delivering stable supplies of products. I am sincerely grateful to the efforts of many suppliers and others involved with material supplies, logistics, and sales.

From now on, as society at large takes steps to coexist with COVID-19, we too must adapt to this enormous change in circumstances. Above all, that will mean addressing shifts in our customers' values and in the way our employees work.

During the period when the Japanese public were staying home as much as possible, we received numerous messages of encouragement from customers. People had found that eating confectionery or ice cream at home with family members from children to grandparents was fun and made them feel better. They told us snacks provided respite when work was a struggle, and that in stressful situations even for their children, seeing how they enjoyed eating confectionery or ice cream was heartwarming. The LOTTE Group Mission is "We enrich people's lives by providing superior products and services that our customers love and trust," and these are perfect examples of that mission in practice. Indeed, it was to put our mission into practice that we once again reexamined our purpose as a company and thought about what we ought to achieve, and what our customers expect of us. We then launched initiatives to make the most of the benefits that confectionery and ice cream can offer—that is to say, the fundamental forms of value

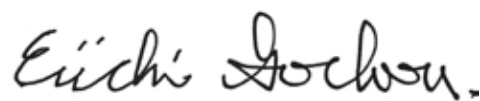
they possess that will contribute to the new normal. As set out in our Medium-Term ESG Targets, these initiatives comprise further improvement of quality and helping people lead healthy lives, and they are closely associated with consideration for the environment and coexistence with society.

The impact of spread of COVID-19 has forced us to change the way we work. At LOTTE, we have implemented working from home, staggered commuting times, and use of online meetings to prevent the spread of infection and ensure the health and safety of our employees and their families. We have continued these measures even since Japan's state of emergency was lifted, and have also adopted a new system of organizing work hours as a means of reforming the work culture to create more employee-friendly work environments. In these and other ways we are working toward the dual goals of facilitating highly productive work styles and enhancing employee job satisfaction, which is one of our Medium-Term ESG Targets.

Meanwhile, we added the new Medium-Term ESG Target of contributing to dental and oral health. We will continue to help address dental cavities as a social issue by making *Xylitol Gum* more widely available. *Xylitol Gum* is a prime example of creating shared value (CSV) through innovation subverting the conventional wisdom that sweet foods cause cavities. Renewing our targets in this way enables us to more clearly define LOTTE's attitude of continually striving to innovate and provide new value ("LOTTE-novation").

In an increasingly uncertain world, we will realize the benefits that confectionery and ice cream can offer through "LOTTE-novation." While providing enjoyment and enrichment to people's lives, we will work alongside all our stakeholders to bring about societal and environmental sustainability.

October 2020



President
Representative Director

THE HISTORY OF “LOTTE-NOVATION”

The history of LOTTE CO., LTD. began in 1948, with the manufacturing and sales of chewing gum in Tokyo, and the Company welcomed its 70th anniversary in 2018. Since our founding, we have maintained three important LOTTE Values, “User Oriented,” “Originality,” and “Quality.” Based on these values, we have taken on the task of “LOTTE-novation,” constantly creating new value.

1948

Founding

Everyday sweet life



During the postwar period, when goods were scarce and those that were available were of poor quality, Takeo Shigemitsu (Kyukho Shin) found LOTTE with hopes of providing better items to the people. This hope lives on in the LOTTE Group Philosophy. LOTTE is named after “Charlotte,” the heroine of Goethe’s “The Sorrows of Young Werther,” and in our name we bear her same spirit, to be loved by everyone by enriching their lives, and to create products that everyone loves.



1957

Launch of Green Gum



1964

LOTTE Begins Chocolate Manufacturing and Sales

Back then, chocolate with a light, “American” flavor was popular. Taking a different direction, we invited Swiss chocolate experts to give birth to the rich, smooth *Ghana Milk Chocolate*. While continuing to evolve with proprietary technologies (such as the micro-grind manufacturing method that pursued a melt-in-your-mouth quality), sales increased through original promotions such as “Mother’s Day *Ghana*” and *Ghana* became the No. 1 chocolate brand in Japan (sales volume)*.

* Source: INTAGE Inc. FY2019 SRI Data



1958

LOTTE Uta no Album (LOTTE Album of Songs) Begins Broadcast

Broadcast television started its popularity in the latter half of the 1950s. LOTTE took its place on this brand-new media as a company sponsor for “*LOTTE Uta no Album* (LOTTE Album of Songs),” a music feature show. As a result of this program, our corporate message reached a wide audience.



Corporate History

- 1948 LOTTE CO., LTD. founded in Ogikubo, Suginami ward of Tokyo
- 1950 Head office and factory relocation to Hiyakunincho, Shinjuku ward of Tokyo

- 1958 Broadcast of *LOTTE Uta no Album* (LOTTE Album of Songs)
- 1964 Chocolate manufacturing and sales

Product Launch History

1957 *Green Gum*

1964 *Ghana Milk Chocolate*

1984
Launch of *Koala's March*



1981
Launch of *Yukimi Daifuku*



1972

LOTTE Begins Ice Cream Manufacturing and Sales

At the time, ice cream was made using milk fat. Bucking that trend, we launched *Italiano*, an ice cream that used vegetable fat for a refreshing and invigorating flavor that met the tastes of Japanese people. From then, we developed *Yukimi Daifuku*, *Soh*, and *Coolish* brands utilizing unique, home-grown technology. After acquiring LOTTE SNOW CO., LTD. in 2002, we became the No. 1 company for ice cream in Japan (value of sales)*.

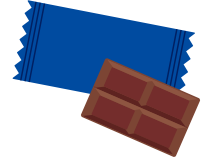
* Source: INTAGE Inc. FY2019 SRI Data



1983
Launch of *Choco Pie*



Present



LOTTE-novation

Utilizing the technology and expertise cultivated to date, and rooted in the three LOTTE Values infused with our founding spirit, we continue to take on the task of "LOTTE-novation" to create new value that will enrich people's lives.

For instance, in 2015 we launched *Nyusankin Chocolat*, lactic-acid bacteria covered in chocolate that utilizes proprietary manufacturing methods to keep the bacteria alive and stable. In this way, we have been able to provide new value to society by allowing people to enjoy the benefits of lactic-acid bacteria anytime, anywhere. In addition, as an example of a product that addresses Japan's aging society, in 2017 we launched *Ha Ni Tsukinikui Gum <Kiokuryoku Wo Iji-suru Type>* [Gum that Is Less Likely to Stick to Teeth <Memory Health Maintenance Type>], which utilizes ginkgo biloba extract as it has been reported to help preserve memory in middle-aged and older people.

1997

Launch of *Xylitol Gum*

In the 1970s, research began on xylitol, which captured attention for its role in Finnish dental health. Once xylitol was licensed as a food additive in 1997, we launched *Xylitol Gum*, and were the first food company to do so. This chewing gum offered value in the way of maintaining healthy teeth and by helping address dental cavities as a social issue. In 2015, we continued this approach by launching *Xylitol Oratect Gum*, which maintains gum health. Today, *Xylitol Gum* is the No. 1 chewing gum brand in Japan (value of sales)*.

* Source: INTAGE Inc. FY2019 SRI Data



2003
Launch of *Coolish*



1970 Candy manufacturing and sales
1971 LOTTE ORIONS baseball team (currently CHIBA LOTTE MARINES)
1972 Ice cream manufacturing and sales
1976 Biscuit manufacturing and sales
1978 Head office and factory relocation to Nishi-Shinjuku, Shinjuku ward of Tokyo
1988 THAI LOTTE CO., LTD.

1993 PT. LOTTE INDONESIA
1996 LOTTE VIETNAM CO., LTD.
2002 LOTTE SNOW CO., LTD.
2008 Mary Chocolate Co., Ltd. joined as a subsidiary company

2010 LOTTE Wedel sp. z o.o. joined as a subsidiary company
2018 70th anniversary of LOTTE CO., LTD.

1974 *Crunky Chocolate*
1979 *Pie no Mi*
1981 *Yukimi Daifuku*
1983 *Choco Pie*
1984 *Koala's March*

1994 *Toppo*
1997 *Xylitol Gum*
1999 *Soh*
2003 *Coolish*

2015 *Nyusankin Chocolat*
2017 *Ha Ni Tsukinikui Gum <Kiokuryoku Wo Iji-suru Type>*

AT A GLANCE

01

Group

LOTTE CO., LTD.

LOTTE

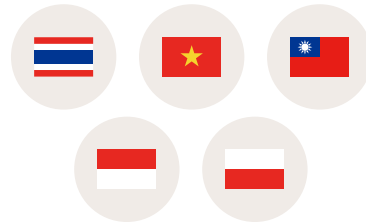
Subsidiaries in Japan

Mary Chocolate Co., Ltd.



Overseas Countries and Regions

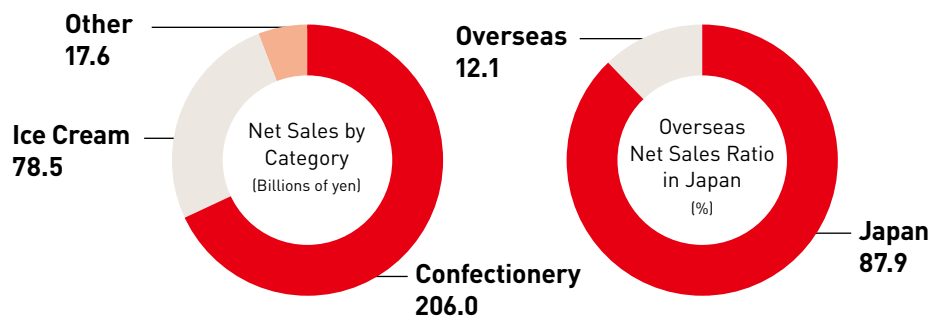
- Thailand
- Vietnam
- Taiwan
- Indonesia
- Poland



02

Performance Results for FY2019

Net Sales
¥302.1 billion



03

▶ Founding



LOTTE CO., LTD. marked the 70th anniversary of its founding in 2018.

▶ Number of Factories

11

[excluding factories dedicated to intermediary stages]

7 Factories in Japan

• Factories operated by LOTTE CO., LTD.: 4

• Factories operated by Mary Chocolate Co., Ltd.: 3

4 Overseas Factories

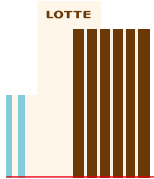
• Thailand • Indonesia
• Vietnam • Poland

▶ Number of Employees

Non-consolidated **2,405**

Consolidated **6,485**

[As of March 31, 2020]



▶ The factories listed have been certified according to the international food safety standard below

GFSI: Global Food Safety Initiative (FSSC 22000/BRC)



▶ Share of Chewing Gum Sales in Japan

No. 1* manufacturer



Value of sales

▶ Share of Chewing Gum in Japan

Xylitol Gum

No. 1* brand



Value of sales

▶ Share of Chocolate in Japan

Ghana

No. 1* brand



Sales volume

▶ Share of Ice Cream in Japan

No. 1* manufacturer



Value of sales

* Source: INTAGE Inc. FY2019 SRI Data

LOTTE'S APPROACH TO MATERIALITY

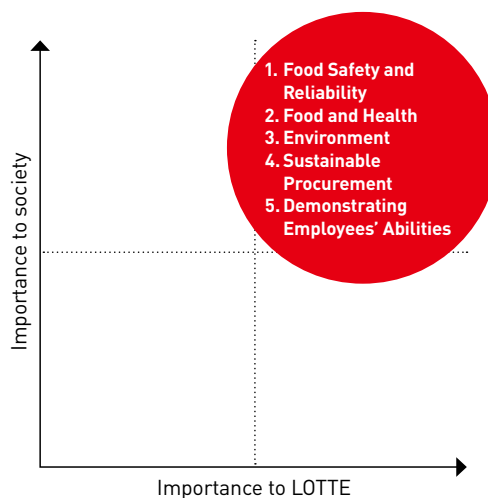
Since our founding, we have upheld the three LOTTE Values of "User Oriented," "Originality," and "Quality" as the basis for all of our corporate activities. Under the LOTTE Group Philosophy, on which these values are based, we have continued to grow by providing new value for customers, local communities, and society. In order to help realize a sustainable society and environment, we have in recent years set materiality themes (key priority issues) to guide our operations, based on impact on society and importance to our own business activities.

▶ STEP 1

Map and Organize Materiality

In order to help realize a sustainable society and environment, we mapped and organized materiality, defining the issues we should address through our business activities. First, we sought to gain an overall grasp of the issues according to the seven core subjects set out in ISO 26000*. We then held several groupwork sessions involving all divisions to discuss each issue's importance to our business activities as a means of shortlisting the issues to tackle. Next, we exchanged opinions with external experts from a wide variety of perspectives to consider how LOTTE CO., LTD. might be expected to tackle each of the issues shortlisted. Then, in light of the Sustainable Development Goals (SDGs) and other international initiatives, we mapped and organized the five materiality themes we should address through our business activities. The themes are Food Safety and Reliability, Food and Health, Environment, Sustainable Procurement, and Demonstrating Employees' Abilities.

* ISO 26000: The standard for social responsibility published by the International Organization for Standardization in November 2010.



Food Safety and Reliability



Food and Health



Environment



Sustainable Procurement

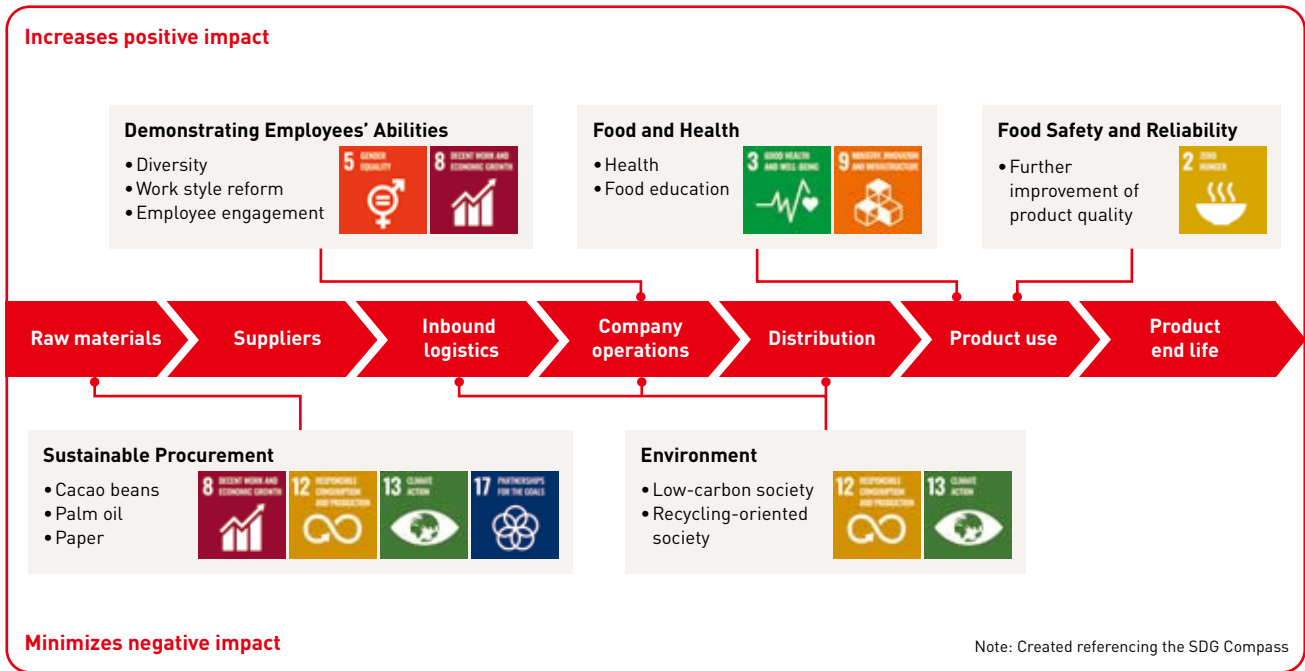


Demonstrating Employees' Abilities



STEP 2

Mapping Materiality in the Value Chain



In 2015, the United Nations established 17 Sustainable Development Goals (SDGs) to be achieved by 2030, addressing various issues such as poverty, inequality, eradicating injustice, and climate change. The SDGs are not just a series of expectations but rather a concrete action plan that seeks broad cooperation from governments, communities, and companies around the world to achieve the prosperity of mankind and the planet. It is expected that companies worldwide will create a long-term framework and actively contribute to sustainability in order to achieve the SDGs and build a better world.

LOTTE CO., LTD. analyzed the impact of each materiality theme on the value chain and identified whether each one “increases positive impact” or “minimizes negative impact.”



STEP 3




















Formulate Medium-Term ESG Targets

To properly address each materiality in a concrete manner, we formulated the Medium-Term ESG Targets. These targets consist of “key items” that focus materiality in light of LOTTE CO., LTD.’s specific business activities and business areas, with concrete indicators for each item. To ensure that these targets are met, we will confirm progress on an annual basis and disclose information publicly.



2028












Medium-Term ESG Targets

Materiality	Key Items	Indicators	FY2019 Results
1 Food Safety and Reliability 	Further improve product quality	GFSI recognized certification schemes (FSSC 22000/BRC)	Certification maintained  P46
		Introduction of LOTTE ADVANCE, our new quality assurance system	Finished assessing situation at all factories  P46
2 Food and Health 	Health	Percentage of people who practice <i>kamukoto</i> (chewing) with proper awareness (Japan)	21%  P49
		Percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health (Japan)	32%  P51
		Number of people we have helped lead healthy lives through our products (Japan)	24.36 million people  P52
	Food education	Number of people who have attended food education lectures	63 thousand people  P53
3 Environment 	Low-carbon society	Reduction rate of CO ₂ emissions (Scope 1 and 2) [CO ₂ emissions intensity comparison to FY2013]	Reduced by 7.1%  P36
		Recycling-oriented society	Reduction rate of food loss and waste (FLW) [Per-unit volume comparison to FY2019]
		Recycling rate of waste generated by production processes	99.2% (Japan)  P38
4 Sustainable Procurement 	Cacao beans	Usage rate of Fair Cacao	4.0%  P42
	Palm oil	Usage rate of third-party verified oil	0.0% (Japan)  P43
	Paper	Usage rate of environment-friendly paper (for product containers and packaging)	93.1% (Japan)  P44
5 Demonstrating Employees' Abilities 	Diversity	Ratio of female managers (Japan)	5.1%  P28
	Work style reform	Annual total working hours per person (Japan)	1,977 hours  P29
	Employee engagement	Percentage of employees with high job satisfaction (Japan)	60.1%  P31

LOTTE recently undertook two amendments to its Medium-Term ESG Targets. The first was the addition of a new target associated with the Food and Health materiality theme: the percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health (Japan). By increasing the percentage, we will continue helping to address dental cavities as a social issue. Xylitol is a prime example of CSV through innovation subverting the conventional wisdom that sweet foods cause cavities. This new target clearly defines our attitude of continually striving to propose new forms of value through innovation (“LOTTE-novation”). The second amendment relates to our target for reducing food loss and waste (FLW). LOTTE is participating in the Japanese project of the 10x20x30 Food Loss and Waste Initiative* launched in 2019. We therefore amended our measurement method and target in order to ensure consistency between this project and our own FLW reporting standards. The following pages include comments from managers responsible for efforts to achieve the Medium-Term ESG Targets.

* 10x20x30 Food Loss and Waste Initiative

This is an initiative led by the World Resources Institute (WRI), a U.S. think tank that conducts policy research and develops technologies relating to the global environment and development. The aim of the initiative is to halve food waste throughout companies’ entire supply chains. See page 39 for further details.

Key Initiatives in 2020	2023 Targets	2028 Targets	Contributing to the SDGs
<ul style="list-style-type: none"> Maintain and use certification 	Maintain certification at all domestic and overseas factories	Maintain certification at all domestic and overseas factories	
<ul style="list-style-type: none"> Document new quality standards 	Introduce at all domestic and overseas factories	Continue use for operations in all domestic and overseas factories	
<ul style="list-style-type: none"> Obtain and publish evidence Collaborate with local governments 	35% or more	50% or more	 
<ul style="list-style-type: none"> Promote understanding about the functions of xylitol 	—	50% or more	
<ul style="list-style-type: none"> Develop products with new health-oriented value 	34.56 million people or more	Expand this number even further	
<ul style="list-style-type: none"> Start updating provision for factory visits Consider undertaking school visits 	100 thousand people per year or more	150 thousand people per year or more	
<ul style="list-style-type: none"> Install energy-saving equipment Adopt use of renewable energy in factories 	Reduce by 13% or more	Reduce by 26% or more	 
<ul style="list-style-type: none"> Display expiration dates by year/month Increase reuse (donations to food banks) 	—	Reduce by 50% or more (Japan and overseas)	
<ul style="list-style-type: none"> Ensure recycling of all waste from Japanese factories 	99% or more (Japan)	99% or more (Japan and overseas)	
<ul style="list-style-type: none"> Increase procurement of Fair Cacao Consider new activities to support producing regions 	20% or more	50% or more	   
<ul style="list-style-type: none"> Start procuring third-party verified oil 	100% (Japan)	100% (Japan and overseas)	
<ul style="list-style-type: none"> Increase procurement of environment-friendly paper 	100% (Japan)	100% (Japan and overseas)	
<ul style="list-style-type: none"> Conduct diversity management training for managers Promote use of childcare leave by male employees 	10% or more	20% or more	 
<ul style="list-style-type: none"> Consider and adopt schemes that enable flexible work styles Improve ICT infrastructure 	1,850 hours or less	1,800 hours or less	
<ul style="list-style-type: none"> Grasp the issues and undertake improvements at each individual workplace 	80% or more	Stay at 80% or more	

1

FOOD SAFETY AND RELIABILITY



Basic Approach

In food manufacturing, safety, reliability, and product quality are all must-haves, but we believe that our products must also be able to convey the added value of “enjoyment,” “delicious flavor,” and “repose.” These are all aspects of the “Quality” that we strive for, and is something that each of our employees works to further improve. Here, a manager describes LOTTE ADVANCE, our new quality assurance system that aims to further improve quality.

Further Improve Product Quality

GFSI recognized certification schemes (FSSC 22000/BRC)

P46

2023 Target

2028 Target



Maintain certification at all domestic and overseas factories

Introduction of LOTTE ADVANCE, our new quality assurance system

P46

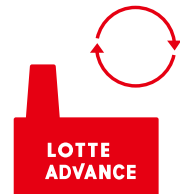
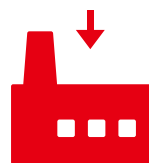
2023 Target

2028 Target

Introduce at all domestic and overseas factories

Continue use for operations in all domestic and overseas factories

LOTTE ADVANCE



Aiming to further improve quality and ensure a high level of safety

Supplying safe food products customers can consume with peace of mind is a fundamental requirement for a food manufacturer.

LOTTE CO., LTD. takes steps to ensure quality on a day-to-day basis in line with its Policy on Quality and Policy on Food Safety. We believe that supplying safe food products customers can consume with peace of mind is a fundamental requirement for a food manufacturer. Accordingly, we acquired certifications recognized under the Global Food Safety Initiative (GFSI)*¹ in the form of FSSC 22000*² and BRC*³ certifications, which we are putting into practice. Aiming to further improve quality and ensure a high level of safety, we are currently developing our new quality assurance system, LOTTE ADVANCE. Taking our GFSI certifications as the basis, we intend to incorporate the approach toward design and development from ISO 9001*⁴, as well as our own proprietary rules for high quality and safety.

Until now we have focused primarily on our product manufacturing processes to implement stringent measures ensuring safety and reliability. This includes measures to prevent contamination by

foreign substances and checks to verify that finished products meet standards prior to shipping. However, we plan to equip the new LOTTE ADVANCE system we are currently developing with the capacity to assess food safety-related risk from the product design and development stage. This will enable us to reduce risk throughout the entire value chain from an even wider variety of perspectives than hitherto. We will also set uniformly stringent quality and safety rules to resolve existing discrepancies according to the region and the item being manufactured.

LOTTE ADVANCE

LOTTE's Proprietary Rules

Design and development system
Approach based on ISO 9001

+

Food safety verification system
FSSC 22000/BRC certified
(GFSI approved)

Our key focus is ensuring a means of operating and verifying the system.

Our key focus in developing the LOTTE ADVANCE system is to ensure a means of operating and verifying it properly. However rigorous our rules may be, if our manufacturing sites are unable to implement the rules properly or verify them objectively, we cannot promise to deliver safety and reliability to our customers. Once LOTTE ADVANCE has been developed, we will of course use our website and other means to provide easy-to-understand explanations to customers about how the system works, and how it is operated and verified. Do look out for this information. I consider it my mission to ensure greater reliability for our customers and will continue dedicating myself to that goal on a daily basis.

*1 Global Food Safety Initiative: An international non-profit organization (NPO) established in May 2000 dedicated to the continued improvement of food safety management systems

*2 FSSC 22000: A globally recognized food safety standard that supplements ISO 22000, the International Organization for Standardization's standard for food safety management systems, with additional requirements

*3 British Retail Consortium: An association operating a third-party certification scheme for food safety

*4 ISO 9001: The International Organization for Standardization's international standard for quality management systems aimed at enhancing customer satisfaction by supplying products and services of consistent quality

Akinobu Sawada

LOTTE CO., LTD.
General Manager
Quality Assurance Department

Profile

Joined LOTTE CO., LTD. in 1991. After working in chocolate development research and new product marketing, he served as the quality control manager at the Shiga Factory from 2010. He has been engaged in quality assurance duties at the head office since 2015 and leading the development of LOTTE ADVANCE in his current position as a person responsible for food safety since 2017.



2

FOOD AND HEALTH



Basic Approach

We have continued to grow by utilizing the knowledge and technology we have developed since our founding toward providing new value to local communities and society. One example of these efforts is the launch of *Xylitol Gum* in 1997, which was able to generate new value and contribute to society by helping to preserve strong and healthy teeth. Going forward, we will continue to place an emphasis on R&D of products that support health of both the body and the mind, and by disseminating information and engaging in activities that raise awareness, thus using food rooted in delicious flavor—an important concept for us—to provide health-oriented value. In doing so, we will contribute to the resolution of social issues. Here, a manager describes LOTTE CO., LTD.'s food education activities as an example of such efforts.

Health

Percentage of people who practice *kamukoto* (chewing) with proper awareness (Japan)

P49

2023 Target

35%
or more



2028 Target

50%
or more



Percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health (Japan)

P51

2028 Target

50%
or more



Number of people we have helped lead healthy lives through our products (Japan)

P52

2023 Target

34.56 million
people
or more



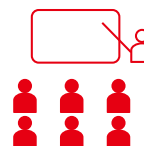
Food Education

Number of people who have attended food education lectures

P53

2023 Target

100 thousand
people
per year or more



2028 Target

150 thousand
people
per year or more



Updating provision for factory visits and commencing school visits to achieve our Medium-Term ESG Target.

We aim to offer factory visits that are loved by local residents and can contribute to community development.

LOTTE CO., LTD. views food as a resource for good health, and on that basis we have been engaged in food education activities aimed at spreading accurate food knowledge and promoting greater understanding. In FY2019, as many as 60,000 people participated in the food education initiatives we offered, which included factory visits, food education seminars, and provision of teaching materials to elementary schools. The Shokuiku (Food Education) Promotion Department is currently preparing two new initiatives to improve our food education activities further, aiming to achieve our Medium-Term ESG Target for the number of participants in food education activities.

The first initiative is updating our provision for factory visits, which are conducted at LOTTE CO., LTD.'s main Urawa and Sayama factories*. During these visits, in addition to showing visitors the actual manufacturing sites where food safety and reliability measures are implemented, we explain our other manufacturing-related measures, including environmental initiatives. These two factories benefit from excellent locations with good access from the Tokyo metropolitan area, and they host a large number of visitors. On the other hand, they suffer from a number of issues including

aging facilities, so we are updating our provision for factory visits to achieve the Medium-Term ESG Target.

Our primary concern as we do so is to ensure that these factories properly fulfill their role as venues for hands-on learning about food. Ideally, visitors would be able to deepen their understanding through close-up observation of production equipment in operation, but sometimes equipment is not operating due to maintenance or other production-related requirements. We therefore plan to install factory visit facilities employing the latest technology that will enable us to use video or other media to deliver an observation-based experience even when production equipment is not operational.

By delivering impressive experiences using the latest technology, we are aiming to offer factory visits that are loved by local residents and can contribute to community development. We are starting with renovation of the Urawa Factory, aiming to reopen the newly refurbished factory during 2021. We are confident that visitors will be amazed.

* To prevent the spread of COVID-19 infection, factory visits have been suspended since February 2020. The dates for resuming visits will be notified via our website once decided.

We expect school visits to provide good opportunities for us to reexamine our purpose as a company

The second initiative we are preparing for is the challenge of bolstering our school visit provision. In the past, LOTTE CO., LTD. has focused primarily on providing teaching materials to elementary schools and has offered very few school visits. However, the importance of food education in schools has increased, particularly as a result of revisions to the Japanese government's school curriculum guidelines. Believing that we, as a food products manufacturer, could be of help in a number of ways, we decided to take on the challenge of bolstering our school visit provision.

The issue when offering school visits at a large number of schools is securing teachers. As a solution to this issue, we are planning to use our employees as teachers. To prevent the burden from falling disproportionately on certain people, we will ask employees from a wide range of different sections to serve as

teachers and send them into schools. As an added bonus, this initiative should enable our employees themselves to deepen their understanding of food education and ESG management. At the same time, we expect that direct interaction with consumers with whom we generally have virtually no contact will provide good opportunities for us to reexamine our purpose as a company.

Natsuki Ikeda

LOTTE CO., LTD.
General Manager
Shokuiku (Food Education) Promotion Department

Profile

Joined LOTTE CO., LTD. in 1998. She worked on R&D of chewing gum and candy at the Central Laboratory. Since 2019, she has been leading the start-up of the new Shokuiku (Food Education) Promotion Department in her current position.



3

ENVIRONMENT



Basic Approach

Global environmental conservation is the most important issue for our survival. Moreover, our business relies on the gifts provided by the earth's environment. Therefore, we believe that contributing to a sustainable global environment is one of our most important responsibilities. We have currently positioned realizing both a low-carbon and recycling-oriented society as priority issues and are focusing our efforts toward achieving those ends. Here, a manager describes measures at our factories to reduce CO₂ emissions as an example of such efforts.

Low-Carbon Society

Reduction rate of CO₂ emissions (Scope 1 and 2)

P36

2023 Target



2028 Target



Note: CO₂ emissions intensity comparison to FY2013

Recycling-Oriented Society

Reduction rate of food loss and waste (FLW)

P38

2028 Target

Reduce by **50%**
or more



Note: Per-unit volume comparison to FY2019

Recycling rate of waste generated by production processes

P38

2023 Target

99%
or more
(Japan)



2028 Target

99%
or more
(Japan and overseas)



Contributing to higher corporate value from both the financial and non-financial perspectives through reduction of CO₂ emissions

We cannot achieve our goals if we continue doing what we have always done: we need to step up our efforts.

LOTTE CO., LTD.'s factories account for more than half the Group's energy-related CO₂ emissions, which makes initiatives at these factories essential if we are to achieve our Medium-Term ESG Targets. In the past, we have steadily pursued energy-saving activities and measures to increase efficiency through consolidation and integration of production sites. However, I feel that we cannot achieve our targets if we continue doing what we have always done: we need to step up our efforts. As a solution to this issue, LOTTE CO., LTD.'s factories are utilizing renewable energy and converting themselves into eco-factories.

I want us to widen our focus to include reductions in energy costs and inform people inside and outside the Company of these cost reductions.

Converting all our energy usage to renewable sources will take time in light of the costs and the work necessary to secure the supply. We therefore need to use energy efficiently in the meantime. The energy-saving activities we have pursued steadily to date have focused on thoroughly eliminating all waste and inefficiency, but there is a limit to how long we can continue with this approach. We need to adopt a more radical approach to actually improving efficiency. So, we are addressing this need by converting our factories into eco-factories. LOTTE CO., LTD. has a large number of advanced engineering technologies at its disposal. It combines these cutting-edge technologies with its own experience, and with ideas that demonstrate the "Originality" cited in the LOTTE Values, to pursue its own unique form of innovation, "LOTTE-novation." For example, the new air-conditioning system installed on the chocolate production line at the Urawa Factory cools only the lower level of the space, where the manufacturing equipment and workers are actually located, rather than cooling the entire space. This has enabled dramatic energy savings even on a production line where temperature control is crucial. In another example, the Sayama Factory's product warehouse introduced sheet pallets that are far thinner than conventional pallets, along with tablet-style devices, and a remote monitoring system. The advantages of these changes

The head office of LOTTE CO., LTD. located in the Shinjuku ward of Tokyo already utilizes renewable energy sources, having started to do so in April 2019. It procures power derived from hydroelectric generation that produces no CO₂ emissions. From 2020, we will extend the use of hydroelectric power to our factories as well, proceeding in stages. This will enable us to reduce our energy-related CO₂ emissions and also contribute to more widespread adoption of renewable energy within Japan.

include increased load efficiency and decreases in the number of employees and in the amount of time required for shipping processes. Such innovations have contributed not only to LOTTE's own efficiency but also to increased efficiency throughout its logistics operations.

As we develop eco-factories, I want us to focus not only on increased energy efficiency, but also on the accompanying reductions in energy costs, and inform people inside and outside the Company of these cost reductions. My aim in doing this is to use our eco-factory initiative as an opportunity to help every single employee understand that ESG-related measures are not purely non-financial in nature; they are intrinsically linked to the financial factors that contribute to higher corporate value.

Katsuaki Naitou

LOTTE CO., LTD.
General Manager
Technology Development Division

Profile

Joined LOTTE CO., LTD. in 1989. He was engaged in a wide range of work related to plant and equipment at the Urawa Factory, including installation and maintenance of production equipment. Since 2018, he has been leading efforts to standardize and optimize production equipment at LOTTE's factories, and convert to eco-factories, in his current position as general manager of the new Technology Development Division.



4

SUSTAINABLE PROCUREMENT



Basic Approach

While the role of safety and reliability in the stable provision of high-quality goods and services cannot be overstated, we also believe in the importance of sustainable procurement of ingredients, with due consideration given to the environment and society. To this end, we are working with clients and stakeholders both inside and outside of the food industry to promote sustainable procurement throughout the supply chain. Here, a manager describes our procurement activities in relation to cacao beans as an example of such efforts.

Cacao Beans

Usage rate of Fair Cacao

P42

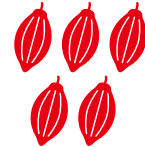
2023 Target

20%
or more



2028 Target

50%
or more



Palm Oil

Usage rate of third-party verified oil

P43

2023 Target

100%
(Japan)



2028 Target

100%
(Japan and overseas)



Paper

Usage rate of environment-friendly paper
(for product containers and packaging)

P44

2023 Target

100%
(Japan)



2028 Target

100%
(Japan and overseas)



Contributing to the sustainability of cacao beans by supporting the economic and social development of producing regions

We are establishing ties with cacao bean-producing regions and promoting initiatives that contribute to the economic and social development of these areas.

A wide array of social and environmental issues have been highlighted with regard to the West Africa region, which produces approximately 70% of the world's cacao. These issues include damage to ecosystems and the environment as a result of deforestation and inappropriate use of agrochemicals, as well as poor working conditions, and loss of educational opportunities due to children being regarded as sources of labor.

Cacao beans are the primary ingredient in chocolate, which is one of our main products. Accordingly, I believe that we need to engage with these issues and deal with them seriously, not least because we must ensure stable procurement of cacao beans in the future.

LOTTE CO., LTD. is therefore working to establish ties with cacao bean-producing regions and promote initiatives under its Fair Cacao Project that contribute to the economic and social development of these areas. These initiatives can be broadly divided into procurement activities and support for producing regions.

With regard to the first—procurement activities—we have started cooperating with suppliers and producing regions to purchase from designated areas. We have developed a system that enables us to procure a stable supply of high-quality cacao beans, while at the same time contributing a portion of the beans' purchase price back to the producing region so that we are providing financial support in the course of procurement. We refer to the cacao beans we procure in this way as Fair Cacao and our Medium-Term ESG Target includes the goal of increasing our rate of procurement of Fair Cacao. Looking ahead, in addition to taking these existing procurement activities further, we are considering working toward the achievement of our targets through collaboration with governmental agencies or companies in cacao beans producing countries, or through commencing our own upstream operations within the supply chain.



We are targeting a mechanism that will generate a sustainable virtuous cycle

The second set of initiatives under the Fair Cacao Project is support for producing regions. Although we are one of only a few integrated manufacturers of chocolate made using cacao beans in Japan, if one considers the volume of cacao beans traded globally, the amount we procure is in fact extremely small. We are therefore limited in terms of what we can achieve on our own. That is why we are cooperating with industry groups inside and outside Japan to pursue activities supporting producing regions.

To give an example, we joined the World Cocoa Foundation (WCF) and are sponsoring activities aimed at providing technical support to cacao farmers, improving poor working conditions, and eliminating child labor. The WCF was established as a membership-based international organization in 2000 to create sustainable cacao supply chains by supporting cacao farmers.

We are now considering the possibility of future initiatives specific to LOTTE that combine such support for producing regions

and procurement activities. In addition to providing support to cacao farmers and producing regions, we aim to engage with issues throughout the supply chain. We are targeting a mechanism that will generate a sustainable virtuous cycle whereby improvements in the quality and crop yield of cacao beans lead to higher income for farmers, which in turn leads to advances in agricultural technology. In addition, I hope that these cacao-related initiatives will spur every one of our employees to think about sustainability as it relates to society, as well as to LOTTE itself.



Atsushi Sasaki

LOTTE CO., LTD.
General Manager
Purchasing Department

Profile

Joined the LOTTE Group in 1988. He worked in roles including trading operations and real estate development at LOTTE CO., LTD. and its affiliates. He has been responsible for chocolate raw materials for over 20 years in his present department. Since 2013, he has been in his current position and has also been leading sustainable procurement activities in the Company.

5

DEMONSTRATING EMPLOYEES' ABILITIES



Basic Approach

The most important pillar of support for our business is our human resources. We are committed to creating a lively work environment where each and every employee is able to demonstrate their abilities, which will lead to our sustainable development. Here, a manager describes our diversity initiatives as an example of such efforts.

Diversity

Ratio of female managers (Japan)

P28

2023 Target

10%
or more



2028 Target

20%
or more



Work Style Reform

Annual total working hours per person (Japan)

P29

2023 Target

1,850 hours
or less



2028 Target

1,800 hours
or less



Employee Engagement

Percentage of employees with high job satisfaction (Japan)

P31

2023 and 2028 Target

80%
or more



Starting with promotion of women's success, we will go on to create a company that is inclusive of everybody

Diversity is the key source of our competitiveness and the driving force behind "LOTTE-novation."

The reason we promote diversity is that it is the key source of our competitiveness and the driving force behind "LOTTE-novation." As a relative late-comer among manufacturers, having been founded after the Second World War, LOTTE has grown through innovation based on differentiating itself. However, now that the market has matured and the external environment is changing dramatically, it has become difficult to generate innovation through the same methods we have relied on hitherto. Accordingly, I feel it is essential to create an environment in which a diverse range of human resources can demonstrate their abilities regardless of their gender, age, nationality, and so on. For example, most of the customers who

buy the confectionery and ice cream that are central to our business are women. And from an age-based perspective, our business caters to customers across all generations from children to seniors. Furthermore, our market is not limited to Japan, but extends overseas as well. Given such a business environment, I have felt ever since I worked in marketing that it is crucial for women and other people with a wide range of opinions to be involved in decision-making processes. I therefore want to promote diversity as a means of supporting our ability to appeal to customers and generate "LOTTE-novation."

We will pursue human resource cultivation and work culture reforms in tandem.

The current reality is that the LOTTE Group's ratio of female managers within Japan is 5.1%, which is a long way from the 20% set in our ESG target. To date, we have worked to improve the schemes we offer so that employees can continue working as they experience life events such as childbirth and parenting. As a result of these efforts, LOTTE CO., LTD.'s provision for supporting employees balancing work with family is more comprehensive than that required by law. However, we must pursue human resource cultivation and work culture reforms in tandem to enable employees who return to work during and after life events to plan their careers. For example, there have been instances in which responsible positions were not offered to women experiencing life events due to a well intentioned but mistaken concern that it would be an imposition to give them a job with heavy responsibility. This has resulted in the current lack of female managers and candidates for such positions. To change this situation, I therefore want to conduct training for managers whose teams include employees with parenting responsibilities to boost management support for the employees' success in the workplace. In addition, I want to encourage male employees to take childcare leave. This will help to change the perception that life events affect only women and will at the same time help to make work tasks less dependent on specific individuals, thereby fostering

teamwork in the workplace. As an added benefit, I expect that men's participation in childcare will provide them with an opportunity to reconsider our business itself, generating more innovation as a result.

Our current initiatives are focused on promoting women's success, but the ultimate aim of our efforts is to create a company that is equally inclusive of not only women but also men, as well as those who have parenting or caring responsibilities, or have their own health concerns. In the future, we plan to create workplace environments that are equally inclusive of everybody, including people with disabilities, non-Japanese people, and those who identify as LGBT, enabling everybody to demonstrate their abilities. We are confident that we can achieve this.

Wakana Mori

LOTTE CO., LTD.

Manager

Employee Empowerment Section

Profile

Joined LOTTE CO., LTD. in 2001. She was engaged in analysis and research into food constituents at the Central Laboratory and then worked in chewing gum and chocolate marketing at the head office. Since 2019, she has been promoting diversity in her current position, while combining work with parenting responsibilities as a mother.



DIALOGUES WITH EXPERTS

Details are provided for each individual target, leading to transparency and honesty.

I'm impressed by the fact that LOTTE demonstrates a sincere approach toward tackling all its materiality themes. Details of past results and key initiatives are provided for each individual target, leading to transparency and honesty. I look forward to seeing LOTTE further broaden the scope of information disclosure by disclosing its policies and plans for those areas in which measures are still insufficient. Let me also suggest sharing some of the stories behind the implementation of different measures, or the difficulties encountered. For instance, LOTTE is trying to set its own standards in addition to international standards to ensure Food Safety and Reliability. Given that this is an initiative that makes the Company a pioneer in the field, it would be beneficial to take a proactive approach in describing its experience, including lessons learned through trial and error. With regard to promotion of women's participation and empowerment as a means to Demonstrating Employees' Abilities, the Company has disclosed its regret for being slow to reform its work culture. I think it's precisely because of the Company's sincere efforts are sincere that it has noticed its own shortcomings. This disclosure should be thought-provoking for other companies, and can have a knock-on effect throughout society.

Meanwhile, LOTTE is promoting its Fair Cacao Project in the Sustainable Procurement category. Cacao beans are the product of tropical plants that are grown mainly in nations that are developing, or among the world's poorest, where consumers and human rights organizations around the world are paying attention. In my opinion, the Company could describe its activities more persuasively by disclosing detailed information on its supply chain.



Makiko Akabane

Director Japan, CSR Asia

Profile Ms. Akabane majored in political science and biology at Waseda University, and has over a decade of experience specializing in CSR in multi-sector and multinational companies. She spearheaded the launch of CSR sections for a number of companies including Starbucks Coffee Japan, Ltd., Salesforce.com, Inc., and Nikko Asset Management Co., Ltd. She leads CSR Asia Japan since 2010.

The disclosure of information on issues such as recalls and whistleblowing reports is to be commended.

Having participated in these dialogues since the year before last, I feel that LOTTE's disclosure activities have developed from year to year. Information in the sustainability report has become more transparent, and the disclosure of information on issues such as recalls and whistleblowing reports is to be commended.

To address Food and Health, I think it would be a good idea to continue focusing on food education. I understand that the Company currently hosts factory visits primarily as part of elementary school social studies classes. I'd like to see these learning opportunities extended to even more children by embracing a welfare-based perspective to involve other target groups such as orphanages and single-parent families. What's more, I believe that food education can provide a means to teach all kinds of things. For example, communicating accurate knowledge with regard to expiration dates can help to reduce food loss and waste. And if the Company can teach children about the process from cultivation of cacao beans to manufacturing of chocolate, it can spur them to look outward toward the wider society and the world.

With regard to the Environment theme, I think the company's proactive use of renewable energy is outstanding. In Europe, there are examples of the Company recycling food waste into renewable energy and using it as a resource, most notably for electricity in office buildings. In this and other ways, I look forward to even greater endeavors from now on.



Rumi Ide

Journalist in the Problem of Food Loss and Waste

Profile Ph.D. Kagawa Nutrition University (Nutritional Science), MSc University of Tokyo Graduate School of Agricultural and Life Sciences, BSc Nara Women's University. After working at Lion Corporation and then participating in JICA, held various positions at Kellogg (JAPAN) K.K. including section head in the PR department. Founded office3.11 due to the appalling food loss and waste of food aid during the 3.11 crisis. Put in charge of PR at Japan's first food bank, where we were then awarded the PR Award Grand Prix Award of Excellence in Social Communication. Her publications include "Shoumi Kigen no Uso (The Myth of Best Before Dates)" and "Aru Mono de Makanau Seikatsu (Life with What You Have)." Awarded the 2018 Grand Prize in the category of "Food Culture" for the Second Food Life Journalist Award for her work focusing attention on the food loss problem at a national level. Awarded the 2018 Yahoo! News Editorial Section Author Award.

Since 2018, LOTTE CO., LTD. has invited external experts to engage with it in dialogues. These dialogues provide us with honest opinions and advice for the future regarding our sustainability initiatives, which we reflect in our activities. In 2020, we held the dialogues online to prevent COVID-19 infection.

I think it is important to communicate correct information in every situation.

This is the third time I've participated in these dialogues and I believe that LOTTE's sustainability-related activities are progressing steadily. In terms of Food Safety and Reliability, my impression is that the Company has always observed very high standards of compliance. Given that FSSC 22000 can be considered a sufficiently high-quality certification in itself, I am impressed by the Company's approach of going one step further and adopting the LOTTE ADVANCE system to pursue quality improvement. The Company also deserves praise for not merely adopting the system, but also aiming to ensure its own capacity to operate and verify it.

Food is one of the areas of greatest interest to consumers, but a great deal of information lacking any scientific basis is currently being passed around. I think it's important to communicate correct information in every situation including during day-to-day communication, food education activities, and factory visits. With regard to Foods with Function Claims, meanwhile, I'd like the Company to undertake thorough quality assurance and remain aware of the need for communication that avoids causing misunderstandings among consumers.

Recent years have witnessed rapidly growing interest in food loss and waste, but structural issues within the food industry make this a challenging theme to address. Although charities such as food banks are now more active than they used to be, their organizational capacity remains far from adequate as they rely primarily on volunteers. I'd like business operators and the government to take a more collaborative approach to this issue.



Yuki Urago

Secretary General, Consumers Japan*

Profile Ms. Urago graduated from Kanagawa University. After seven years of working at a company, she became involved in co-op activities while raising children as a full-time housewife. After serving as a director of the cooperative UCOOP and the Japanese Consumers' Co-operative Union, she assumed her current position in May 2017. She serves as a council member of the Ministry of Health, Labour and Welfare, the Food Safety Committee, the Consumer Affairs Agency, and the Consumer Committee. [* A nationwide liaison for consumer organizations that participates in various councils and submits public comments to disseminate opinions on behalf of the consumer regarding various life-related topics]

It's essential to link business activities with individual SDGs and communicate these links effectively.

The materiality map, the three steps, and the Medium-Term ESG Targets are very easy to understand. The SDGs to which each materiality theme contributes are identified, although I think that the materiality themes actually contribute to various goals in a more complex way. For example, one could delve more deeply to consider whether Sustainable Procurement might contribute to additional goals such as eradicating poverty and extending access to education.

For companies to contribute to achieving the SDGs, it is essential for them to link their business activities with individual SDGs and communicate these links effectively. For instance, consumption of chocolate could offer a means of supporting cacaobeans producing regions via international NGOs. I believe that consumer purchasing behavior can be influenced by whether or not a product contributes to solving a certain social issue in this way. It's likely that ethical consumption will increase more than ever now that many of Japan's younger generation in particular sense the importance of social solidarity and helping each other, having experienced the 2011 Great East Japan Earthquake and the spread of COVID-19.

In Japan, the phrase "post COVID-19" is gaining increasing attention. Once COVID-19 abates, I expect that new approaches implemented to prevent the spread of infection, such as working from home and online meetings, could be established as new ways of working and used to increase labor productivity.



Norichika Kanie

Professor
Graduate School of Media and Governance,
Keio University

Profile Mr. Kanie received a Ph.D. from the Graduate School of Media and Governance at Keio University. Before joining Keio in 2015, he was an associate professor at the University of Kitakyushu and an associate professor in the Graduate School of Decision Science and Technology at the Tokyo Institute of Technology. From FY2013, he served for three years as project leader for Strategic Research Project S-11 of the Japanese Ministry of the Environment's Environment Research & Technology Development Fund (Comprehensive Research Project on Sustainable Development Goals and Governance). In 2014, he became a senior research fellow at the United Nations University Institute for the Advanced Study of Sustainability and became an adjunct professor at the same institute in 2020. Recently he has appointed by the UN Secretary General to draft the 2023 Global Sustainable Development Report.

DIALOGUES WITH EXPERTS

Initiatives to increase competitiveness should be more fully disclosed.

Having reviewed LOTTE's materiality themes and Medium-Term ESG Targets, I think that overall they are commendable and encapsulate the key points. LOTTE's effective use of guidelines even at the stage of formulating its materiality themes is worthy of praise.

Companies are entities that create value, undergo assessment, and evolve. Accordingly, the three characteristics essential to their sustainability-related activities are comprehensiveness, materiality, and competitiveness. I therefore believe that LOTTE's initiatives to increase competitiveness should be more fully disclosed. As an example, take disclosure relating to chewing: LOTTE's perspective on chewing is unique to this company that started out in the chewing gum business, and the proven connection with good health has drawn a great deal of attention in an aging society. If the Company sufficiently promotes the benefits of its perspective on chewing, I think employees will realize that this is a company strength, making it easier to come up with new ideas.

With regard to the materiality theme of Demonstrating Employees' Abilities, the percentage of employees with high job satisfaction can hardly be described as high. I believe that in order to build a strong, dynamic organization, a shared purpose is essential. I'd like the Company to aim to be the kind of strong organization that is capable of transforming itself to facilitate innovation, having established a sense of belonging among employees by, for instance, involving them in formulating the shared purpose.



Peter David Pedersen

Co-Founder, NELIS
Professor, Graduate School of Leadership
and Innovation, Shizenkan University

Profile Mr. Pedersen was born in Denmark and graduated from the Institute of Anthropology at Copenhagen University. He moved to Japan in 1984. He co-founded E-Square Inc. in 2000 and served as President of the company until 2011. In 2014, he took up the position of Director at The Academy for Corporate Leadership (TACL) within Transagent Co., Ltd. In 2015, he became co-founder of the Next Leaders' Initiative for Sustainability (NELIS), a global network of young sustainability leaders, and has remained in this role since then. In 2019, he took up the additional post of professor at the Graduate School of Leadership and Innovation, Shizenkan University.

Responding to the Experts

I was reminded that we need to reexamine our own values and reflect them in our initiatives and the messages we communicate.

Having sensed through the dialogues with experts their high expectations of LOTTE, I am filled with renewed resolve. As these experts pointed out, when we simply follow established frameworks and precedents to implement our initiatives, the results inevitably tend to lack the essential LOTTE qualities. This reminded me that we really do need to reexamine our own values and reflect them in our initiatives and the messages we communicate. Food and Health in particular is the materiality theme within which our cherished LOTTE Values are realized. In this area in particular, we will endeavor to meet their expectations by expediting initiatives that we alone are capable of.

On a separate note, the spread of COVID-19 has exerted a massive impact on sustainability. We were practically forced into new ways of working, such as working from home, and all at once we now find ourselves at a turning point where these new methods could become the norm. However, I genuinely feel that, even in this situation where the world around us is so unstable, our confectionery and ice cream are contributing in some small way to making people feel better physically and mentally. Building on this foundation, we will continue to pursue further sustainability-oriented initiatives to remain a company the public regards as indispensable.



Kenichiro Sakai

Executive Officer
Head of Corporate Strategy Division
LOTTE CO., LTD.

REPORT ON ACTIVITIES FOR FY2019

REPORT ON SUSTAINABILITY ACTIVITIES BASED ON THE SEVEN CORE SUBJECTS OF ISO 26000

LOTTE CO., LTD. utilizes themes determined under ISO 26000, the International Organization for Standardization's standard for social responsibility, as the basis for its sustainability activities. This section introduces the sustainability activities conducted by LOTTE and its subsidiaries in terms of the seven core subjects laid out in ISO 26000 Organizational Governance, Human Rights, Labor Practices, The Environment, Fair Operating Practices, Consumer Issues, and Community Involvement and Development.

-
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-

Organizational Governance

We conduct all corporate activities with the LOTTE Group Philosophy at their core. We are moving forward with steps to further strengthen corporate governance in order to remain a company with the trust of its stakeholders. Through our actions, we aim to realize sustainable growth and increased corporate value.

Corporate Governance

As of July 1, 2020

Type of System	Company with Board of Corporate Auditors
Number of Directors (of which, Outside Directors)	8 Directors (4 Outside Directors, of Whom 1 is a Woman)
Number of Corporate Auditors (of which, Outside Corporate Auditors)	3 Corporate Auditors (2 Outside Corporate Auditors)
Number of Executive Officers	15
Accounting Auditor	Deloitte Touche Tohmatsu LLC
Internal Audit Department	Audit Department

Risk Management

▶ Risk Management System

The Risk Management Committee comprises representatives from each department and plays a role in overseeing risk management across the Company. The committee is not only responsible for measures to minimize damage when it occurs but also for taking a preventative approach to risk by assessing the potential risks that may occur when engaging in business activities with consideration given to both internal and external environments.

▶ Countermeasures for Large-Scale Disasters

In response to the 2011 Great East Japan Earthquake, we created the *Large-Scale Disaster Response Manual* in 2012. This manual contains clear instructions on how to stay calm and act in order to ensure employee safety when a large-scale disaster occurs, how to prevent secondary disasters, and regular preparatory details. We also formulated a business continuity plan (BCP) to promptly restart business activities after a disaster or similar event takes place.

LOTTE Group Philosophy

▶ Spreading the LOTTE Group Philosophy

In order to spread the LOTTE Group Philosophy, it is posted at each workplace and continuously communicated by directors. In addition, we have also incorporated it into an online book infused with our founding spirit, which employees can view at any time. As well, we distribute booklets with the same content to subsidiaries and other entities to further spread our philosophy.



Multilingual booklet for overseas subsidiaries (available in seven languages: English, Japanese, Thai, Vietnamese, Indonesian, Chinese, and Polish)

▶ LOTTE Awards

Every year we give out LOTTE Awards to acknowledge outstanding efforts that exemplify LOTTE Values implicit in the LOTTE Group Philosophy: "User Oriented," "Originality," and "Quality." By bestowing these



awards, we aim to increase employee motivation, while also promoting understanding and dissemination of our philosophy and encouraging actions that embody it. In addition, the ESG Award was newly established in FY2018 as a means to recognize employees engaged in activities that promote sustainability.

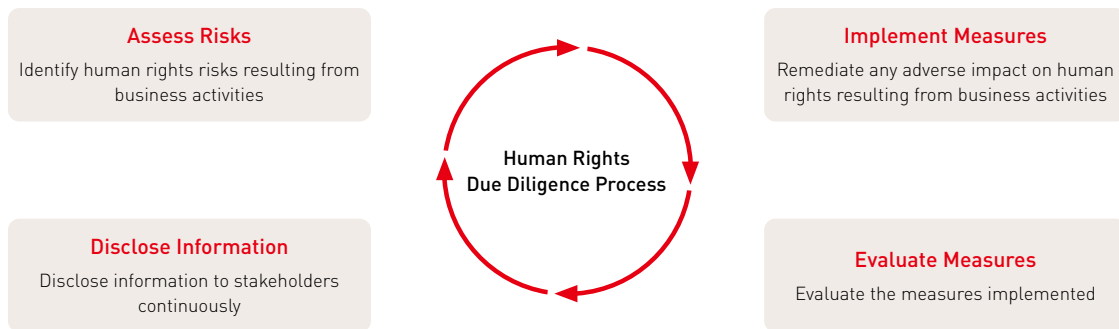
Human Rights

All of our business is conducted on the condition that human rights are respected. We make every effort to ensure that we do not commit any direct human rights violation as a matter of course. In addition, we work together with stakeholders to make sure that there are no indirect human rights violations through our business.

Relevant Policy Policy on Human Rights

Human Rights Due Diligence

To ensure respect for the human rights of all individuals affected by any aspect of our business throughout the entire supply chain, we undertake human rights due diligence according to the procedures specified in the United Nations Guiding Principles on Business and Human Rights.



▶ Human Rights Risk Assessment and Survey to Grasp Underlying Risks

We assessed*1 human rights risks resulting from business activities in accordance with international standards and guidelines*2 to determine potential human rights issues. We then conducted a survey via questionnaire to ascertain current risks at LOTTE CO., LTD., its subsidiaries, suppliers, and other relevant companies to identify salient human rights issues. This enabled us to identify the human rights issues to prioritize for action.

*1 Indices including the ITUC-Global Rights Index and the Global Slavery Index were used as data points

*2 The Ten Principles of the UN Global Compact, the Global Reporting Initiative (GRI) Standards, the United Nations Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Business Conduct, etc.

▶ Human Rights Risks Identified

We identified the potential human rights risks listed below through the risk assessment and the survey. Going forward, we will plan and implement measures to address these human rights risks, and our progress will be disclosed accordingly.

Potential Human Rights Risks

In our own operations	Discrimination and harassment
In our supply chain (cacao beans and palm oil)	Discrimination and harassment
	Forced and child labor
	Lack of respect for fundamental rights of workers
	Lack of respect for rights of indigenous people or local residents

Measures relating to the above human rights risks are described in "Labor Practices" (starting on page 28) and "Fair Operating Practices" (starting on page 42).

Educating Employees

▶ Training

LOTTE CO., LTD. is in the process of putting all of its employees through harassment prevention training, with approximately 1,600 employees attending lectures as of FY2019. In accordance with the Policy on Human Rights, which prohibits discrimination and harassment, we provide training to promote understanding of harassment and to create a harassment-free workplace. Moreover, we inform employees about our consultation desk and the process in case an incident does occur.

In addition, new managers receive training on harassment and labor management from visiting lawyers based on precedents and

case studies. We also provide new employees with training on how to use the harassment consultation desk.

▶ Whistleblowing Point-of-Contact

LOTTE CO., LTD. has established the "Clean Line" as a point-of-contact for whistleblowing from both inside and outside the Company. The Clean Line handles requests for advice and whistleblowing reports from employees (for more details, please see "Whistleblowing System" on page 45).

Labor Practices

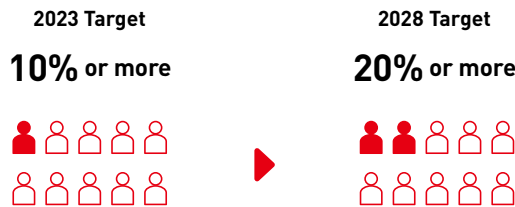
The most important pillar of support for a business is its human resources. We are working to establish a workplace environment where every employee can demonstrate their full potential, perform their duties in a lively manner, and maintain a healthy body and mind. In doing so, we aim to achieve corporate sustainability.

Relevant Policy Policy on Human Resources

Diversity

▶ Medium-Term Targets and Results

As part of our efforts to promote diversity, we aim to increase the ratio of female managers at Japanese Group companies to 10% or more by FY2023. Looking further, we have established a target of 20% or more by FY2028.



Ratio of Female Managers

As of March 31, 2018	5.0%
As of March 31, 2019	5.3%
As of March 31, 2020	5.1%

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.
 Figures for the previous fiscal year have been restated due to a change in the criteria for managerial staff.

▶ Promotion of Women's Success

To ensure that we can maximize the potential of our diverse set of human resources, we are promoting both diversity and innovation. As a first step, we are working to promote women's success, a pressing issue for society as a whole. We will continue striving to be a company in which a diverse range of talented individuals can flourish by creating suitable working environments and reforming our culture to make our workplaces inclusive for everybody.

■ Cultivating Potential Female Managers

Since 2016, LOTTE CO., LTD. has conducted annual joint seminars on promoting women's success for six food and beverage companies. The aim of these seminars is to increase awareness of what is possible among young female employees who are the next generation of potential female managers. The seminars, which are helping to shape the mindset of female employees, have received plaudits for allowing participants to interact with female managers from other companies as well as their own companies, thereby making a management position seem more within reach. They have also been praised for enabling participants to look back over their own careers, envision their future, and glean tips for achieving success.

■ Communication from Management

We believe that communication of a clear management message also plays an important role in promoting women's success. In January 2020, we held a diversity forum attended by LOTTE CO., LTD.'s management team and more than a hundred female employees. The forum provided an opportunity for the management team to convey its expectations with regard to women's success, and for the employees to interact with the Company's female managers.



Diversity forum

■ Support for Pregnancy and Parenting

LOTTE CO., LTD. supports pregnant female employees to ensure they have a worry-free start to their maternity leave and experience a smooth return to the workplace afterwards. The employee's supervisor arranges meetings using the Pregnancy and Parenting-Related Meeting Sheet, providing support to the employee to facilitate smooth communication about such issues as her health during pregnancy, plans for handing over her work responsibilities, and how she will work after her return.

Use of Parenting Support Schemes (FY2019)

Number of employees who took childcare leave	103 (Men: 6 Women: 97)
Ratio of employees who returned to work after childcare leave	98% (Men: 100% Women: 98%)
Retention rate after childcare leave	100% (Men: 100% Women: 100%)
Number of parents who worked shorter hours	124 (Men: 2 Women: 122)

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

▶ Employing Those with Disabilities

Another aspect of our efforts to promote diversity is our employment of people with disabilities. We are taking steps to create an environment that is employee-friendly for a wide range of personnel. These actions include renovating our bathrooms and removing unnecessary stairs, steps, or other obstacles.

Percentage of Employees with Disabilities

As of March 31, 2020	2.4%
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Scope of Tabulation: LOTTE CO., LTD.

▶ Employing Retirees

LOTTE CO., LTD. and Mary Chocolate Co., Ltd. have set up a scheme for post-retirement re-employment to enable employees to continue working after retiring at the official retirement age of 60. In addition to using knowledge and skills they have cultivated over many years to perform their work, retirees also play a role in guiding and nurturing younger employees.

Number of Retirees Re-Employed

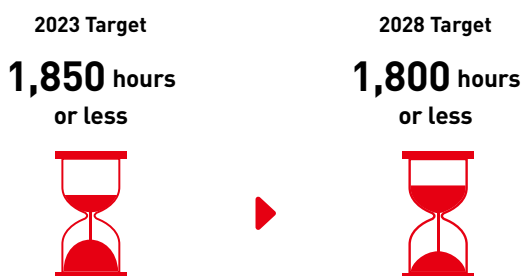
FY2017	Number of applicants: 225 Ratio re-employed: 100%
FY2018	Number of applicants: 178 Ratio re-employed: 100%
FY2020	Number of applicants: 121 Ratio re-employed: 100%

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Life-Work Balance

▶ Medium-Term Targets and Results

To achieve life-work balance for our employees, we have set a target to reduce the amount of annual total working hours per person at Japanese group companies to 1,850 hours or less by FY2023. Our target is to reduce this number further to 1,800 hours or less by FY 2028.



Working Hours per Employee

FY2018	Total working hours: 2,015 hours Total hours worked outside of work hours (excluding managerial staff): 199 hours Days of paid leave taken: 8.7 (Usage rate: 43.5%)
FY2019	Total working hours: 1,977 hours Total hours worked outside of work hours (excluding managerial staff): 196 hours Days of paid leave taken: 12.6 (Usage rate: 62.8%)

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Figures for the previous fiscal year have been restated due to a change in the criteria for managerial staff.

▶ Using a Flexible Work Style to Increase Productivity

LOTTE CO., LTD. has introduced an array of schemes to facilitate a flexible work style, creating an environment in which a diverse range of personnel can achieve success regardless of their stage in life. We are making use of these schemes to reduce work hours by increasing productivity, which is in turn aimed at achieving life-work balance for employees.

■ Establishment of the Work Style Reform Promotion Committee

In order to improve productivity and thereby reduce work hours, LOTTE CO., LTD. established the Work Style Reform Promotion Committee. This committee, which was formed out of the need for concrete initiatives, works with related sections to promote proper labor management and to provide support to sections that log excessive overtime hours.

■ Work-from-Home Scheme

LOTTE CO., LTD. has introduced a work-from-home scheme with the goal of utilizing ICT to promote flexible work styles that allow for effective use of time and place, improve productivity, and enable workers with various responsibilities such as childrearing and caregiving to continue working with peace of mind.

■ Staggered Working Hours Scheme

LOTTE CO., LTD. has introduced a staggered working hours scheme that enables individual employees to choose their own hours for starting and finishing work. Our aim in so doing is to create an employee-friendly environment by accommodating individual lifestyles, as well as to handle early-morning and late-night work efficiently.

■ Promoting the Usage of Paid Leave

LOTTE CO., LTD. is working to encourage employees to use their paid leave to create time for leisure and self-study and to achieve life-work balance. We have implemented systems that include leave that is set at the beginning of the year and a refresh leave system, and are looking into more systems for the future.

■ Establishment of an Onsite Childcare Center

In April 2018, we established Happy March Nursery School, an onsite childcare center, at our Urawa and Sayama factories, so that employees who are raising children can continue to work stress free in both their work and home lives.



Happy March Nursery School

Column A New Work Style to Prepare for Post COVID-19 Life



Naoyuki Arakawa

Senior Managing Officer
Head of HR Division
LOTTE CO., LTD.

First of all, I would like to offer my sincere sympathies to all those who have contracted COVID-19 and their families, and send them my best wishes for a speedy recovery. I would also like to express my heartfelt respect and gratitude to those who are dedicating themselves day after day to preventing infection from spreading and to treating patients.

Here at LOTTE CO., LTD., we dealt with the state of emergency declared in April 2020 by endeavoring to fulfill our social responsibility of maintaining stable supplies of products. To that end, we implemented measures to prevent infection and ensured rigorous hygiene management at production sites as we continued our operations. We asked employees not directly involved in production or related operations to work from home unless their presence in the workplace was absolutely essential for work purposes. As one aspect of the work style reforms we have been implementing for some time, we were already preparing our infrastructure for working from home, but the recent situation prompted us to adopt the working-from-home scheme earlier than originally planned. I would like to take this opportunity to thank everybody in the sections that handled the sudden expediting of the scheme, as well as all the employees who put their heads together and

worked hard to keep our business operational, even during the early stages when our infrastructure for working from home was not yet up to scratch.

As I have described, the spread of COVID-19 more or less forced us to instantly adopt the working-from-home scheme that we had planned to introduce in stages. Although it was inconvenient in some ways, however, employees gave positive feedback on the new work style, saying that it was surprisingly manageable once they tried it, and that they want to continue working from home because it enables them to use time efficiently. From now on, therefore, we are tackling the second step, in which the aim is to go beyond the baseline requirement to prevent the spread of infection and protect the health of our employees and their families, and take advantage of the new work style to successfully combine productivity with life-work balance. In one related initiative, we have introduced a flextime scheme on a trial basis to enable employees to work even more efficiently and flexibly. We have also started considering the optimal performance appraisal system for our new work style. In Japan, the phrase "post COVID-19" is gaining increasing attention, but I see it as my mission to ensure that we do not return to our former work style once COVID-19 is under control. Instead, I intend to make use of the know-how built up over this period to explore a new work style that is more productive and more fulfilling for employees; that is the course of action I will continue to pursue.

Employee Engagement

▶ Medium-Term Targets and Results

We are working to create a workplace where employees can grow and feel motivated. Therefore, we have set a target to have 80% or more of employees at Japanese group companies report high job satisfaction by FY2023, with a further target of maintaining an 80% or more ratio through to FY2028.

2023 and 2028 Targets

80% or more



Percentage of Employees Who Report Feeling Motivated (According to Employee Satisfaction Survey)

FY2017 survey	62.3%
FY2018 survey	59.1%
FY2019 survey	60.1%

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

▶ Employee Satisfaction Survey

We believe that a workplace where employees can perform their duties in a lively manner while staying motivated and sensing their own development is linked to both personal and corporate growth and leads to higher corporate value. Within our Japanese group companies, employees complete an annual employee satisfaction survey, which serves as a means to quantitatively assess motivation, identify issues, and make improvements.

Human Resource Cultivation

▶ Human Resource Cultivation Programs

We believe that by encouraging the growth of every employee, they become able to demonstrate their individuality and potential to the maximum and perform their duties in a lively manner. This in turn leads to growth of the Company and higher corporate value. We implement a variety of human resource cultivation programs to support employees as they make independent efforts toward their own growth.

Training Provided (Human Resource Cultivation Training Organized by the HR Division)

FY2017	Training expenses: ¥53 million Average annual training hours per employee: 15 hours
FY2018	Training expenses: ¥87 million Average annual training hours per employee: 15 hours
FY2019	Training expenses: ¥89 million Average annual training hours per employee: 17 hours

Scope of Tabulation: LOTTE CO., LTD.

Figures for the previous fiscal year have been restated due to a change in the criteria for managerial staff.

■ Position-Based Training Program

We have put in place a detailed position-based training program that is suited to an employee's stage of growth and their goals. This program begins by providing training for new employees, which provides them with the knowledge and frame of mind they will need as employees. From that point, annual training helps employees improve necessary work skills and gets them thinking about the future stages of their careers. In addition, we provide training to learn the basic mindset and management skills for employees

interested in advancing their position. We also provide concurrent on-the-job training (OJT) utilizing on-location work as a means to ensure that people can work stress free.

■ Departmental Training Programs

Each department provides training in order to impart specialized knowledge and skills.

■ Elective Self-Development Training Programs

We offer multiple opportunities for self-directed development to support employees making independent efforts toward their own growth. In addition to foreign language training, employees can apply to take courses to acquire a wide variety of knowledge and skills in a lecture environment or through correspondence.

■ Selective Training Programs

For employees to learn from a wide range of perspectives, we send employees for training with external groups, which is particularly important for training the next generation of leaders and managers. We have also implemented training programs which promote women's success and cultivate more globally minded human resources. Looking specifically at the latter, we have in place an overseas training system where participants are selected among a series of applicants who are then sent to our overseas subsidiaries after management and language training in Japan. Once arriving overseas, participants gain practical experience and conduct research on the business environment of their assigned area.

▶ Career Development Support

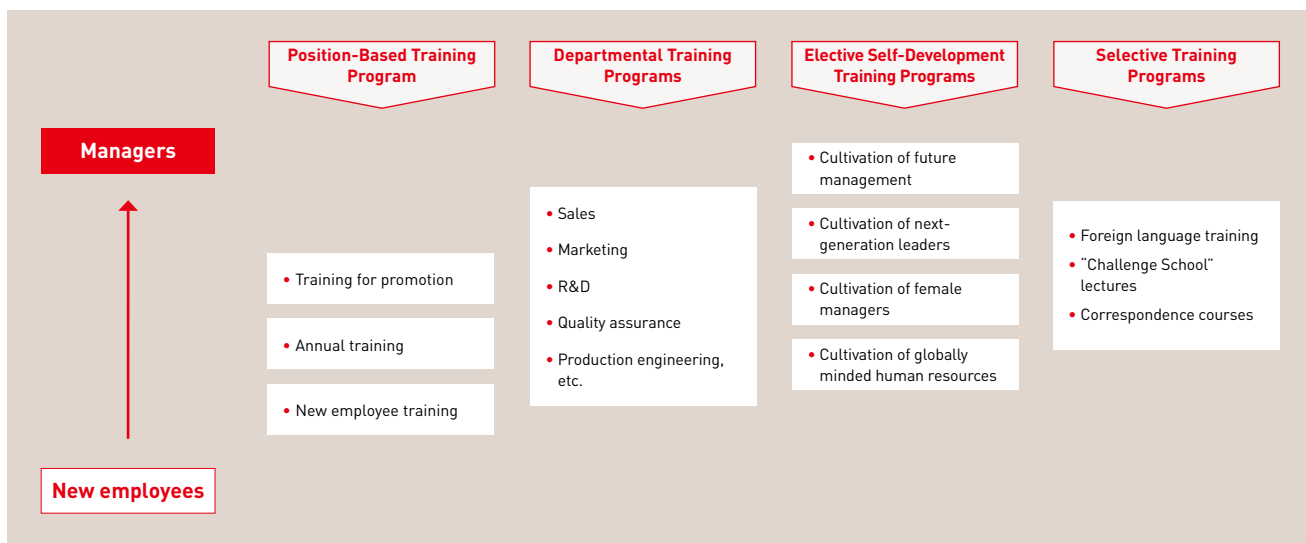
■ Encouraging Career Planning (Self-Reporting System)

Once a year, employees at LOTTE CO., LTD. are given a chance to speak with their supervisor about any sense of burden they may be experiencing or the suitability of their duties, as well as future career plans. Employees are encouraged to think about their future career plans, and the Company makes an effort to understand each employee's situation, aptitude, and manner of thinking and uses them to provide and develop opportunities for success.

■ Second Career Support

LOTTE CO., LTD. has set up a scheme to help employees in their 50s plan a second career. We also support continued participation in the workforce among employees retiring at the official retirement age by offering a post-retirement re-employment scheme for all such employees who wish to use it.

Structure of Human Resource Cultivation Programs



Health Management

We are committed to creating a workplace environment where employees can work with a healthy body and mind, in the belief that a company develops with the health of its personnel.

■ System for Promoting Health Management

The Labor Relations Department in the HR Division takes the lead in promoting health management in cooperation with the LOTTE Health Insurance Society, and with the assistance of the Corporate Strategy Division's CSR Promotion Department.

■ Measures to Address Smoking

Aiming to promote the health of employees and create a workplace environment in which they can work with peace of mind, LOTTE CO., LTD. has set up completely separate smoking areas at each business location and offers help in giving up smoking to employees who require it.

■ Support for Regular Exercise

LOTTE CO., LTD. holds in-company walking events annually to promote good health by getting employees into the habit of regular exercise. We motivate employees to take part by recording the number of steps they take each day and providing prizes for those who reach their target.

■ Monitoring Employees' Health

LOTTE CO., LTD. endeavors to maintain its employees' physical and mental health by encouraging them all to undergo medical check-ups and stress checks. In FY2019, 92.9% of employees underwent medical check-ups and 92.3% underwent stress checks.

Occupational Health and Safety

▶ Occupational Health and Safety System

LOTTE CO., LTD.'s Central Health and Safety Committee is connected with the Health and Safety Committee at each business location and coordinates efforts to reduce the risk of occupational accidents. In addition, to prevent the reoccurrence of these accidents, we promote education that includes sharing cases of past accidents through bulletins and training.

▶ Occupational Health and Safety Education

LOTTE CO., LTD. provides a range of occupational health and safety education to prevent accidents from occurring. For employees starting work in factories for the first time, we offer basic safety education and a first aid course. In addition, we run regular training sessions at our facility for hands-on education (the "safety dojo") to develop employees' sensitivity to hazards. These forms of education are supplemented by annual hazard awareness training at which employees from different business locations share information about hazards and discuss remedial measures.

▶ Safety Audits and Inspections

LOTTE CO., LTD. conducts safety audits and inspections to safeguard against compliance violations and reduce the risk of occupational accidents. In the unfortunate occurrence of an accident, a thorough investigation is coupled with extensive countermeasures in order to prevent repeat occurrences.

▶ Past Occupational Accidents

If an occupational accident occurs, we take action to prevent repeat occurrences, conducting a thorough investigation and a safety inspection of equipment and implementing countermeasures. At the same time, we share information among business locations to prevent a similar accident from happening again.

Number of Accident Victims

FY2017	Accident with absence: 24 Serious accidents: 0
FY2018	Accident with absence: 20 Serious accidents: 0
FY2019	Accident with absence: 18 Serious accidents: 0

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Number of Work-Related Deaths

FY2017	0
FY2018	0
FY2019	0

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Labor Relations

LOTTE CO., LTD. has a labor union. The collective labor agreement stipulates that, if management plans to implement a change that could affect employees, it must consult with the labor union and inform the union and the employees' representative in advance.

Human Resources Data

Employee Information

▶ Number of Employees (People)	As of March 31, 2018			As of March 31, 2019			As of March 31, 2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Group	10,149	—	—	10,461	—	—	10,393	—	—
Full-time employees	6,295	—	—	6,489	—	—	6,485	—	—
Part-time employees	3,854	—	—	3,972	—	—	3,908	—	—
Japan	5,858	—	—	6,021	—	—	5,899	—	—
Full-time employees	2,938	1,872	1,066	3,056	1,939	1,117	3,098	1,951	1,147
Part-time employees	2,920	—	—	2,965	—	—	2,801	—	—
LOTTE CO., LTD.	4,487	—	—	4,700	—	—	4,628	—	—
Full-time employees	2,261	1,607	654	2,361	1,679	682	2,405	1,700	705
Part-time employees	2,226	—	—	2,339	—	—	2,223	—	—
Mary Chocolate Co., Ltd.	1,371	—	—	1,321	—	—	1,271	—	—
Full-time employees	677	265	412	695	260	435	693	251	442
Part-time employees	694	—	—	626	—	—	578	—	—
Overseas	4,291	—	—	4,440	—	—	4,494	—	—
Full-time employees	3,357	—	—	3,433	—	—	3,387	—	—
Part-time employees	934	—	—	1,007	—	—	1,107	—	—
Asia	2,862	—	—	2,845	—	—	2,744	—	—
Full-time employees	2,592	—	—	2,520	—	—	2,441	—	—
Part-time employees	270	—	—	325	—	—	303	—	—
Europe and the United States	1,429	—	—	1,595	—	—	1,750	—	—
Full-time employees	765	—	—	913	—	—	946	—	—
Part-time employees	664	—	—	682	—	—	804	—	—

▶ Average Age of Employees (Age)	As of March 31, 2018			As of March 31, 2019			As of March 31, 2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Japan	38.5	39.2	37.3	38.8	39.5	37.7	38.3	38.9	37.3
LOTTE CO., LTD.	38.5	39.0	37.3	38.7	39.2	37.5	38.0	38.6	36.6
Mary Chocolate Co., Ltd.	38.6	40.5	37.4	39.2	41.2	38.0	39.5	41.3	38.5

▶ Average Length of Employment (Years)	As of March 31, 2018			As of March 31, 2019			As of March 31, 2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Japan	14.9	15.5	13.7	15.0	15.8	13.7	14.3	15.0	13.1
LOTTE CO., LTD.	15.9	15.5	16.4	16.0	15.8	16.4	15.0	14.9	15.1
Mary Chocolate Co., Ltd.	11.7	15.4	9.4	11.7	15.7	9.5	12.0	15.7	10.0

Hiring and Dismissal / Retirement

	FY2017			FY2018			FY2019		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
▶ Number of Employees Hired (People)									
Japan	171	87	84	222	113	109	199	103	96
New graduates	135	78	57	164	94	70	169	92	77
Mid-career	36	9	27	58	19	39	30	11	19
LOTTE CO., LTD.	128	75	53	151	97	54	156	93	63
New graduates	119	72	47	141	89	52	148	86	62
Mid-career	9	3	6	10	8	2	8	7	1
Mary Chocolate Co., Ltd.	43	12	31	71	16	55	43	10	33
New graduates	16	6	10	23	5	18	21	6	15
Mid-career	27	6	21	48	11	37	22	4	18

	FY2017			FY2018			FY2019		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
▶ Number of Employees Retired / Dismissed (People)									
Japan	131	69	62	147	76	71	126	71	55
Retirement	40	26	14	51	29	22	28	27	1
Personal reasons	91	43	48	96	47	49	98	44	54
LOTTE CO., LTD.	87	60	27	88	62	26	70	51	19
Retirement	20	20	0	20	20	0	22	21	1
Personal reasons	67	40	27	68	42	26	48	30	18
Mary Chocolate Co., Ltd.	44	9	35	59	14	45	56	20	36
Retirement	20	6	14	31	9	22	6	6	0
Personal reasons	24	3	21	28	5	23	50	14	36

	FY2017			FY2018			FY2019		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
▶ Turnover Rate (%)									
LOTTE CO., LTD.	2.7	2.2	3.9	2.7	2.3	3.7	1.9	1.7	2.5
Less than 3 years of service who started as new graduates	0.4	0.4	0.4	0.7	0.7	0.8	0.7	0.4	1.2

The Environment

Global environmental conservation is the most important issue for our survival. Moreover, our business relies on the gifts provided by the earth's environment. As such, we believe that contributing to a sustainable global environment is one of our most important duties and are continuously working to lessen the environmental impact of our business activities.

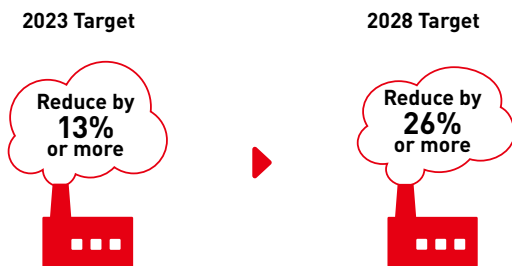
Relevant Policy Policy on Environment

Reducing CO₂ Emissions

▶ Medium-Term Targets and Results

We aim to reduce Scope 1 and 2* energy-related CO₂ emissions, our primary producer of greenhouse gases, by 13% or more per unit of sales by FY2023 compared to levels in FY2013, and by 26% or more by FY2028.

* Scope of calculations based on GHG Protocol
 Scope 1: Direct emissions from the Company
 Scope 2: Indirect emissions through the use of purchased electricity, heat, and steam
 Scope 3: Indirect emissions in the supply chain (excluding Scope 1 and 2)

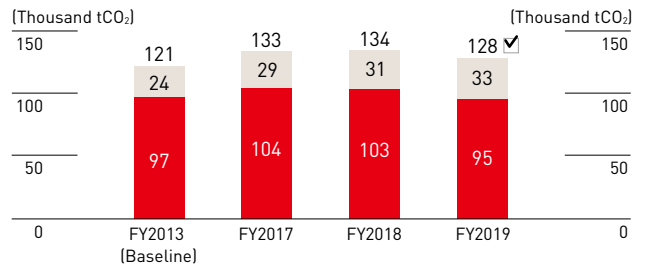


Note: CO₂ emissions intensity comparison to FY2013

■ Scope 1 and 2

Factors contributing to this reduction were installation of highly efficient equipment in factories and the switch to renewable energy at the head office, combined with continuous energy-saving activities.

Energy-Related CO₂ Emissions

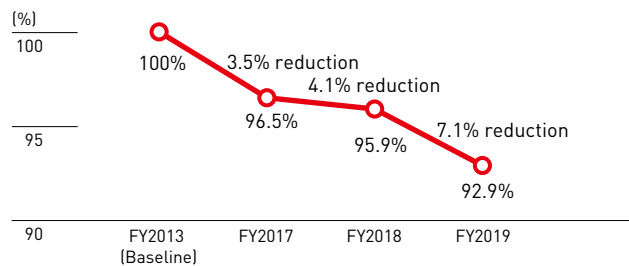


Figures for previous fiscal years have been restated due to changes in consolidated subsidiary and the inclusion of mobile emission sources in the totals for the first time. Furthermore, some of the figures for previous fiscal years include estimates.

■ Japan ■ Oversea

Data indicated with ✓ have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd. (Please see page 60)

Baseline Comparison of Energy-Related CO₂ Emissions Intensity*



* CO₂ emissions intensity: Volume of CO₂ / Net sales

Scope of Tabulation

Japan: Fixed emissions sources operated by LOTTE CO., LTD. and Mary Chocolate Co., Ltd.
 Overseas: Fixed emissions sources operated by major overseas subsidiaries (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT LOTTE TRADE AND DISTRIBUTION, PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

Calculation Methods

Scope 1: Volume of emissions = Σ (Fuel consumption x CO₂ emission factor)

Scope 2: Volume of emissions = Σ (Volume of purchased electricity, etc. x CO₂ emission factor)

CO₂ Emission Factor

Japan: The emission factor for Scope 1 emissions is based on the Act on Promotion of Global Warming Countermeasures, while the emission factor for Scope 2 emissions has been separately determined by power companies based on the same Act.

Overseas: The emission factor for Scope 1 emissions has been determined according to the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, while the emission factor for Scope 2 emissions has been determined according to the International Energy Agency (IEA)'s CO₂ Emission Factor 2019. In instances where these emission factors are difficult to obtain, an emission factor based on the Act on Promotion of Global Warming Countermeasures is used.

Scope 3

Greenhouse Gas Emissions (Thousand tCO₂)

Category	FY2019
1. Purchased goods and services	483
2. Capital goods	72
3. Fuel- and energy-related activities (not included in Scope 1 or 2)	17
4. Upstream transportation and distribution	57
5. Waste generated in operations	1
6. Business travel	0.4
7. Employee commuting	0.9
8. Upstream leased assets	—*
9. Downstream transportation and distribution	40
10. Processing of sold products	—*
11. Use of sold products	—*
12. End-of-life treatment of sold products	96
13. Downstream leased assets	—*
14. Franchises	—*
15. Investments	—*
Total	768

* Excluded from calculation

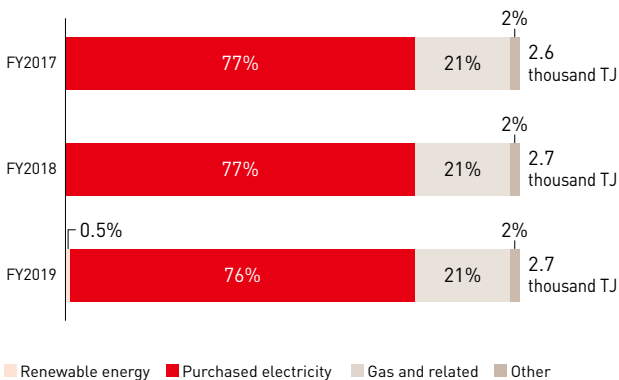
Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Calculation Methods: Figures are calculated with reference to the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 3.0). In instances where the relevant emission factors are difficult to obtain, the CFP Communication Program's Basic Database (Ver. 1.01) is used.

CO₂ Emission Factor: Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.0). In instances where the relevant emission factors are difficult to obtain, the CFP Communication Program's Basic Database (Ver. 1.01) is used.

Energy Input

Volume of Energy Input



Figures for previous fiscal years have been restated due to changes in consolidated subsidiary and the inclusion of mobile emission sources in the totals for the first time. Furthermore, some of the figures for previous fiscal years include estimates.

Scope of Tabulation: Same as CO₂ emissions

Utilizing Renewable Energy

The head office of LOTTE CO., LTD., located in the Shinjuku ward of Tokyo, adopted the Aqua Premium program, which uses 100% hydroelectric power. Aqua Premium is one of the programs offered by the TEPCO Group and is notable for utilizing renewable hydroelectric power and producing zero CO₂ emissions when generating electricity. Moving forward, we will continue to constrain our greenhouse gas emissions by utilizing renewable energy, thereby contributing to the prevention of global warming.



LOTTE CO., LTD. head office

Logistics Initiatives

LOTTE CO., LTD. is working to reduce the environmental impact associated with logistics. In addition to our efforts to improve loading efficiency through packaging, we are also working to reduce CO₂ emissions by promoting cooperative distribution*1 and modal shifts*2.

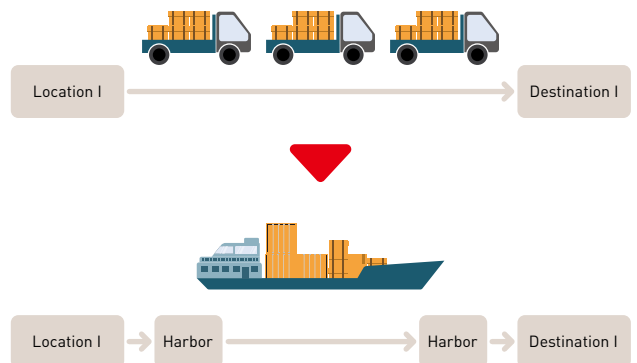
*1 Cooperative distribution

We are engaged in joint product delivery in cooperation with other companies in the same industry as well as carriers and warehouses. This serves to lower the number of trucks necessary for deliveries, which in turn reduces CO₂ emissions.



*2 Modal shift

Modal shift refers to a shift away from trucks toward sea and rail delivery, which have a lower environmental impact and support higher-volume delivery. LOTTE CO., LTD. is promoting marine transport as part of this shift, and is currently working to reduce CO₂ emissions by utilizing marine transport from Kyushu to Osaka and from Tokyo to Hokkaido.



Refrigerants (CFCs)

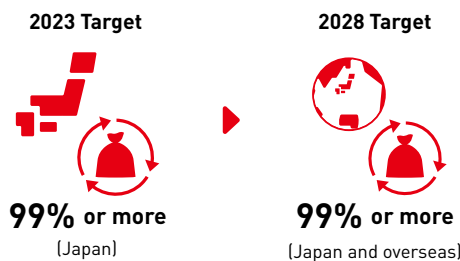
LOTTE CO., LTD.'s factories use CFCs as refrigerants for cold storage and freezing equipment. In light of the impact on global warming caused by leakage of CFCs, we take steps to reduce risk by regularly inspecting equipment to manage CFCs correctly. At the same time,

we are switching systematically to CFC substitutes and natural refrigerants. The Urawa Factory had already installed an ice cream freezer using the natural refrigerant CO₂ in 2019, leading the world in doing so.

Waste Reduction and Recycling

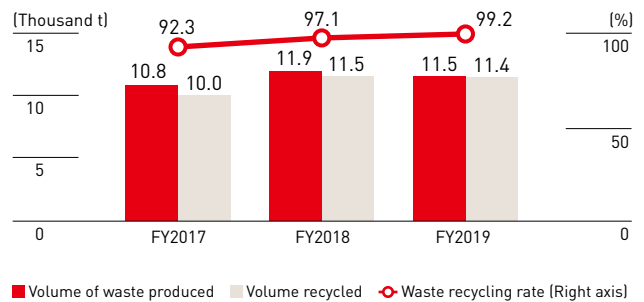
▶ Medium-Term Targets and Results

For waste generated by production processes at domestic factories, the Company's goal is to realize a waste recycling rate of 99% or more by FY2023. Our target is to extend this recycling rate to include overseas factories by FY2028.



Of that total, 11.5 thousand tons of waste were generated by production processes, of which 99.2% was recycled, enabling us to achieve our target for 2023 ahead of schedule. Going forward, we will make efforts throughout the value chain to restrict waste production and promote proper recycling to achieve a waste recycling rate of 99% or more.

Volume of Waste Generated by Production Processes and Waste Recycling Rate



Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Reduction rate of Food Loss and Waste (FLW)

▶ Medium-Term Target and Result

We have set ourselves a FY2028 target of reducing the volume of FLW produced per unit of sales volume in our core confectionery and ice cream businesses by 50% or more compared with FY2019.



* Per-unit volume comparison to FY2019

We amended our measurement method and target in order to ensure consistency between standards under the 10 x 20 x 30 Food Loss and Waste Initiative and our own standards

FLW Produced and Per-Unit Volume*

FY2019	FLW produced: 2.9 thousand tons Per-unit volume: 0.011
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* Per-unit volume = FLW produced / (Sales volume + FLW produced)

Scope of Tabulation: LOTTE CO., LTD., Mary Chocolate Co., Ltd., and major overseas subsidiaries

Calculation Methods:

FLW produced = Volume of food and inedible parts discarded at our own factories + Volume of pre-shipment and returned products discarded

Volumes are measured with reference to the WRI Food Loss & Waste Protocol.

Of the destinations, those that use it for animal feed or bio-material/processing generate relatively high value compared with other destinations, so food waste sent to these destinations is excluded from the FLW to which the reduction target applies.

Initiatives to Limit FLW Produced

To reduce FLW, it is essential to limit the amount of FLW produced in the first place. Current initiatives to that end include improving the accuracy of supply and demand forecasts, extending and displaying expiration dates by year / month, and reducing losses in the production process. Furthermore, we are participating in the Japanese project of the 10x20x30 Food Loss and Waste Initiative*, taking action throughout our entire supply chain and exchanging information with a range of other companies as we work toward the target of halving FLW.

* 10x20x30 Food Loss and Waste Initiative

The aim of this initiative is to halve food waste throughout companies' entire supply chains. It is led by the World Resources Institute (WRI), a U.S. think tank that conducts policy research and develops technologies relating to the global environment and development. The meaning of "10x20x30" is that 10 companies, primarily comprising major international retailers, will each join forces with 20 of their suppliers to work toward halving the food waste produced by these key suppliers by 2030. Within the initiative's Japanese project, AEON Co., Ltd. is the major retailer that is spearheading efforts, and LOTTE CO., LTD. is participating as its supplier.



Initiatives to Use Food Effectively

We are working with food banks that provide free food to welfare facilities and those who may not have full access to food. In solidarity with food bank activities, we donate our products with the cooperation of NPOs. We believe that these efforts not only help spread deliciousness and joy of food but also serve as a meaningful way to use food effectively. As such, we will continue to cooperate with food banks in the future.

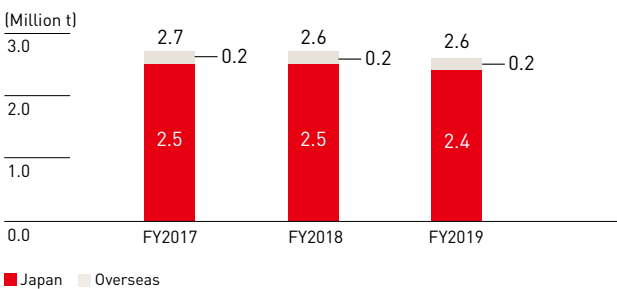


Food bank

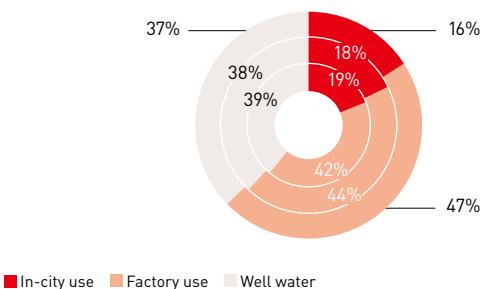
Water Resources

Water Consumption

Volume of Water Used



Water Usage Ratio (Inner: FY2017, Middle: FY2018, and Outer: FY2019)



Scope of Tabulation: Major bases operated by LOTTE CO., LTD. and Mary Chocolate Co., Ltd., and factories operated by major overseas subsidiaries

Water Risks

We use WRI's AQUEDUCT Water Risk Atlas to evaluate water risks, as a result of which we have established that risks are not at the "extremely high" level at the locations of any factories owned by LOTTE CO., LTD. and its subsidiaries. We will continue to collect local information and monitor water consumption, while looking into measures to mitigate related risks.

Raw Materials

▶ Raw Materials Procurement Volume

Procurement Volume of Product Ingredients (Thousand t)

	FY2017	FY2018	FY2019
Total Raw Materials	271	275	275
Ingredients	201	204	206
Packaging materials	70	72	69
Paper	50	52	49
Plastic	14	14	15
Other	5	5	5

Scope of Tabulation: LOTTE CO., LTD., and Mary Chocolate Co., Ltd. and major overseas subsidiaries

▶ Environment-Friendly Containers and Packaging

LOTTE CO., LTD. takes the environment into consideration when designing its product containers and packaging. While still ensuring that the original function of preserving quality is fulfilled, we work to conserve resources by reducing the amount of materials used as much as possible, and to develop containers and packaging that are easy to recycle. We also endeavor to increase barrier capabilities in order to extend expiration dates as a means of reducing FLW. Meanwhile, we design containers and packaging with the aim of enabling optimal product loading to improve logistics efficiency, thereby helping to reduce greenhouse gas emissions from transport.

■ Approach to Plastic Containers and Packaging

Recent years have witnessed worldwide debate about plastics, particularly with regard to climate change and marine pollution resulting from plastic waste. Having formulated the LOTTE Basic Policy on Plastics, LOTTE CO., LTD. is pursuing measures to contribute to plastic resource circulation. Alongside reducing the volume of plastics we use, we will collaborate with our suppliers to develop new technologies that can help enable their resource circulation.

LOTTE Basic Policy on Plastics

- We will endeavor to reduce the volume of petroleum-based plastics we use.
- We will contribute to plastic resource circulation by using more recycled raw materials.
- We will contribute to plastic resource circulation by using more plastic packaging materials that are easy to recycle (i.e., mono-materials).

■ Approach to Paper Containers and Packaging

We treat the paper used in containers and packaging in the same way as plastic, endeavoring to conserve resources by reducing the amount we use as much as possible. In addition, we are striving to use more environment-friendly paper raw materials derived from recycled paper and paper certified by the Forest Stewardship Council (FSC) or other third parties (for more details, please refer to "Key Raw Materials #3: Paper" on page 44).

Environmental Management

▶ Environmental Activities

■ Promotion System

To promote groupwide environmental activities, the Company established the CSR Promotion Department as secretariat of the Corporate Strategy Division. Furthermore, the Executive Committee looks into important environment-related policies and medium-term targets and monitors the progress toward targets that are already in place. In addition, Urawa Factory, Sayama Factory, Kyushu Factory, and Shiga Factory, operated by LOTTE CO., LTD., have acquired ISO 14001 certification, the International Organization for Standardization's standard for environmental management systems.

■ Environmental Audits

Urawa Factory, Sayama Factory, Kyushu Factory, and Shiga Factory, operated by LOTTE CO., LTD., receive annual internal audits pertaining to environmental matters. Internal audits are conducted by in-house certified lead auditors and auditors using a checklist based on ISO 14001. Each factory works to make continuous improvements based on improvement points highlighted in the audits.

Number of Improvement Points Identified

FY2017	102
FY2018	98
FY2019	60

Scope of Tabulation: Urawa Factory, Sayama Factory, Kyushu Factory, and Shiga Factory (LOTTE CO., LTD.)

■ Environmental Education

To properly address environmental issues, each LOTTE CO., LTD. factory offers environmental education to all employees. In addition, an environmental education grading system has been introduced to increase the effectiveness of the environmental education program and the effectiveness of environmental activities. Furthermore, the environmental manager, the ISO 14001 secretariat, and the Quality Assurance Department meet regularly to share information regarding the environment and improve the Company's response.



Environmental education

▶ Environmental Accidents and Compliance Violations

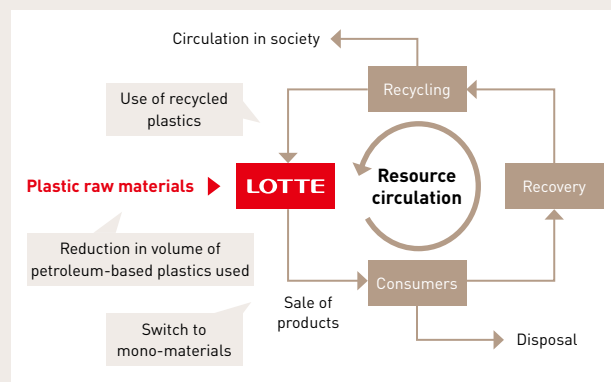
In case of an environmental accident or a compliance violation, we have a system in place for promptly responding in cooperation with relevant departments and government bodies. In FY2019, there were no serious environmental accidents or compliance violations.

Column Contributing to Plastic Resource Circulation

Having formulated the LOTTE Basic Policy on Plastics, LOTTE CO., LTD. is working toward sustainable use of containers and packaging made using plastics. Petroleum-based plastics have been blamed for causing a range of problems, including marine pollution and emission of greenhouse gases when disposed of using incineration. We are addressing these problems by working continuously to reduce the volume of petroleum-based plastics we use by, for instance, decreasing the thickness of containers and packaging and modifying their dimensions. We are also considering the possibility of replacing plastics with biomass materials, but this will require time to deal with the challenges involved in terms of developing technologies and securing the necessary supply of biomass.

In the meantime, therefore, we are making efforts to contribute to plastic resource circulation.

One way in which we are doing this is by starting to use recycled plastics for our containers and packaging. For instance, around 15% (by weight) of the packaging for our *Kuroi (Black) Koala's March <Cocoa and Milk > Pouches*, launched in August 2019, comprises plastic made from mechanically recycled plastic bottles. Moreover, our *Xylitol White <Pink Grapefruit > Pouches* and *Xylitol White <Green Apple > Pouches* launched in October 2020 also contain around 15% of this mechanically recycled plastic. Going forward, we will continue exploring how we can use recycled plastics in containers and packaging. Meanwhile, we are endeavoring to make our containers and packaging easier to recycle by switching to mono-materials as a means of ensuring that container and packaging components comprise just a single resin. Furthermore, we are thinking about tackling the creation of a system for the recovery of used plastics, which is a key issue in terms of their resource circulation. However, these initiatives are extremely difficult for a single company to achieve on its own; we are therefore aiming to implement them in cooperation with our many allies at partner companies and local governments.



Fair Operating Practices

The Company is built upon ethical and honest business practices. To conduct sustainable and stable business activities in the future, it is crucial that we be committed to thorough compliance, but also to sustainable procurement that is both environment friendly and considerate of human rights.

Relevant Policy Policy on Procurement

Sustainable Procurement

▶ Primary Raw Materials

The Company determines which of the ingredients it utilizes in their products are “primary raw materials” after a comprehensive assessment based on amounts used, dependence, potential for substitutions, and environmental and social factors. The list is regularly reviewed and updated to reflect changes in business and natural environments as well as the changing demands of society.

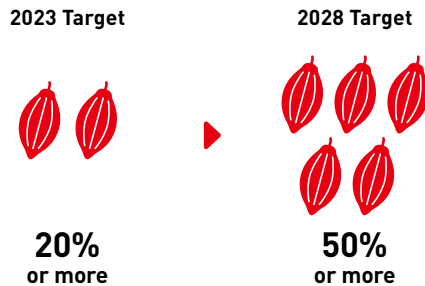
Primary Raw Materials

Cacao beans	Main ingredient in chocolate products
Palm oil	Oil used in a wide range of products; food additive
Paper	Packaging for a wide range of products

Primary Raw Materials #1: Cacao Beans

▶ Medium-Term Targets and Results

We have set a target for FY2023 of a 20% or more usage rate of Fair Cacao out of total cacao beans procured, with the target of increasing this ratio to 50% or more by FY2028.



In FY2019, the Company procured 7.5 thousand tons of cacao beans, 4.0% of which was Fair Cacao. The growth in demand for cacao beans resulting from increasing interest in sustainability worldwide has caused this ratio to decrease. Going forward, we will cooperate with producing regions and suppliers to increase our Fair Cacao procurement ratio.

Amount of Cacao Beans Procured

FY2017	5.8 thousand t, Fair Cacao 8.6%
FY2018	6.4 thousand t, Fair Cacao 7.9%
FY2019	7.5 thousand t, Fair Cacao 4.0%

Scope of Tabulation: LOTTE CO., LTD.
Weight of cacao procured in the form of beans

▶ Fair Cacao Project

Many of the cacao beans produced come from subsistence farmers working in regions below the equator. Cacao beans are the main ingredient in chocolate, which is one of our main products, meaning that stable procurement of cacao beans in the future is an important issue for the Company. Therefore, we have been working to establish ties with cacao bean-producing regions and conducting procurement activities under the Fair Cacao Project, which contributes to economic and social development of these areas. These activities can be broadly divided into procurement activities and support for producing regions.



Procurement activities under the Fair Cacao Project entail purchasing from designated areas. This means that we designate producing areas from which we will procure beans and add a fixed premium to the amount we pay for high-quality cacao beans procured from those areas. That premium is then used to cover the costs of separate distribution locally and to support the producing region (e.g., in terms of medical care and public health, securing water supplies, and providing guidance on agricultural techniques). We use the term Fair Cacao to refer to cacao beans procured while helping to support and develop producing regions in this way; our Medium-Term ESG Targets include the goal of increasing the ratio of Fair Cacao we procure.

We support producing regions in cooperation with industry groups, NPOs, and other organizations inside and outside Japan. The stable procurement of cacao beans in the future will rely on such efforts to support farmers, promote the economic development of producing regions, and help raise the education level of the farmers’ children, who comprise the next generation of farmers.

World Cocoa Foundation

The World Cocoa Foundation is an international NPO established in the United States in 2000 with the aim of supporting cacao farmers. Activities are directed at providing technical support to farmers in cacao cultivation regions below the equator and to realize a society free of child labor.



Japanese Organization for International Cooperation in Family Planning (JOICFP)

JOICFP is an international NGO established in Japan in 1968 that is engaged in activities to promote women's health and well-being. Through JOICFP, we have been supporting donations of reconditioned bicycles and other items to the Republic of Ghana since 2008. These bicycles are sent to villages that do not have sufficient medical facilities and are used by health promotion workers and midwives to provide health education via home visits.



UN World Food Programme (WFP)

UN World Food Programme (WFP) is an organization dedicated to providing food assistance and is working toward a hunger-free world. One of its pillars in this mission is its school feeding programme. We participate in the "Red Cup Campaign," designed to help deliver school meals and support the WFP school feeding programme in the Republic of Ghana.

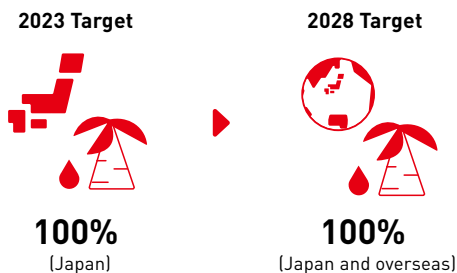


School feeding programme ©WFP / Mandang-ba Mustapha

Primary Raw Materials #2: Palm Oil

Medium-Term Targets and Results

We have set a target for FY2023 to have 100% of palm oil procured for use by Japanese group companies be certified by the Roundtable on Sustainable Palm Oil (RSPO) and other third parties, with the additional target of extending certification to palm oil for use by overseas companies by FY2028.



In FY2019, the Company procured 15.4 thousand tons of palm oil for use in Japan. In FY2020, we plan to start full-scale procurement of third-party verified oil.

Amount of Palm Oil Procured

FY2017	15.3 thousand t
FY2018	15.9 thousand t
FY2019	15.4 thousand t

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd. Weight of palm oil contained in oil and oil processed goods

Connecting with Society

To promote the sustainable procurement of palm oil, we joined the RSPO. Through our association with the RSPO, we will work with palm-oil oriented companies and organizations and contribute to the sustainable development of the entire palm oil industry.

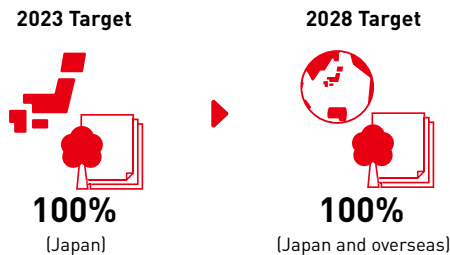


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Primary Raw Materials #3: Paper

▶ Medium-Term Targets and Results

We have set a target to expand our use of recycled paper and paper for product containers and packaging that has been certified by the Forest Stewardship Council (FSC) to 100% in Japan by FY2023 and to 100% in Japan and overseas by FY2028.



In FY2019, 42.5 thousand tons of paper was procured for product containers and packaging in Japan, of which 93.1% was environment friendly—a 1.1% increase from the previous fiscal year. We will continue our work to increase this ratio in our efforts toward sustainable paper procurement.

Amount of Paper Procured (for Product Containers and Packaging)

FY2017	44.0 thousand t, environment-friendly paper 91.5%
FY2018	45.5 thousand t, environment-friendly paper 92.0%
FY2019	42.5 thousand t, environment-friendly paper 93.1%

Scope of Tabulation: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Supplier-Related Initiatives

▶ Sharing Our Values

We advocate for sustainable procurement based on our procurement policy, which promotes consideration for the environment and society throughout the supply chain in addition to ethical transactions, quality, and safety. However, as our supply chain becomes more globalized, it is more difficult to control every aspect and therefore difficult to control its environmental and social impact on our own. In that light, it is essential that we work alongside our suppliers and we formulated the LOTTE Supplier Guidelines in April 2019 to this end. These guidelines allow us to share our fundamental value system with suppliers and, coupled with more effective relationships built through dialogue, are helping achieve our goal of realizing a sustainable society.

We also hold orientations to further understanding of our guidelines. We intend to hold more of these orientations in the future and are encouraging dialogues through questionnaires and other means to deepen understanding and further strengthen supplier relationships.

▶ Human Rights Due Diligence

LOTTE CO., LTD. is undertaking human rights due diligence to develop a human rights management system that encompasses not only the company itself and its subsidiaries but also their supply chains. By surveying our suppliers using questionnaires and other means, we have already identified that the areas presenting the highest potential risks are the cacao bean and palm oil supply chains. Henceforth, we will be considering measures to reduce these risks. (Please see page 27).

Compliance

▶ Our Behavior Charter, the LOTTE Group Way

The LOTTE Group Way, established in 2008, is the policy that informs all work that takes place in the group, and is understood by all directors and employees at LOTTE CO., LTD. and its subsidiaries. The LOTTE Group Way is published on our corporate website, and serves as our promise to society to engage in ethical and honest business practices. Its seven points make up the behavioral guidelines necessary to achieve the LOTTE Group Mission and embody the LOTTE Values.

In addition to our corporate website, the LOTTE Group Way is also included in the LOTTE Group Philosophy online book and our multi-lingual booklet to disseminate the behavior charter among employees and directors and to promote understanding.



▶ Compliance Training

As another means to communicate our behavior charter and encourage ethical and honest business practices, we provide compliance training to our employees. In FY2019, compliance was covered in annual training, as well as in training for new employees and those being promoted, reaching around 400 employees. We will continue to deliver this training systematically in the future.

▶ Whistleblowing System

LOTTE CO., LTD. established the "Clean Line," its internal whistleblowing system for matters within the Company, in 2006, allowing employees to send whistleblowing reports or receive consultations by email, letter, etc. In response, we strive to protect the privacy of the whistleblower and take the utmost care to prevent any potential drawbacks and hindrances to filing a report. Beginning in 2018, we have started to roll out an external whistleblowing system for LOTTE CO., LTD. and subsidiaries in Japan and overseas, in addition to steps taken to improve our internal system.

Number of Consultations and Reports



Scope of Tabulation: LOTTE CO., LTD.

▶ Compliance Violation

In FY2019, there were no serious compliance violations.

▶ Information Security

LOTTE CO., LTD. has established the Information Security Management Committee to protect and manage confidential information related to customers, employees, and technology. The committee also provides information security education. In addition to training new employees, the committee regularly raises alerts regarding targeted attack emails and implements practical training.

▶ Animal Testing

LOTTE CO., LTD. has now formally determined its Approach to Animal Testing.

Approach to Animal Testing

We will not engage in testing involving animals or outsource such testing to others unless (i) we are required to do so to fulfill our duty of accountability to society, (ii) no appropriate alternative method of testing is available, or (iii) we are required to perform such tests for regulatory reasons, or at the request of the authorities. If testing involving animals is unavoidable, we will observe the principles of the 3Rs* in conformity with applicable laws, regulations, and guidelines.

* Replacement (use alternative methods), Reduction (minimize the number of animals used), and Refinement (minimize suffering)

Consumer Issues

One of the LOTTE Values that bolsters the LOTTE Group Philosophy is “User Oriented,” which is fitting as all of our corporate activities stem from our customers. We are committed not only to food safety and reliability but also to meeting the diverse food needs of different countries and regions as well as the changing times.

Relevant Policy Policy on Quality Policy on Food Safety

Food Safety and Reliability

▶ Medium-Term Targets and Results

All of our Japanese and overseas factories have acquired certifications recognized by GFSI*1 (FSSC 22000*2 / BRC*3).

To further improve quality and ensure a high level of safety in the future, we are developing LOTTE ADVANCE, a new proprietary quality assurance system to be deployed at all Japanese and overseas factories by FY2023.

*1 Global Food Safety Initiative: An international NPO established in May 2000 dedicated to the continued improvement of food safety management systems
 *2 FSSC 22000: A globally recognized food safety standard that supplements ISO 22000, the International Organization for Standardization’s standard for food safety management systems, with additional requirements
 *3 British Retail Consortium: An association operating a third-party certification scheme for food safety

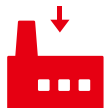
2023 Target

2028 Target



Maintain certification at all domestic and overseas factories

LOTTE ADVANCE



Introduce at all domestic and overseas factories



LOTTE ADVANCE

Continue use for operations in all domestic and overseas factories

▶ LOTTE ADVANCE, Our New Quality Assurance System

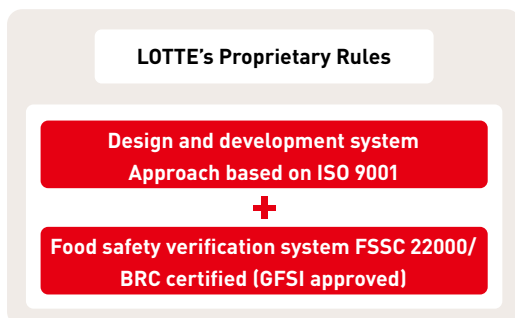
We are currently working on developing LOTTE ADVANCE, a new proprietary quality assurance system based on FSSC 22000 and BRC, the international food safety and security certifications we have acquired as a company recognized by GFSI. Starting from this base, LOTTE ADVANCE incorporates the approach toward design and development from ISO 9001*, the International Organization for Standardization’s standard for quality management systems, as well as the Company’s own proprietary rules for high quality and safety. We will adopt this new system with the capacity to assess food safety-related risk from the product design and development stage to reduce risk throughout the entire supply chain from an even wider variety of perspectives than hitherto. We will, moreover, set uniformly stringent quality and safety rules to resolve existing discrepancies based on the region and the item being manufactured.

LOTTE ADVANCE comprises “Provision” associated with the Policy on Quality and the Policy on Food Safety, “standards” for each item under scrutiny, and “guidelines” that determine specific rules. LOTTE CO., LTD. Quality Assurance Department will play a central role in determining standards and guidelines, which will also apply to the Group subsidiaries.

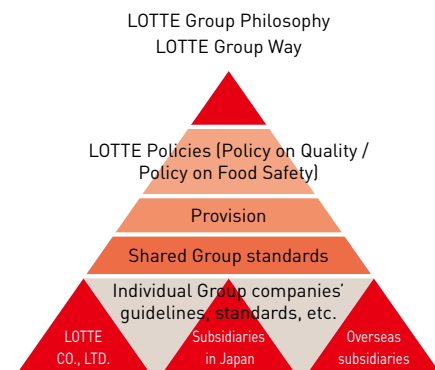
* ISO 9001: The International Organization for Standardization’s international standard for quality management systems aimed at enhancing customer satisfaction by supplying products and services of consistent quality

LOTTE ADVANCE Framework

LOTTE ADVANCE



LOTTE ADVANCE-Related Documentation



▶ Quality Assurance in the Supply Chain

■ Quality Assurance Promotion System

LOTTE CO., LTD.'s Quality Assurance Division takes the lead in quality assurance for the group throughout the entire supply chain from product development to communication with customers. In addition, LOTTE CO., LTD. Executive Committee examines important policies regarding quality assurance and medium-term targets, and confirms the status of efforts to reach these targets. Moreover, the Company provides internal training related to quality and sanitation in order to improve levels at each subsidiary and among the people responsible at each department.

Supply chain



■ Product Development

To deliver safe, high-quality products to customers, we are equipping LOTTE ADVANCE with the capacity to assess risk, and will assess risk at each stage of product development. This will enable us to reduce risk further by broadening the scope of our safety and reliability measures, which in the past focused primarily on manufacturing processes.

■ Raw Material Procurement

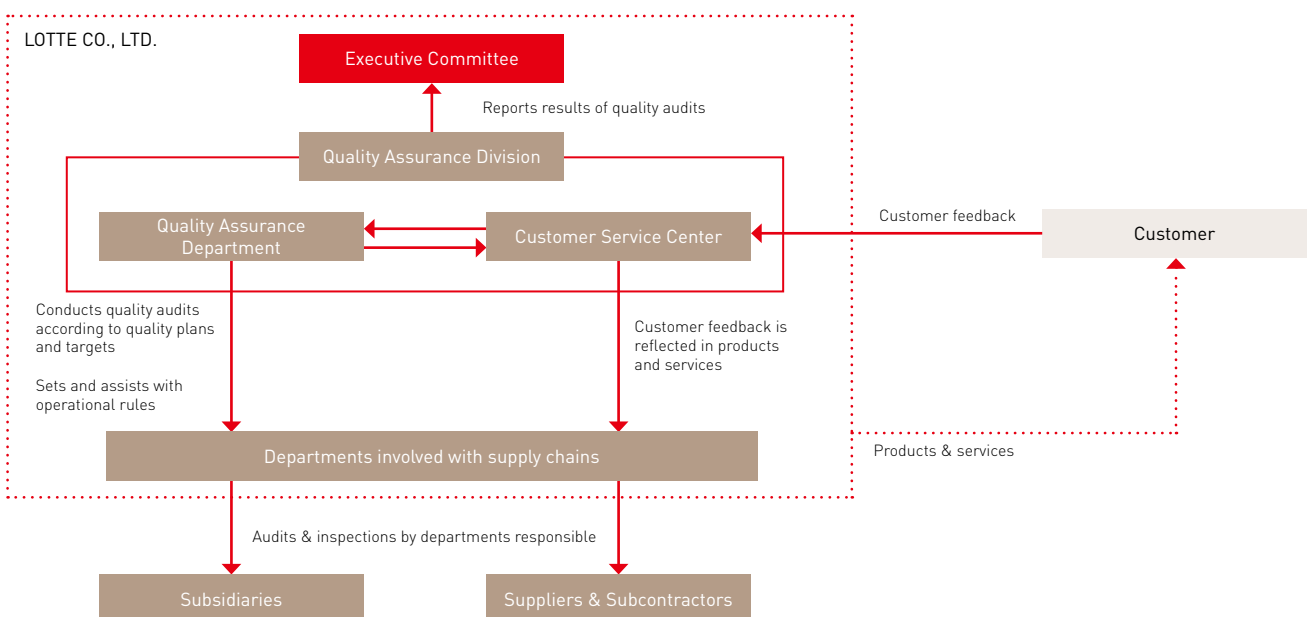
We inspect each lot of raw materials purchased, manage raw materials appropriately, and ensure traceability so that we know which products specific lots are used in.

Another way in which we address food safety and quality is by regularly asking our suppliers to assess their own efforts in these regards, and using their responses as the basis to offer feedback and conduct sanitation inspections. Thus, we strive to improve quality continuously by working with our suppliers. Our sanitation inspections entail use of a checklist to verify all the required items in full, after which we request remedial measures where necessary, and check the results of such remedial measures.

■ Production

Measures to protect against contamination from foreign substances are implemented at factories belonging to LOTTE CO., LTD. with great care. Those entering a production site must wash their hands and use an alcohol disinfectant as a standard measure, and must undergo an additional three-step process to remove any foreign hair or dust affixed to their clothing, comprising an air shower that utilizes pneumatic jets, a vacuum hair and dust removal system, and an adhesive roller system. In the manufacturing process, metal detectors, X-ray devices, and several other tools are employed to inspect for foreign objects and ensure safe products.

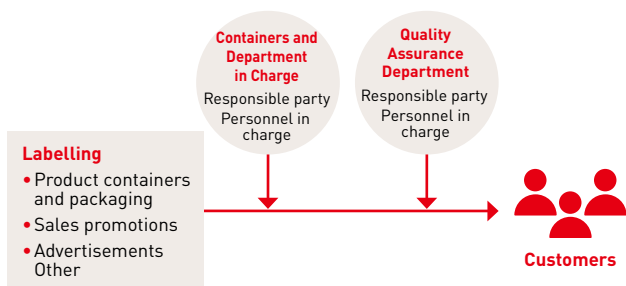
Quality Assurance Promotion System



■ Selling

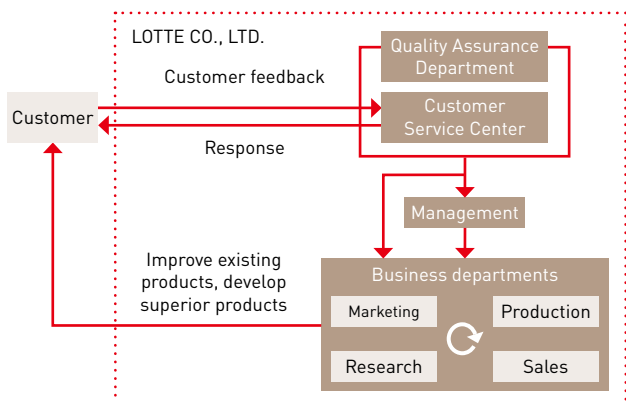
To enable customers to buy and consume our products with peace of mind, labelling related to product packaging, sales promotions, and advertisements is conducted in accordance with all relevant laws and regulations, with every effort made to provide information to customers in an easy-to-comprehend manner that avoids misunderstandings. LOTTE CO., LTD. maintains a system where information to be disclosed is subjected to checks by multiple departments and people in order to prevent errors. Furthermore, the Quality Assurance Department leads in-house training on food labelling to improve the knowledge of those in charge of the task.

Labelling Checking System



■ Communication with Customers

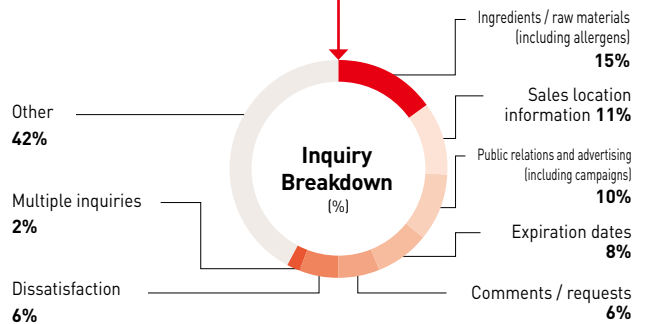
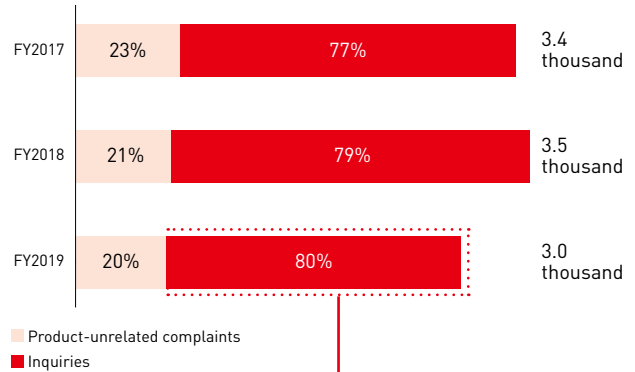
LOTTE CO., LTD. has established a Customer Service Center within the Quality Assurance Department as a means to handle customer inquiries and consultations, which is part of our commitment to providing sincere support and clear information so that customers can use our products and services with relief. Customer feedback is shared with management and related departments to develop new products and improve existing products.



▶ Number of Customer Feedbacks and Breakdown

In FY2019, LOTTE CO., LTD., Customer Service Center received roughly 3.0 thousand customer feedbacks.

Number of Customer Feedbacks



Scope of Tabulation: LOTTE CO., LTD.

▶ Recalls

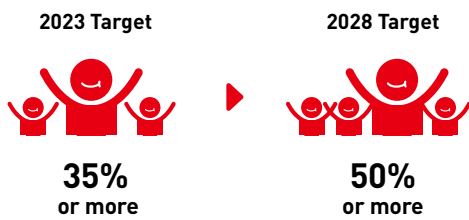
LOTTE CO., LTD. recalled one item in FY2019. An exhaustive investigation was conducted to identify the cause of the recall and measures were put in place to prevent reoccurrence.

Spreading *Kamukoto* (Chewing) Awareness

We are the Company with postwar origins in chewing gum, and which has accumulated years of research in the area of *kamukoto*. As a result, we have come to understand that *kamukoto* is closely associated with the health of the entire body. We intend to continue enriching people's lives by researching the beneficial effects of chewing on health and disseminating relevant information to spread awareness of *kamukoto*.

▶ Medium-Term Targets and Results

We have set a target for FY2023 to increase the percentage of people in Japan who are conscious of *kamukoto* to 35% or more, with the target of increasing to 50% or more by FY2028.



May 2019 survey	22%
July 2020 survey	21%

Results of an online survey of 3,000 people (conducted by LOTTE)

▶ Efforts to Spread *Kamukoto* Awareness

LOTTE CO., LTD. is working to spread awareness of *kamukoto*, having established the *Kamukoto* Research Laboratory, which specializes in conducting related research and sharing research results with the public.



■ The *Kamukoto* and Health Research Society

In FY2018, we also launched the *Kamukoto* and Health Research Society, which aims to research the relationship between *Kamukoto* and the health of the entire body, and to build a network for exchanging related information. This is the first initiative of its kind, aimed at conducting multifaceted research on *Kamukoto* in cooperation with researchers from different fields, such as medicine, nutrition, and sports, as well as dentistry. Topics the society is investigating include establishing a rule of thumb for the number of chews that contribute to good health.

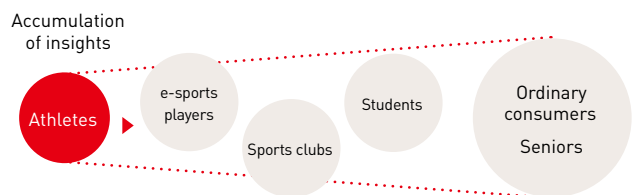


Kamukoto and Health Research Society 2nd event

■ Using *Kamukoto* to Help Athletes

The research we have conducted to date has taught us that there is a close relationship between *kamukoto* and sports, and we are now leveraging the insights thus gained to help athletes. We are conducting research on the relationship between athletes' biting force and chewing capacity on the one hand, and their exercise performance on the other. In conjunction with this research, we provide each athlete with their own chewing gum suited to their personal preferences in terms of hardness and aroma, and we encourage them to use the chewing gum during physical conditioning and to enhance their performance. In a related initiative, we are leveraging the resulting insights to help e-sport players as well. We are now considering extending these efforts further still by spreading awareness not only among athletes and e-sport players but also among ordinary consumers.

Spreading Awareness of the Relationship between *Kamukoto* and Sports



■ Efforts in Collaboration with Local Governments

As Japan approaches an era in which people could potentially live for a hundred years, maintaining and improving health is a challenge faced throughout the entire country. We are therefore collaborating with local governments across Japan to spread awareness of the beneficial effects of *kamukoto* on health. These efforts entail cooperation with local dental associations and suppliers as well as local governments; alongside promoting health through *kamukoto*, therefore, they also help to revitalize regional economies. We intend to continue and expand these initiatives going forward.

▶ Sponsoring Seminars and Forums

We are working with outside organizations to better spread awareness of *kamukoto* and its positive effects on health as a way to help enrich people's lives.

■ Kamukoto-Themed Health Seminars

We have been organizing or sponsoring health seminars with topics such as "A healthy life extended by chewing," "Preventing cavities before birth," and "Preventing periodontal disease." In FY2019, these seminars were held in six locations across Japan.



A *kamukoto*-themed health seminar

■ "Chewing and Health" Family Forum

LOTTE CO., LTD. is the special sponsor of the forum started in 1995 by the Japanese Society of Mastication Science and Health Promotion, a specified NPO built on the idea that "Health begins with *kamukoto*." A variety of lecturers, ranging from experts to opinion leaders, are invited to speak at the forum, communicating the importance and health effects of *kamukoto* to a large number of people. In November 2019, one such forum was held in Tokyo.



"Chewing and Health" Family Forum

■ Healthy Parents and Children 21

In 2001, the Ministry of Health, Labour and Welfare launched Healthy Parents and Children 21, a national campaign aimed at raising the health levels of mothers and children. Since 2005, LOTTE CO., LTD. has been a supporter of the Healthy Parents and Children 21 National Conference. Participating as a corporate member, we are working to

raise awareness of cavity prevention from the perspective of avoiding cavities among mothers and children.



Healthy Parents and Children 21 National Conference

■ Heart Ring Movement

The Heart Ring Movement is an NPO aimed at creating a society that is compassionate and understanding of dementia through various activities related to dementia, including seminars and symposiums. As part of efforts to support our own activities to promote "the power of chewing," we have been supporters of the Heart Ring Movement since 2014. In FY2019, we sponsored a September forum held in Tokyo on the theme of "Dementia in Terms of the Mouth: Perspectives to Brighten the 'Era of 10 Million Citizens with Dementia.'"



Heart Ring Movement

■ Extending Health Life Expectancy through Exercise with Dumbbells and *Gamu-Kamu* (Chewing Gum)

Exercise with Dumbbells and *Gamu-Kamu* (Chewing Gum) is an event aimed at communicating to seniors the importance of using chewing and exercise to prevent oral frailty (physical decline related to oral function). We have held the event since 1999 on Respect-for-the-Aged Day (national holiday in Japan) on the grounds of Koganji Temple (also known as Sugamo Togenuki Jizoson) in Tokyo.



Exercise with Dumbbells and *Gamu-Kamu* (Chewing Gum)

Dental and Oral Health

As a company with its origins in chewing gum, we have studied dental and oral health for many years. In the 1970s we began research on xylitol, which had captured our attention for its role in Finnish dental health. Once Japan licensed xylitol as a food additive in 1997, we were the first company to incorporate it into a new product, which we made widely available to customers, thereby helping to address dental cavities as a social issue. We intend to continue enriching people's lives by researching and spreading awareness of the beneficial effects of xylitol on dental and oral health.

▶ Medium-Term Targets and Results

We have set a target for FY2028 to increase to 50% or more the percentage of people in Japan who have made xylitol part of their daily lives for the sake of their dental and oral health.



July 2020 survey	32%
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Results of an online survey of 3,000 people (conducted by LOTTE)

▶ Xylitol Explained

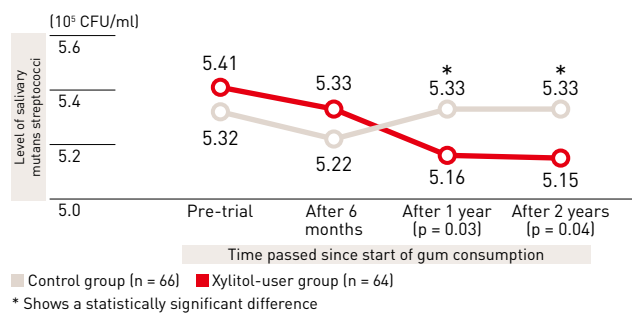
Xylitol is a type of sugar alcohol that does not create the acid that causes cavities; it is made from trees such as white birch and oak. It is roughly as sweet as sugar, but has fewer calories at around 3 kcal/g, compared with sugar's 4 kcal/g. Xylitol's key distinguishing feature is the smooth burst of refreshing coolness it delivers.

■ Reduces Mutans Streptococci

Mutans streptococci are bacteria that exist inside almost everybody's mouths. They create dental plaque and use the sugars inside the mouth as food to reproduce, creating the acid that causes cavities. Xylitol has been reported to reduce the level of mutans streptococci in the mouth, decreasing the risk of cavities.

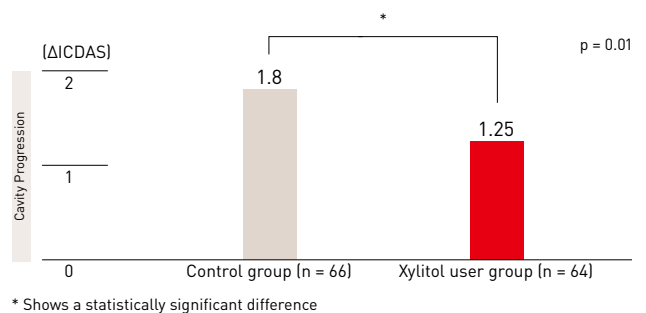
In research that targeted adults with high levels of mutans streptococci, a group of individuals consumed chewing gum containing xylitol for one year, then underwent follow-up observation during the following year, when they did not consume any gum. The results showed that, compared to a control group, the level of salivary mutans streptococci in the gum-consuming group was reduced and cavity progression was held in check.

Changes in Level of Salivary Mutans Streptococci after Consuming Chewing Gum Containing Xylitol



Effects of Xylitol Consumption on Cavity Progression

ΔICDAS score for severe caries, filled teeth, and extracted teeth over the entire trial period (one year of gum consumption and one year of follow-up)



Source: Cocco, F., Carta, G., Cagetti, M.G. et al. Clin Oral Invest (2017) 21: 2733 ©2017 The Author(s); Creative Commons Attribution 4.0 International License

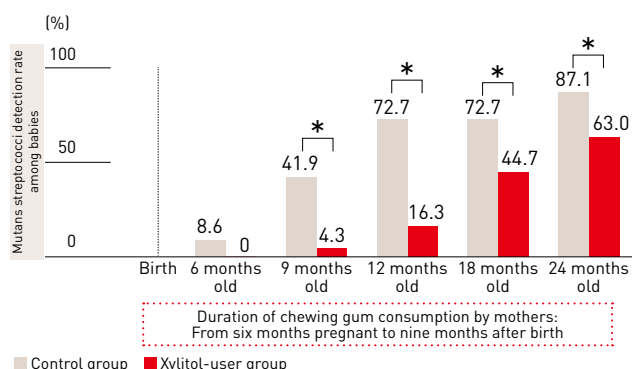
Every day for a year the xylitol user group consumed six tablets of chewing gum containing 30% xylitol, equating to 2.5 g of xylitol per day. During the following year, when they did not consume any gum, they underwent follow-up observation. The control group consumed chewing gum that contained no xylitol for a year, and during the following year, when they did not consume any gum, they also underwent follow-up observation.

■ Mitigates the Risk of Transmission from Mother to Baby

No mutans streptococci exist inside the mouth of a newborn baby, but practices such as sharing a spoon between a baby and an adult transmit the bacteria through saliva, and the bacteria become established inside the baby's mouth. However, xylitol is an ingredient with the capacity to reduce mutans streptococci and it has been reported that, when prospective mothers start consuming xylitol continuously during pregnancy, the transmission of mutans streptococci to their babies is slowed.

In research that targeted pregnant women with high levels of mutans streptococci, the control group received guidance on maintaining good health, including advice on cleaning their teeth and on meals. The xylitol user group also received the health guidance, and in addition consumed chewing gum containing xylitol as its only sweetener for 13 months. The xylitol consumption targeted was 5 g or more per day, but the actual average amount consumed was 3.83 g per day. When the researchers assessed the percentage of babies in which mutans streptococci was detected (the “detection rate”), it was found that during the period from 9 to 24 months after birth, the mutans streptococci detection rate was significantly lower for the xylitol user group’s babies than the control group’s babies.

Xylitol Consumption among Mothers and Mutans Streptococci Detection Rate among Babies



Source: Nakai Y, et al. Xylitol Gum and Maternal Transmission of Mutans Streptococci. J Dent Res 89(1): 56-60, 2010

The research targeted pregnant women with high levels of mutans streptococci.

* Shows a statistically significant difference

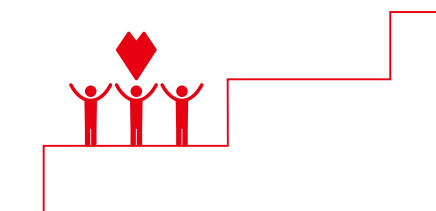
Helping People Lead Healthy Lives through Our Products

Since the Company was founded, we have helped people lead healthy lives by developing products with new health-oriented value. One example of these products is *Xylitol Gum*, launched in 1997, which went against conventional thinking as a chewing gum that maintains robust and healthy teeth, and by providing this new value we were able to help address dental cavities as a social issue.

▶ Medium-Term Targets and Results

We are working to ramp up efforts in this regard, making use of the knowledge and technology we have accumulated to date. Therefore, we have set a FY2023 target of helping 34.56 million people or more per year lead healthy lives through sales of our products* in Japan, with the additional target of growing that number further in later years.

2023 Target
34.56 million people
 or more



FY2018	25.30 million people
FY2019	24.36 million people

* Purchase rate of target brands SCI purchase rate (over target period) × Japanese population. Target brands refer to *Xylitol*, functional food products, *Nodoame*, *Zero*, *Nyusankin Chocolat*, *Polyphenol Chocolat*, etc.

▶ LOTTE-novation

Amid increasing health awareness, the declining birthrate and aging population, and other shifts in society, there is growing demand among consumers for food that is at once delicious but also good for the body and easy to prepare and eat. In order to develop products with delicious, health-oriented value and meet this demand, we are actively promoting LOTTE-novation, dedicated to helping resolve social issues.

■ *Nyusankin Chocolat*

We have continued to conduct research as to whether we can provide new value by combining the qualities of confectionery and ice cream with healthy ingredients. This research has given birth to *Nyusankin Chocolat*. This product features lactic-acid bacteria covered in chocolate that utilizes proprietary manufacturing methods to keep the bacteria alive and stable, allowing people to easily enjoy its health benefits anywhere and anytime, and therefore providing new value to society.

Community Involvement and Development

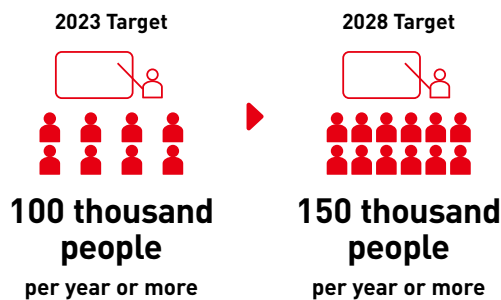
The values and culture surrounding food varies, not only by country and region but also by generation. As a company that operates globally, and as a member of local and international communities, we respect a wide range of cultures and values while contributing to local sustainable development and providing food education to future generations.

Food Education

We view food as a resource for good health, and on that basis we are engaged in food education activities aimed at spreading accurate food knowledge and promoting greater understanding.

▶ Medium-Term Targets and Results

We have set a target for FY2023 to have 100 thousand people per year or more attend our food education lectures, with 150 thousand people per year or more as a target for FY2028.



Number of People Attending Our Food Education Lectures

FY2017	37 thousand people (Factory Visit Attendees: 32 thousand people)
FY2018	50 thousand people (Factory Visit Attendees: 36 thousand people)
FY2019	63 thousand people (Factory Visit Attendees: 36 thousand people)

Scope of Tabulation: LOTTE CO., LTD.

■ Factory Visits

The Urawa Factory and Sayama Factory operated by LOTTE CO., LTD. are open for factory visits*. Visitors are able to experience our efforts to ensure food safety and reliability firsthand and on location, and also get to learn about our environmental initiatives.

* To prevent the spread of COVID-19 infection, factory visits have been suspended since February 2020. The dates for resuming visits will be notified via our website once decided.



Factory visit

■ Food Education Seminars

LOTTE CO., LTD. holds food education seminars in cooperation with the government and experts. These seminars include hands-on workshops that allow participants to actually make chewing gum and chocolate themselves, enabling them to have fun while learning about ingredients and manufacturing processes. The workshops are complemented by other seminars that impart easy-to-understand information about food and health.



Hands-on workshops

■ Provision of Teaching Materials

LOTTE CO., LTD. provides teaching materials addressing the theme of dental and oral health for use in food education-related lessons in elementary schools.

Initiatives at Subsidiaries

▶ **Mary Chocolate Co., Ltd.**

Mary Chocolate Co., Ltd. has been engaged in Mary's Cherry Blossom Project since 2009. For this project, the company plants cherry trees at Japanese elementary schools together with children. In FY2019, the company held three such planting events at three schools: Yokohama Municipal Nagatadai Elementary School in Kanagawa Prefecture, Tendo Municipal Tendo Chubu Elementary School in Yamagata Prefecture, and Toyama Municipal Toyama Furusawa Elementary School in Toyama Prefecture. In addition, the company has been giving chocolates to children at orphanages during the Christmas season since 2009, and donated to 65 facilities in FY2019.



Tree planting

▶ **LOTTE Wedel sp. z o.o. (Poland)**

■ **Mapping and Organizing CSR Issues**

LOTTE Wedel sp. z o.o., a company with a history spanning around 170 years, determined priority CSR issues to focus on in future by reviewing its CSR activities to date and engaging in dialogues with stakeholders. Approximately 100 participants took part in these dialogues, debating more than 160 issues organized according to three themes: local communities, the business environment, and employees. As a result of this process, the company decided on the three priority issues below.

People	   
Innovation	
Environment	 

■ **Heart for Children**

LOTTE Wedel sp. z o.o. is now pursuing initiatives in line with the priority CSR issues shown. One such initiative is the Heart for Children project, which helps children and young adults in the Praga district of Poland's capital Warsaw. The company is supporting environmental education for children and helping young adults to engage with society, having installed an apiary on the roof of its factory and set up an ecofarm nearby.



▶ **THAI LOTTE CO., LTD.**

■ **Food Education Activities**

THAI LOTTE CO., LTD.'s Amata Factory hosts factory visits for local elementary school pupils on an annual basis. In addition to describing the production process, the company also explains about food safety and reliability, and about its efforts to preserve the environment.



▶ **LOTTE VIETNAM CO., LTD.**

■ **Participation in the Mottainai 2019 Japan-Vietnam Charitable Cultural Exchange Event**

Mottainai 2019 was a charity event organized by Vietnam Women’s Newspaper with the sponsorship of Vietnam Women’s Union. Its aim was to contribute to environmental action by spreading awareness of the Japanese culture of *mottainai* (avoiding waste) in Vietnam. The money raised was donated to fund initiatives supporting children orphaned by traffic accidents. LOTTE VIETNAM CO., LTD. displayed paper crafts made using the boxes from its products, and sponsored the charities involved.



▶ **PT. LOTTE INDONESIA**

■ **Collecting Donations at Elementary Schools**

PT. LOTTE INDONESIA offers samples of its own product (*Choco Pie*) at elementary schools, while also collecting donations. In FY2019, the company collected donations in this way on two occasions, visiting a total of 30 schools. PT. LOTTE INDONESIA donated the money raised to an organization that supports children’s homes, enabling food and other supplies to be delivered to the homes.



Donation

▶ **Disaster-Relief Donations**

■ **Typhoons Faxai and Hagibis in 2019**

LOTTE CO., LTD.’s parent company LOTTE HOLDINGS CO., LTD. donated a relief donation of ¥30 million via the Japanese Red Cross Society to fund initiatives to support the people and regions impacted by typhoons Faxai and Hagibis.

■ **2019 Australian Forest Fires**

LOTTE CO., LTD. donated AU\$130,000 (¥9.88 million) in financial support to the Australian Koala Foundation to fund initiatives to protect koalas and restore the regions impacted by forest fires.



▶ **Donations Related to the COVID-19 Pandemic**

■ **Donations to Healthcare Professionals**

As the COVID-19 pandemic spread, LOTTE CO., LTD. and Mary Chocolate Co., Ltd. took action to support healthcare professionals working on the front lines by donating confectionery via the WeSupport* online platform to medical institutions engaged in treating COVID-19.

* WeSupport is an online platform set up on April 20, 2020 by Japanese company Oisix ra daichi Inc. in collaboration with RCF and another company called COCONET CO., LTD. (part of the Seino Holdings Group). The platform coordinates donations of food supplies to support the healthcare professionals who are keeping people healthy and saving lives by working to prevent and treat COVID-19. It matches companies and organizations willing to supply food products with hospitals that need donations, providing a system that enables the items required to be delivered to the right place safely without causing extra work or trouble for the hospitals when they take delivery.

■ **Donations to After-School Childcare Centers**

As a measure to prevent the spread of COVID-19, all schools in Japan were temporarily closed and after-school childcare centers took in children who could not spend the daytime in their own homes due to family circumstances. LOTTE CO., LTD. and Mary Chocolate Co., Ltd. took action to support childcare centers close to their business locations by donating confectionery to them.

Sustainability Activities

Promotion System

The CSR Promotion Department, part of LOTTE CO., LTD.'s Corporate Strategy Division, serves as the secretariat to promote sustainability-related activities for the entire group. The CSR Promotion Department also monitors progress toward meeting the Medium-Term ESG Targets and cooperates with related departments to draw up measures to achieve the targets. It provides reports to LOTTE CO., LTD.'s Executive Committee on progress toward meeting the Medium-Term ESG Targets and on important matters relating to sustainability.



Policy on Sustainability

We drew up the Policy on Sustainability to guide our sustainability-related activities.

Established on April 18, 2018

We aim to improve our corporate value through LOTTE Group Philosophy and contribute to the realization of a sustainable society.

1. Solving social issues through our business operations

We make proactive efforts to achieve a society in which people can be physically and mentally healthy and contribute to solving social issues through our business operations.

2. Pursuing safety

We extensively pursue the safety of products and services and contribute to improving the wellbeing of society by providing "good taste," "fun," and "comfort."

3. Reducing the impact of our business on the environment

We understand that we are growing upon the blessings of nature as citizens of the earth and contribute to a low-carbon society and recycling-oriented society through our business operations.

4. Creating a workplace that enables our employees to maximize their potential

We respect the personalities and workstyles of employees, promote Life-Work balance, and create a workplace that enables our employees to maximize their potential.

5. Contributing to the realization of a sustainable society throughout the entire value chain

We contribute to realization of a sustainable society throughout the entire value chain in cooperation with stakeholders.

6. Establishing trust through productive dialogues with society

We comply with all laws and regulations, respect human rights, and conduct sincere and fair business operations based on ethics. We establish appropriate and positive relationships with stakeholders and fulfill our social responsibilities such as fair competition, appropriate disclosure of corporate information, etc.

The Company pays close attention to outside feedback in regard to its sustainability activities and holds regular dialogues with outside experts, whose opinions are reflected in these activities (see page 22). In addition, the Company promotes these efforts based on ISO 26000, the International Organization for Standardization's standard for social responsibility, as well as the SDGs and other international initiatives. In terms of disclosure, the Company references Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) standards while also working to expand the breadth of information disclosed and contribute to the dialogues with all of our stakeholders.

Lectures Involving Experts

The CSR Promotion Department within LOTTE CO., LTD.'s Corporate Strategy Division holds a lecture series arranged by materiality themes and involving outside experts. Moreover, these lectures are published on the company's intranet in order to share them with employees who are unable to attend in person.

Lectures Held

FY2018	Food loss and waste (Relevant materiality theme: Environment)
	Diversity (Relevant materiality theme: Demonstrating Employees' Abilities)
	Food labelling (Relevant materiality theme: Food Safety and Reliability)
FY2019	Oral frailty (Relevant materiality theme: Food and Health)
	Palm oil (Relevant materiality theme: Sustainable Procurement)
	Food safety (Relevant materiality theme: Food Safety and Reliability)

* Oral frailty refers to deterioration in oral functions such as chewing, swallowing, or speaking, and constitutes a form of physical frailty.

Measures to Spread Awareness among Employees

To promote sustainability, it is important that employees, to whom this duty falls, have a full understanding of the concept. We employ various methods to ensure that employees receive and understand this information. LOTTE CO., LTD.'s online company newsletter contains articles explaining materiality and Medium-Term ESG Targets, which it supplements with timely dissemination of information on topics relating to sustainability. In addition, information pertaining to sustainability is included in all training programs offered by the Human Resources Division. In FY2019, we included explanations on sustainability when providing feedback to managers following the employee satisfaction survey, and during the training for newly appointed managers.

Message

Promoting Sustainability-Related Activities



Makoto Sato

General Manager
CSR Promotion Department
Corporate Strategy Division
LOTTE CO., LTD.

LOTTE CO., LTD. drew up its Policy on Sustainability in April 2018 and promotes sustainability-related activities in line with this policy. In order to realize a sustainable society, we mapped and organized materiality themes (key priority issues), defining the issues we should address. Furthermore, to properly address each issue in a concrete manner, we set the Medium-Term ESG Targets, and we are now monitoring progress toward achieving these targets.

During 2020, the world has suffered turmoil due to the spread of COVID-19, and a range of restrictions have been imposed on people's activities and movements to prevent further turmoil. From now on, we must continue our efforts to prevent the spread of infection, while at the same time putting the new normal into practice. As uncertainty mounts worldwide, I believe that it will become more essential than ever for companies to contribute to realizing sustainable societies.

The LOTTE Group Mission is "We enrich people's lives by providing superior products and services that our customers love and trust," and more than anything else, it is efforts to realize a sustainable society that will make this mission a reality. The same is true, I believe, of the pledge to "leave no one behind" that guides the United Nations' SDGs. We at LOTTE CO., LTD. will continue to take our stakeholders' opinions on board as all employees pull together to pursue activities contributing to sustainability. We look forward to our stakeholders' support as we do so.

LOTTE'S Sustainability Initiatives

ESG	ISO 26000 Seven Core Subjects	Major Issues	Items in This Report	Materiality
E	The Environment	Reducing CO ₂ Emissions (page 36)	CO ₂ Emissions Energy Input Logistics Initiatives	Environment
		Waste Reduction and Recycling (page 38)	Waste Production and Waste Recycling Rate	
		Reduction Rate of Food Loss and Waste (FLW)	Reduction Results of FLW Produced and Initiatives to Reduce FLW	
		Water Resources (page 39)	Water Consumption Water Risks	
		Raw Materials (page 40)	Raw Materials Procurement Volume Environment-Friendly Containers and Packaging	
		Environmental Management (page 40)	Environmental Activities Promotion System, etc.	
S	Human Rights	Human Rights Due Diligence (page 27)	Human Rights Risk Assessment and Survey to Grasp Underlying Risks Human Rights Risks Identified	Demonstrating Employees' Abilities Sustainable Procurement Food Safety and Reliability Food and Health
		Employee-Related Initiatives (page 27)	Training Consultation Desk	
	Labor Practices	Diversity (page 28)	Promotion of Women's Success Employing Those with Disabilities and Retirees	
		Life-Work Balance (page 29)	Using a Flexible Work Style to Increase Productivity	
		Employee Engagement (page 31)	Employee Satisfaction Survey	
		Human Resource Cultivation (page 31)	Human Resource Cultivation Programs Career Development Support	
		Health Management (page 32)	Health Management	
	Occupational Health and Safety (page 33)	Occupational Health and Safety System Safety Audits and Inspections, Past Occupational Accidents		
	Fair Operating Practices	Sustainable Procurement of Cacao Beans (page 42)	Fair Cacao Project	
		Sustainable Procurement of Palm Oil (page 43)	Results Related to Palm Oil Procurement	
		Sustainable Procurement of Paper (page 44)	Results Related to Paper Procurement	
		Supplier-Related Initiatives (page 44)	Sharing Our Values, etc.	
	Consumer Issues	Compliance (page 45)	Compliance Training Whistleblowing System Information Security, etc.	
		Food Safety and Reliability (page 46)	LOTTE ADVANCE, Our New Quality Assurance System Quality Assurance Promotion System, etc.	
		Spreading <i>Kamukoto</i> (Chewing) Awareness (page 49)	Spreading <i>Kamukoto</i> (Chewing) Awareness, etc.	
Dental and Oral Health (page 51)		Xylitol Explained		
Community Involvement and Development	Helping People Lead Healthy Lives through Our Products (page 52)	LOTTE-novation		
	Food Education (page 53)	Food Education Activities (Factory visits, food education seminars)		
	Initiatives at Subsidiaries in Japan (page 54)	Mary Chocolate Co., Ltd.		
	Initiatives at Overseas Subsidiaries (page 54)	LOTTE Wedel sp. z o.o. (Poland) THAI LOTTE CO., LTD. LOTTE VIETNAM CO., LTD. PT. LOTTE INDONESIA		
G	Organizational Governance	Donation (page 55)	Disaster-Relief Donations	
		Corporate Governance (page 26)	Corporate Governance, etc.	
		Risk Management (page 26)	Risk Management System Countermeasures for Large-Scale Disasters	

● Primary Related SDGs ○ Related SDGs

Relationship with the 17 SDGs

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Independent Practitioner's Assurance of CO₂ Emissions

Energy-related CO₂ emissions for FY2019 , on page 36 in the Japanese version of the report, have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd.

Deloitte.

デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

October 14, 2020

Mr. Eiichi Gochou,
President/ Representative Director,
LOTTE CO., LTD.

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the energy-related CO₂ emissions (Scope 1 and Scope 2) indicated with for the year ended March 31, 2020 (the "CO₂ Information") included in the "LOTTE CO., LTD. SUSTAINABILITY REPORT 2020" (the "Report") of LOTTE CO., LTD. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the CO₂ Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the CO₂ Information included in the Report). The CO₂ Information quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the CO₂ Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Performing interviews of responsible persons and inspecting documentary evidence to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the CO₂ Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

Company Information

Company Name	LOTTE CO., LTD.
Head Office	20-1, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo 160-0023, Japan
Date of Establishment	June 1948
Capital	¥217,000,000
Closing Date	March 31
Number of Employees	2,405 6,485 (Consolidated) (As of March 31, 2020)

Website

Please visit our website for more information.

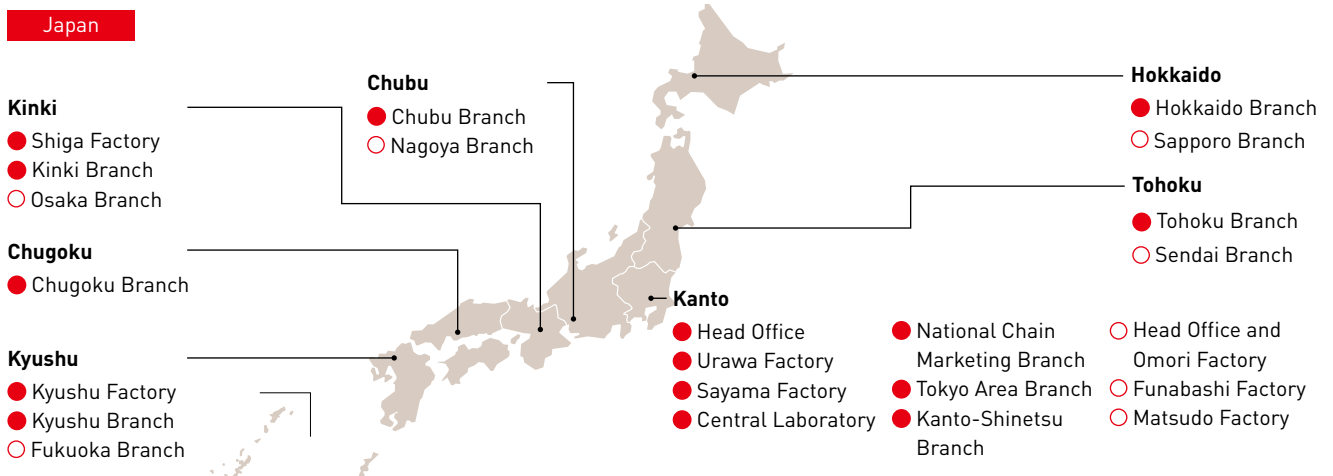


Sustainability

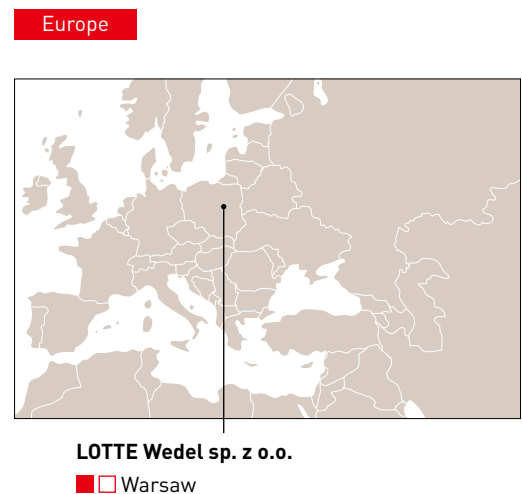
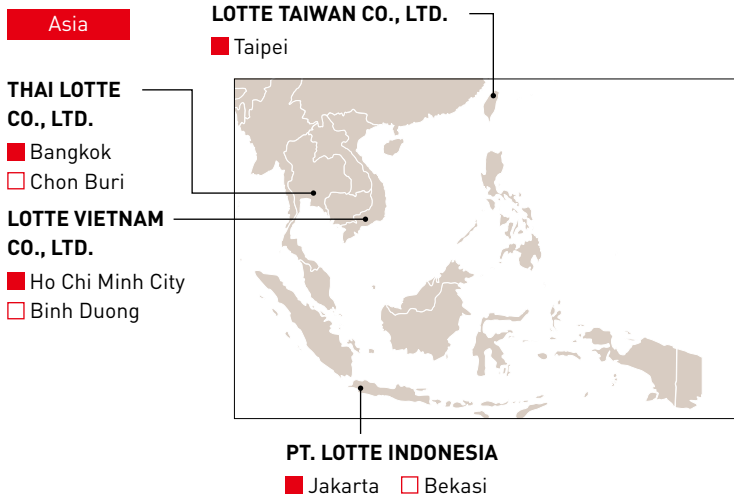
<https://www.lotte.co.jp/english/sustainability/>

Business Locations

● LOTTE CO., LTD. ○ Mary Chocolate Co., Ltd.



■ Head Office □ Factory



Everyday sweet life



LOTTE CO., LTD.

20-1, Nishi-Shinjuku 3-chome, Shinjuku-ku,

Tokyo 160-0023, Japan

<https://www.lotte.co.jp/english/>