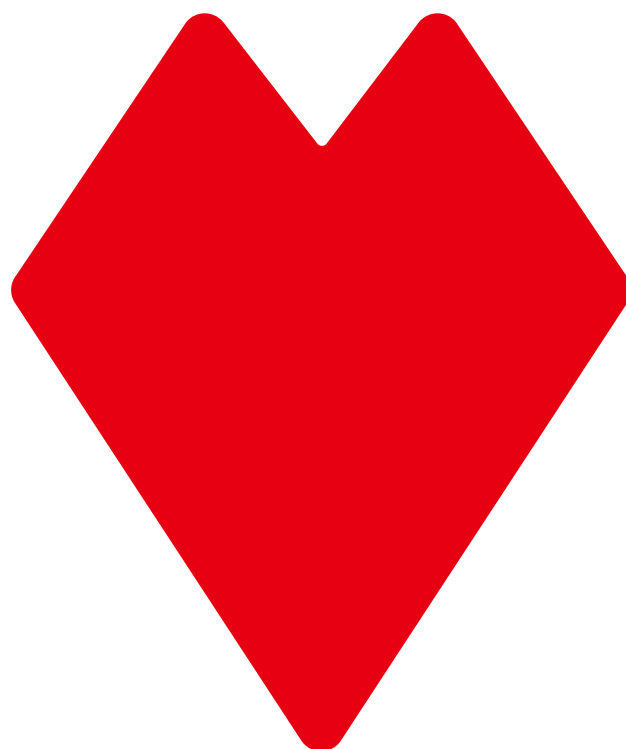


LOTTE

SUSTAINABILITY

REPORT 2021

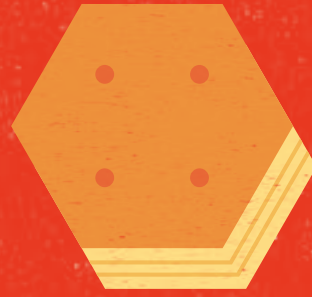
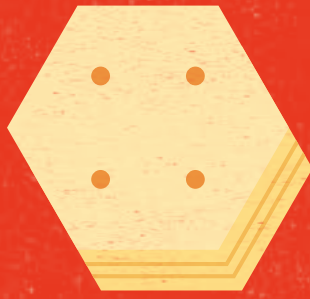


We enrich
people's lives by

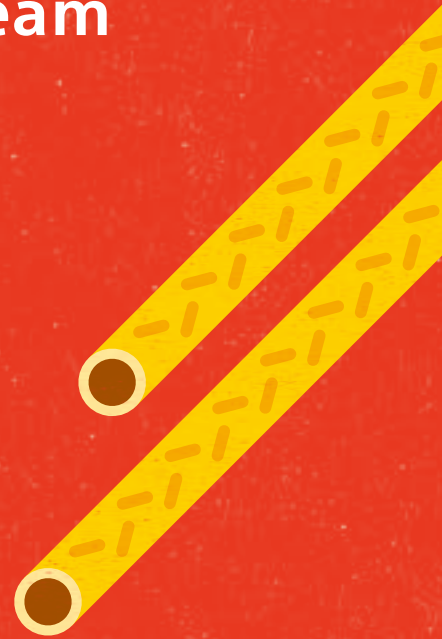


▶ Pursuing wellness through
the benefit of chewing.





- ▶ **Delivering delicious confectioneries and ice-cream to everyone.**



- ▶ **Bringing lots of happiness and fun with superior products and services.**



Everyday sweet life

LOTTE

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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- 4 The History of "LOTTE-novation"
- 6 At a Glance



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Information Related to Report Contents

Editorial Policy	LOTTE CO., LTD. SUSTAINABILITY REPORT 2021 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 FY2020. This report has been edited referencing the guidelines below. Some information for fiscal years before FY2020 has been amended using more appropriate calculation methods.
Reference Guidelines	<ul style="list-style-type: none"> · ISO 26000 (the International Organization for Standardization's standard for social responsibility) · GRI (Global Reporting Initiative) standards* · SASB (Sustainability Accounting Standards Board) standards * A table indicating sustainability report and website content corresponding to the GRI standards is available on our corporate website (in Japanese only).
Period of Reporting	FY2020 (April 1, 2020–March 31, 2021) For overseas subsidiaries, FY2020 has been adjusted to match their accounting period, which is January 1–December 31, 2020. 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, 2021. In line with this approach, companies subject to reporting of information for fiscal years before FY2020 have been adjusted retroactively. In each instance where the information available is incomplete, the scope reported is clearly indicated.
Date of Reporting	October 2021

Message from the President

We will seek to remain a company regarded as necessary to society by always keeping our Purpose in mind as we continue to work toward achieving a sustainable society and environment through our business activities.

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 healthcare professionals who are dedicating themselves day after day to preventing infection from spreading and treating patients. As a company that manufactures and sells confectionery and ice cream, we have taken all possible measures to ensure rigorous hygiene management and prevent the infection of our employees, suppliers, and anybody else involved with our operations, as we work to continue delivering stable supplies of products. I am sincerely grateful for the efforts of the many suppliers and others involved with material supplies, logistics, and sales.

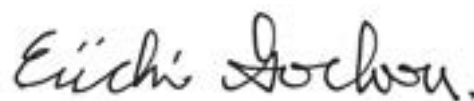
The spread of COVID-19 has caused unprecedented upheaval within societies and had a massive impact on economies. At the same time, however, various signs of change have emerged. The adoption of digital technologies has proceeded faster than ever before, to the extent that 10 years' worth of radical transformation is said to have occurred in a single year. I also think that the complete change of lifestyle has prompted people to regard the Sustainable Development Goals (SDGs) and sustainability in general as issues of relevance to their own lives, which has speeded up a range of related initiatives.

At LOTTE, we have introduced new work styles employing digital technologies, such as working from home and online meetings. Meanwhile, those employees who have no choice but to travel to workplaces to continue business activities related to production and logistics have maintained their efforts to prevent infection as they carry on working. However, it seemed to me that, when work styles had suddenly diversified at a stroke in this way, companies also had to change. I saw the need for something that could compensate for the loss of the corporate culture and atmosphere cultivated when employees interact in person and work together within the same space. That role will be fulfilled by our purpose as a company (referred to hereafter as our "Purpose"), which we put into words during 2020 as "We enrich people's lives by delivering delicious confectioneries and ice cream to everyone, pursuing wellness through the benefit of chewing, and bringing lots of happiness and fun with superior products and services." Following repeated internal discussions, we articulated how we relate to society and what society requires of us. Even when the physical form that companies


should take is in question, I believe that, if our employees are fully on board with our Purpose and understand what they must do for society, they will demonstrate their own individual capabilities, and that will lead to our sustained growth as a company.

Even before COVID-19, there were signs of increasing concern for the SDGs and sustainability in the form of more widespread ethical consumption and other changes in lifestyles and purchasing behavior. Then the COVID-19 crisis appeared to advance that trend by several degrees, and it is now no exaggeration to say that a delay in responding to such changes could prove fatal to a company's continued survival. In response to this situation, we are taking steady action to achieve our Medium-Term ESG Targets while embarking on new initiatives. For example, we joined a new recycling-oriented shopping platform called "Loop" that replaces the packaging for foods and daily commodities with reusable versions; we started selling *Xylitol* brand products on the platform in May 2021. This initiative is still at the trial stage, but despite these products being sold at higher unit prices than the conventional versions, the response has exceeded our expectations, bringing home to us just how much interest in sustainability exists. What is more, the Japanese government's commitment to achieving carbon neutrality by 2050 means that this trend is likely to become irreversible and pick up pace. At the Leaders Summit on Climate held in April 2021 Japan announced a new, higher emissions reduction target. In light of this announcement, we also updated the target for the reduction of CO₂ emissions in our Medium-Term ESG Targets. We now intend to do more than ever before to conserve energy and utilize power derived from renewable energy sources to contribute to the widespread use of renewable energy throughout Japan.

In a dramatically changing world, we will seek to remain a company regarded as necessary to society by always keeping our Purpose in mind as we continue to work toward achieving a sustainable society and environment through our business activities.



President
Representative Director

A professional portrait of Eiichi Gochou, President and Representative Director of Lotte Co., Ltd. He is seated in a black office chair, wearing a dark navy blue suit, a white shirt, and a patterned tie. He has his hands clasped in his lap and is smiling warmly at the camera. The background features a large red vertical stripe on the right and a light blue and white geometric pattern on the left. A small Lotte logo is pinned to his lapel.

Eiichi Gochou

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

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.

Everyday sweet life
LOTTE



1957

Launch of Green Gum



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.



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. FY2020 SRI Data



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).*

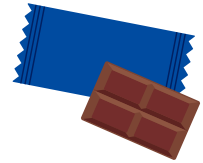
* Source: INTAGE Inc. FY2020 SRI Data



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. We subsequently launched a series of Foods with Function Claims* addressing specific concerns. In 2017, we launched *Ha Ni Tsukinikui Gum* <for memory maintenance>, followed in 2019 by *Mainichi Care Gum* <for reduction of stress and exhaustion>, and in 2020, *Mainichi Care Gum* <for people with high blood pressure>. Going forward, we will continue striving to develop products that will enrich people's lives.

*Foods with Function Claims: Foods labeled as providing certain nutritional or health benefits based on scientific evidence. Information on the evidence supporting the safety and efficacy of the product must be submitted to Japan's Consumer Affairs Agency prior to marketing.

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. FY2020 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.

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

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

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

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

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

AT A GLANCE

01

Group

LOTTE CO., LTD.

LOTTE

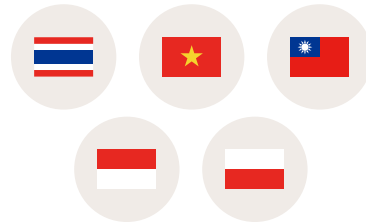
Subsidiaries in Japan

Mary Chocolate Co., Ltd.



Overseas Countries and Regions

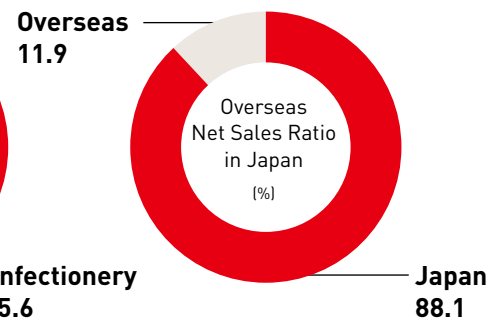
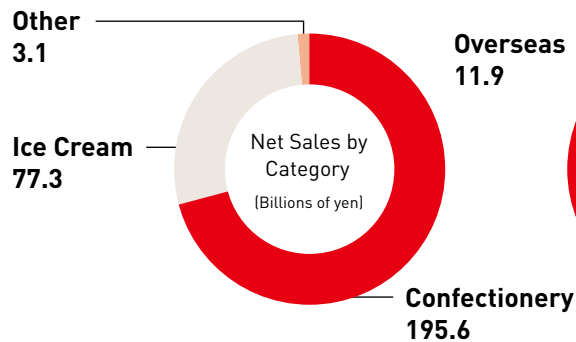
Thailand • Vietnam • Taiwan • Indonesia • Poland



02

Performance Results for FY2020

Net Sales
¥276.1 billion



03

▶ Founding



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

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

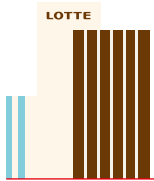
GFSI: Global Food Safety Initiative (FSSC 22000/BRC)



▶ Number of Employees

Non-consolidated **2,493**
Consolidated **6,668**

As of March 31, 2021
(Overseas employees are as of December 31, 2020)



▶ Sales of Chewing Gum in Japan

Xylitol Gum

No. 1* brand



Value of sales

▶ Share of Chewing Gum Sales in Japan

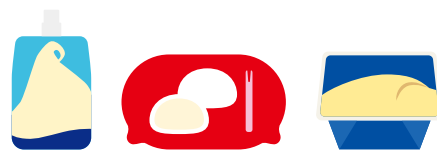
No. 1* manufacturer



Value of sales

▶ Share of Ice Cream Sales in Japan

No. 1* manufacturer



Value of sales

▶ Sales of Chocolate in Japan

Ghana

No. 1* brand

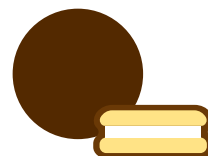


Sales volume

▶ Sales of Biscuits in Japan

Choco Pie

No. 1* brand



Value of sales

* Source: INTAGE Inc. FY2020 SRI Data

APPROACH

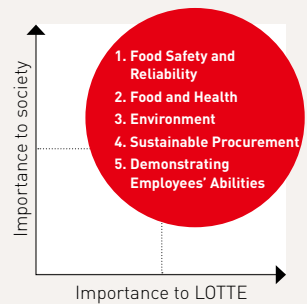
LOTTE'S APPROACH TO MATERIALITY

STEP 1

Map and Organize Materiality

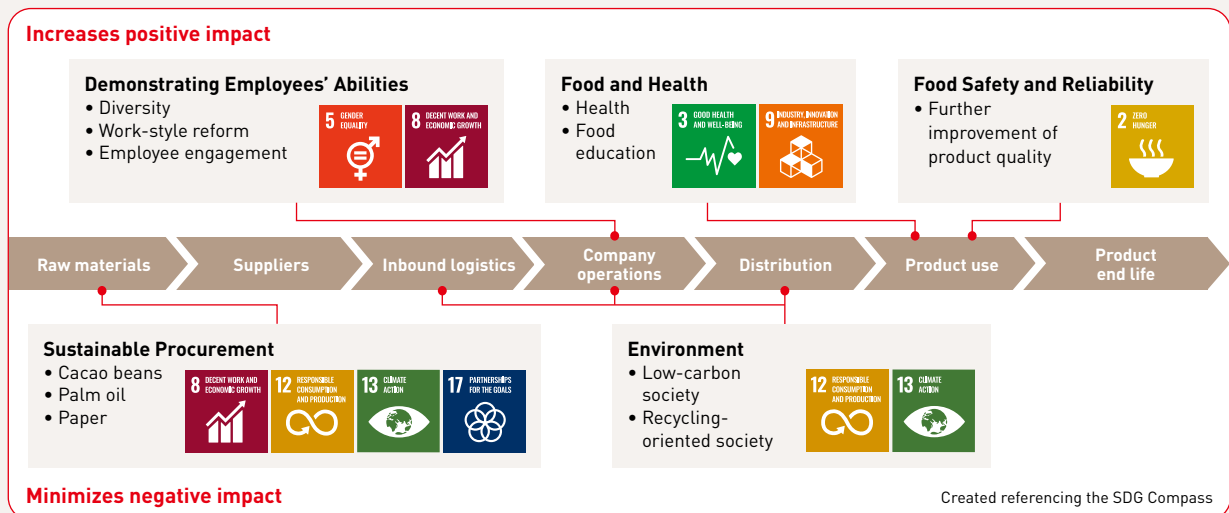
In order to help realize a sustainable society and environment, we defined the issues we should address through our business activities. First, we sought to gain an overall grasp of the issues according to the seven core subjects set out in ISO 26000* and shortlisted issues of importance to our business activities. Next, we exchanged opinions with external experts regarding the issues LOTTE CO., LTD. might be expected to tackle, mapping and organizing five materiality themes.

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



STEP 2

Mapping Materiality in the Value Chain



The Sustainable Development Goals (SDGs) established by the United Nations in 2015 comprise an action plan that seeks broad cooperation from governments, communities, and companies around the world to achieve the prosperity of mankind and the planet. Aiming to help achieve the SDGs and build a better world, LOTTE CO., LTD. identified whether each materiality theme "increases positive impact" or "minimizes negative impact" in the value chain.

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 3

Formulate Medium-Term ESG Targets

To properly address each materiality theme in a concrete manner, we formulated the Medium-Term ESG Targets. These were devised in light of contributions to the SDGs. For each materiality theme, we decided which of the 17 SDGs LOTTE CO., LTD. could contribute to, focusing our efforts on addressing those goals. To ensure that our targets are met, we are confirming progress on an annual basis and disclosing information publicly.

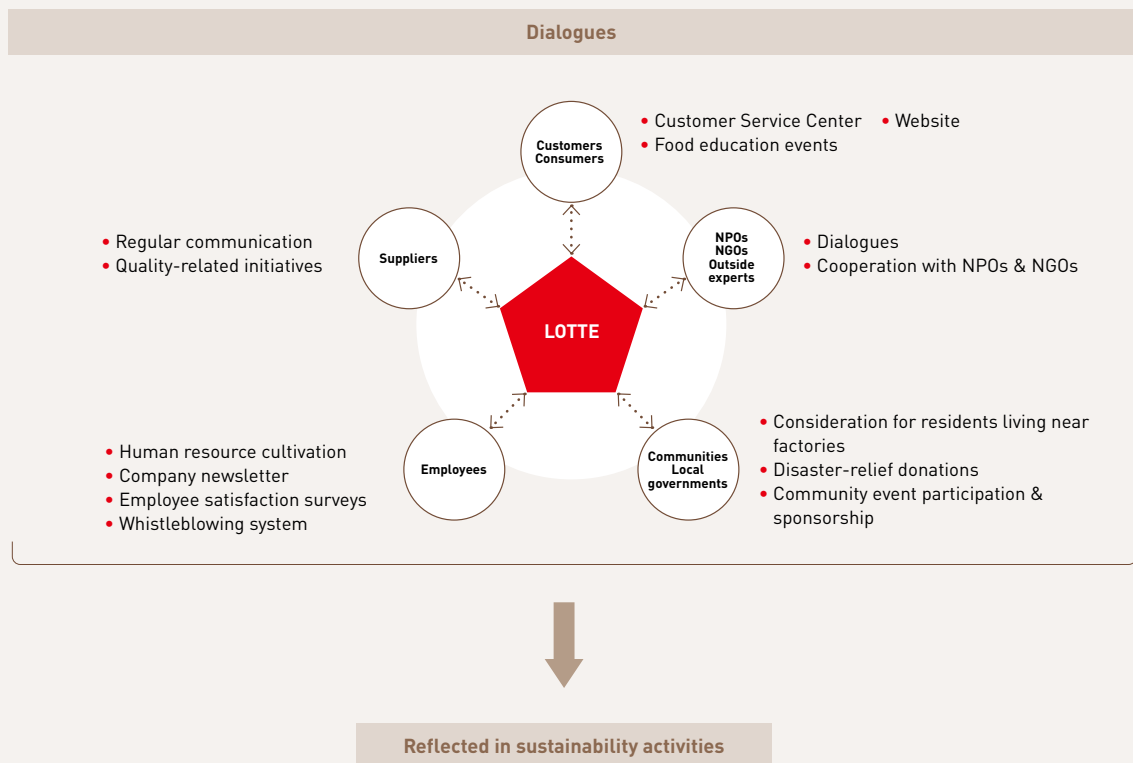
2028 Medium-Term ESG Targets



STEP 4






Dialogues with Stakeholders

We continuously engage in dialogues with stakeholders and reflect their opinions in our sustainability activities, including the revision of our materiality themes and Medium-Term ESG Targets and the improvement of our information disclosure.



2028

Medium-Term ESG Targets

Materiality	Key Items	Indicators	2023 Targets	2028 Targets
1 Food Safety and Reliability 	Further improvement of product quality	GFSI recognized certification schemes (FSSC 22000/BRC)	Maintain certification at all domestic and overseas factories	Maintain certification at all domestic and overseas factories
		Introduction of LOTTE ADVANCE, our new quality assurance system	Complete introduction of the system to all domestic and overseas development and production sites	Continue to operate the system in all domestic and overseas development and production sites
2 Food and Health 	Health	Percentage of people who practice <i>kamukoto</i> (chewing) with proper awareness (Japan)	35% or more	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)	—	50% or more
	Food education	Number of people we have helped lead healthy lives through our products (Japan)	34.56 million people or more	Aim to increase further
		Number of people who have attended food education lectures	100 thousand people per year or more	150 thousand people per year or more
3 Environment 	Low-carbon society	Reduction rate of energy-related CO ₂ emissions (Scope 1 and 2) (comparison with FY2019)	—	23% or more reduction (2050 Target: Carbon neutrality)
	Recycling-oriented society	Reduction rate of food loss and waste (FLW) (Per-unit volume comparison with FY2019)	—	50% or more reduction (Japan and overseas)
		Recycling rate of waste generated by production processes	99% or more (Japan)	99% or more (Japan and overseas)
4 Sustainable Procurement 	Cacao beans	Usage rate of Fair Cacao	20% or more	50% or more
	Palm oil	Usage rate of third-party verified palm oil	100% (Japan)	100% (Japan and overseas)
	Paper	Usage rate of environment-friendly paper (for product containers and packaging)	100% (Japan)	100% (Japan and overseas)
5 Demonstrating Employees' Abilities 	Diversity	Ratio of female managers (Japan)	10% or more	20% or more
	Work-style reform	Annual total working hours per person (Japan)	1,850 hours or less	1,800 hours or less
	Employee engagement	Percentage of employees with high job satisfaction (Japan)	80% or more	Stay at 80% or more



Medium-Term ESG Targets: Results Highlights

安 1. Food Safety and Reliability

14-15

1 GFSI recognized certification schemes (FSSC 22000/BRC) 50

- FY2019** ▶ Certification maintained
- FY2020** ▶ Certification maintained
- 2023 target** ▶ Maintain certification at all domestic and overseas factories
- 2028 target** ▶ Maintain certification at all domestic and overseas factories

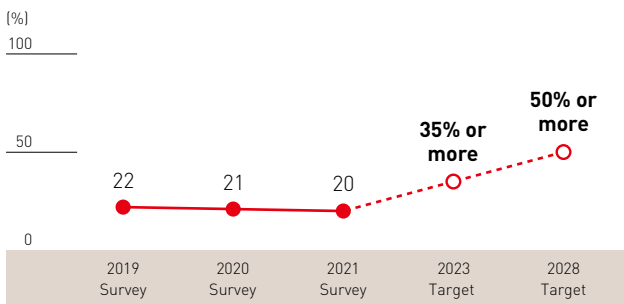
2 Introduction of LOTTE ADVANCE, our new quality assurance system 50

- FY2019** ▶ Finished assessing situation at all factories
- FY2020** ▶ Completed outline of shared Group standards
- 2023 target** ▶ Complete introduction of the system to all domestic and overseas development and production sites
- 2028 target** ▶ Continue to operate the system in all domestic and overseas development and production sites

建 2. Food and Health

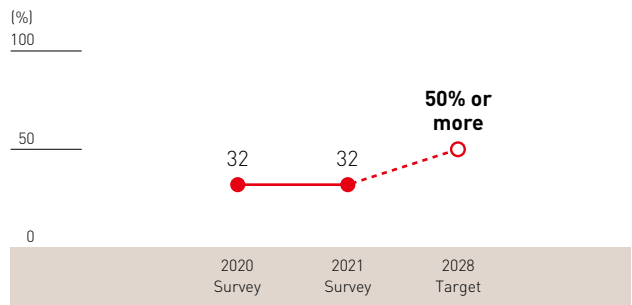
16-17

1 Percentage of people who practice *kamukoto* (chewing) with proper awareness (Japan) 53



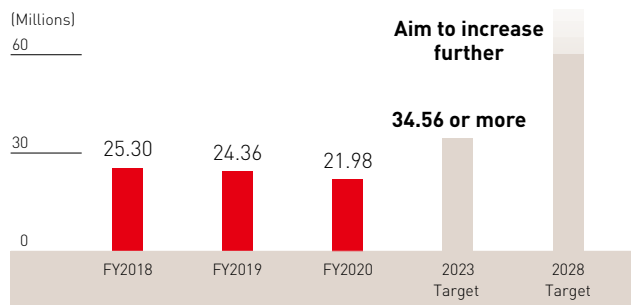
Results of an online survey of 3,000 people (conducted by LOTTE)

2 Percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health (Japan) 54



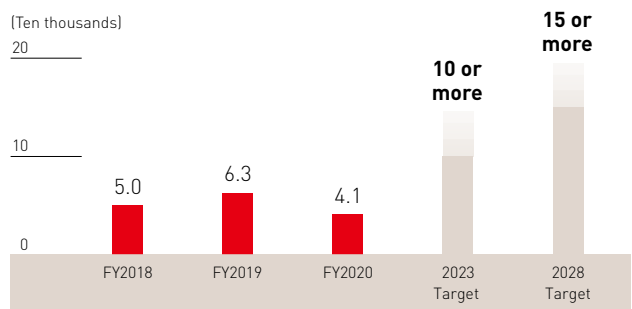
Results of an online survey of 3,000 people (conducted by LOTTE)

3 Number of people we have helped lead healthy lives through our products (Japan) 56



SCI purchase rate of target brands (over target period) × Japanese population. Target brands refer to *Xylitol*, *Foods with Function Claims*, *Nodoame*, *Zero*, *Nyusankin Chocolat*, etc.

4 Number of people who have attended food education lectures 57



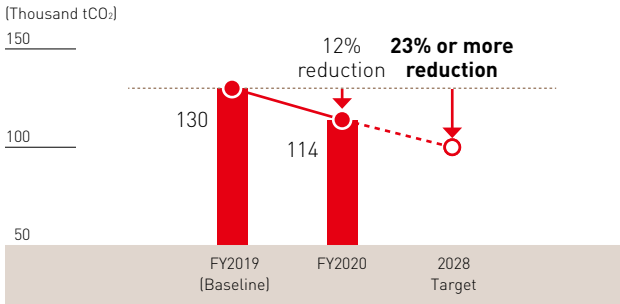
Scope of Tabulation

LOTTE CO., LTD.

景 3. Environment

18-19

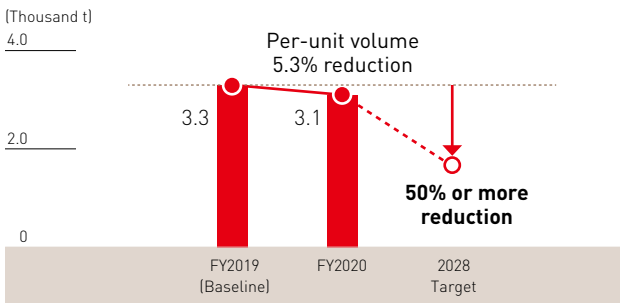
1 Reduction rate of energy-related CO₂ emissions (Scope 1 and 2) (comparison with FY2019) 40



Scope of Tabulation

Japan: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.
Overseas: major overseas subsidiaries (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

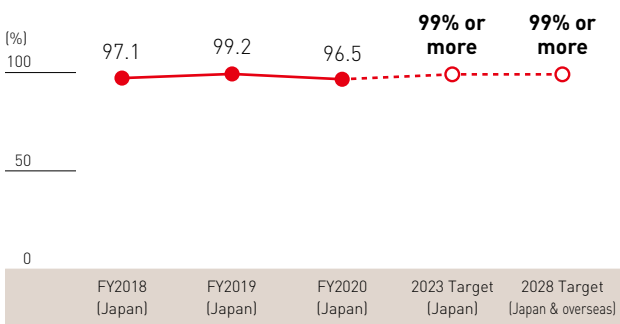
2 Reduction rate of food loss and waste (FLW) (Per-unit volume comparison with FY2019) 42



Scope of Tabulation

LOTTE CO., LTD., Mary Chocolate Co., Ltd., and major overseas subsidiaries

3 Recycling rate of waste generated by production processes 42



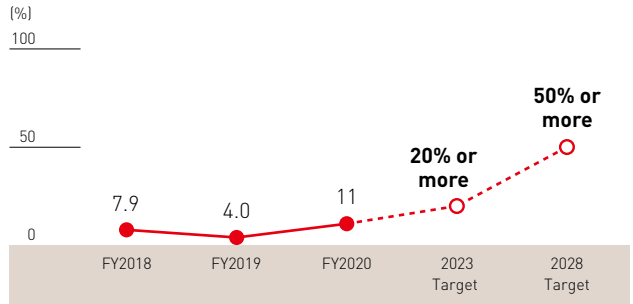
Scope of Tabulation

LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

結 4. Sustainable Procurement

20-21

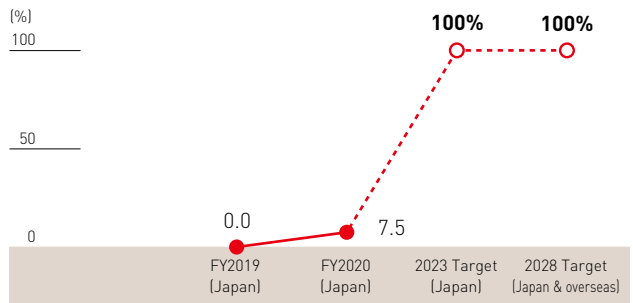
1 Usage rate of Fair Cacao 46



Scope of Tabulation

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

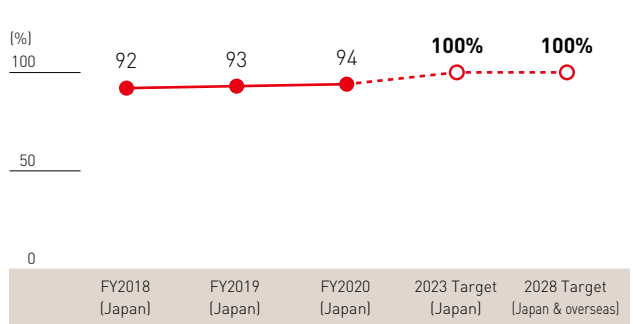
2 Usage rate of third-party verified palm oil 47



Scope of Tabulation

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

3 Usage rate of environment-friendly paper (for product containers and packaging) 48

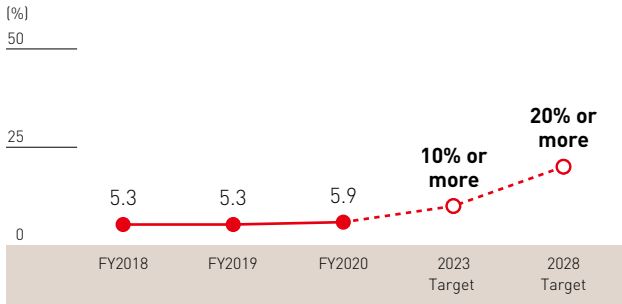


Scope of Tabulation

LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

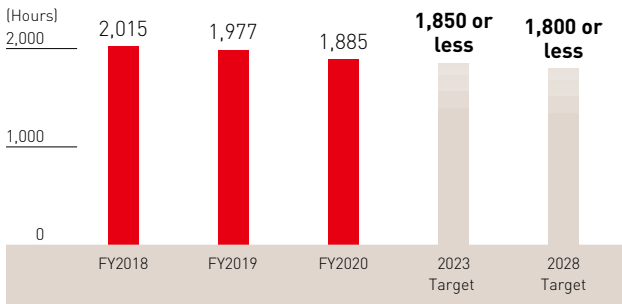
5. Demonstrating Employees' Abilities 22-23

1 Ratio of female managers (Japan) 31



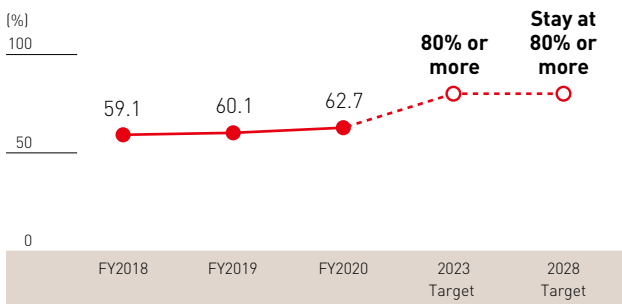
Scope of Tabulation
 LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

2 Annual total working hours per person (Japan) 32



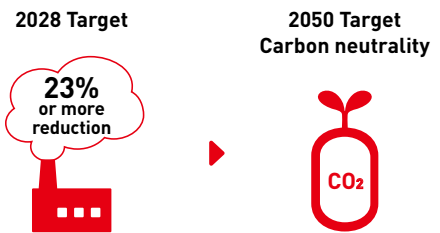
Scope of Tabulation
 LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

3 Percentage of employees with high job satisfaction (Japan) 34



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

CHANGE OF CO₂ EMISSIONS REDUCTION TARGETS



Note: In comparison with FY2019

Following the Japanese government's declaration that Japan would achieve carbon neutrality by 2050, we updated our targets for the reduction rate of energy-related CO₂ emissions (Scope 1 and 2). Like the Japanese government, we set a target of achieving carbon neutrality by FY2050. Furthermore, we changed our target for FY2028 from a reduction in emissions per unit of sales to a reduction in overall emissions volume, with the most recent fiscal year, FY2019, as the baseline. This updated target for FY2028 corresponds to the SBT* standard, and we plan to obtain SBT certification.

* Science Based Targets: Company-set targets for greenhouse gas emissions reduction with 5 to 15 year timescales that conform to the standards required by the Paris Agreement (which aims to keep the increase in global temperature to well below 2°C, or preferably 1.5°C, compared with pre-industrial levels).

» For further details, please see the page indicated. 40

1

FOOD SAFETY AND RELIABILITY

Related SDGs



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. In this year’s report, a manager describes LOTTE ADVANCE, the new quality assurance system we are currently developing that aims to further improve quality, focusing particularly on the management of quality-related information.

Further Improvement of Product Quality

GFSI recognized certification schemes (FSSC 22000/BRC)

50

2023 Target

2028 Target



Maintain certification at all domestic and overseas factories

Introduction of LOTTE ADVANCE, our new quality assurance system

50

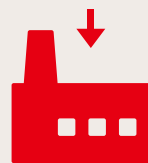
2023 Target

2028 Target

Complete introduction of the system to all domestic and overseas development and production sites

Continue to operate the system in all domestic and overseas development and production sites

LOTTE ADVANCE



LOTTE ADVANCE

Comment from Manager Responsible for Achieving
Medium-Term ESG Targets



Managing information properly and disseminating accurate information to provide greater peace of mind for customers

Yoko Usamikrank

LOTTE CO., LTD.
Quality Control Manager

Profile

Joined LOTTE CO., LTD. in 1998. She worked on basic and developmental research regarding chocolate at the Central Laboratory. Since 2020, in her current position, she has been engaged in risk assessment and information management relating to ingredient specifications and product labeling in the newly established Quality Control Section.



Quality-related information is important data that customers can check in-store to help them choose products

LOTTE CO., LTD. believes 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 have been putting into practice. Focusing primarily on our product manufacturing processes, we have been implementing measures such as preventing contamination by foreign substances and checking to verify that finished products meet standards prior to shipping. We plan to incorporate the ISO 9001*⁴ approach into the new LOTTE ADVANCE quality assurance system currently under development, aiming to further improve quality and ensure a high level of safety. We will also equip the system with the capacity to assess food safety-related risk from the product design and development stage, focusing primarily on products sold in Japan, as we endeavor to reduce risk throughout the entire value chain from a wider perspective than hitherto.

As part of risk assessment conducted using LOTTE ADVANCE, my section undertakes risk assessment and information management relating to ingredient specifications and product labeling. In particular, quality-related information on packaging such as ingredients and nutritional composition is important data that customers can check in-store to help them choose products. We are collaborating with the sections involved in design and development to manage quality-related information properly and create a mechanism for communicating such information to customers accurately.

Sharing sophisticated knowledge and information with the relevant sections and responding promptly

Broadly speaking, my section is engaged in two types of work. The first is work related to labeling. To communicate accurate information in accordance with the law and internal rules, the entire Central Laboratory is promoting the acquisition of food labeling certification. In addition to striving to provide accurate information based on reliable knowledge, the laboratory is seeking to improve the provision of information throughout all relevant sections. Meanwhile, the other type of work my section undertakes relates to ingredient specifications. Our activities, which are regarded as essential to ensure product quality and safety, are aimed at properly managing such specifications. We also take care to accurately acquire and disclose essential information relating to the health of customers, including data on allergens. Looking ahead, we will continue to provide research and development sections with up-to-date information and education relating to food labeling and ingredient specifications as we improve the quality of our information management in collaboration with other sections.

We are also developing a mechanism for the prompt provision of well-corroborated information when quality-related inquiries are received from customers. I would like us to provide even greater peace of mind for customers by sharing sophisticated knowledge and information with the relevant sections and responding promptly.

*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

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 the R&D of products that support the 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. In this year's report, a manager describes measures to popularize xylitol as an example of such efforts.

Related SDGs



Health

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

53

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)

54

2028 Target

50%
or more



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

56

2023 Target

34.56 million
people
or more



Food Education

Number of people who have attended food education lectures

57

2023 Target

100 thousand
people
per year or more



2028 Target

150 thousand
people
per year or more



Comment from Manager Responsible for Achieving
Medium-Term ESG Targets



Working to popularize xylitol from both the societal and environmental perspectives

Takaaki Ogawa

LOTTE CO., LTD.
Xylitol Brand Manager

Profile

Joined LOTTE CO., LTD. in 2007. He worked on confectionery sales at the Chubu Branch, and subsequently researched consumer purchasing behavior while engaged in sales planning at the head office. In 2017, he started working on the marketing of chewing gum. Since 2019, in his current position, he has been responsible for marketing of the *Xylitol* brand.

There is more we can do to contribute to dental and oral health by popularizing xylitol

When we conducted a survey on xylitol in Japan, the results showed that, despite a high recognition rate of 90%,*¹ only 26%*¹ of respondents were aware of its specific capabilities and distinctive features. Moreover, in the most recent survey, the percentage of people in Japan who had made xylitol part of their daily lives for the sake of their dental and oral health (one of the indicators for our Medium-Term ESG Targets) was 32%.*¹ By contrast, in Finland, which is said to be a leader in terms of preventing cavities, 94%*¹ of the population had consumed xylitol for the sake of their dental health, and 67%*¹ of households with children aged 18 or under were consuming xylitol as part of their daily lives.

We have worked to increase consumption of the sweetener xylitol for more than 20 years, since it was first designated as a food additive. However, the results of these surveys made us realize that there is still far more we can do to contribute to dental and oral health by popularizing xylitol.

I hope to make xylitol-related measures into the flagship of LOTTE's ESG initiatives

As a means of achieving this, we focused once again on self-care habits in Finland. In order to spread self-care habits comprising toothbrushing, fluoride, and xylitol, supplemented by regular dental checkups, in Japan as well, we launched "Project Xylitol: For Teeth that Last 100 Years." In addition to collaborating with local dental associations to spread self-care habits, this project also comprises initiatives to instill self-care habits from early childhood, such as the provision of xylitol tablets with their own specially designed dispenser (see photo) to educational institutions (e.g., kindergartens and nursery schools). We received positive feedback from local

governments and dental associations in areas where we have already started providing tablets, and I feel that our efforts to spread self-care habits using xylitol are proving extremely effective.

We are also taking steps to stop using plastic in containers and packaging used to popularize xylitol. Having sensed heightened ethical and environmental awareness among customers, I think this course of action is imperative if we are to ensure that they continue choosing our products. We already reduced the weight of plastic in the actual cylinder containers for our mainstay gum products in plastic containers from 19.2 g to 15.0 g (21.8% reduction),*² proceeding in stages.*³ Moreover, we are trying out a new retail platform called Loop that supplies foods and daily commodities in reusable containers. By combining societal and environmental approaches to popularize xylitol in this way, I hope to make xylitol-related measures into the flagship of our ESG initiatives.



Special dispenser for xylitol tablets

- *¹ Rounded to the nearest whole unit, according to LOTTE's own research
- *² Rounded down to one decimal place; in comparison with specification
- *³ Weight reduced in stages starting with containers manufactured in March 2021. For production-related reasons, the unchanged containers are sometimes temporarily in circulation.

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.

Related SDGs



Low-Carbon Society

Reduction rate of energy-related CO₂ emissions (Scope 1 and 2)

40

2028 Target



2050 Target
Carbon neutrality



Note: In comparison with FY2019

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)

Recycling-Oriented Society

Reduction rate of food loss and waste (FLW)

42

2028 Target

50% or more reduction



Note: Per-unit volume comparison with FY2019

Recycling rate of waste generated by production processes

42

2023 Target

99% or more (Japan)



2028 Target

99% or more (Japan and overseas)



Comment from Manager Responsible for Achieving
Medium-Term ESG Targets



Aiming to achieve our Medium-Term ESG Targets by combining the conversion to eco-factories with the use of renewable energy

Yuusuke Kasahara

LOTTE CO., LTD.
Technology Development Manager

Profile

Joined LOTTE CO., LTD. in 1999. He worked on the supervision and maintenance of production equipment at the Sayama Factory. Since 2016, he has implemented a wide range of operational improvements, including the optimization of production equipment aimed at upgrading production efficiency at LOTTE CO., LTD.'s factories. In his current position, he has been engaged in the conversion to eco-factories and the adoption of renewable energy since 2018.



We have been converting LOTTE's factories into eco-factories to dramatically improve energy efficiency

LOTTE CO., LTD.'s factories account for more than half of the Group's energy-related CO₂ emissions. We have been converting LOTTE's factories into eco-factories to dramatically improve energy efficiency by combining the wisdom and ingenuity contributed by individual factories with the latest technologies. For example, we had a problem with the gum sugarcoating process at the Sayama Factory, whereby any dirt on the equipment would reduce its thermal efficiency and use up additional electricity. However, the factory injected the right chemical and succeeded in preventing such dirt and keeping the equipment running continuously. As a result, it achieved a large reduction in electricity consumption and was also able to save on cleaning costs. Meanwhile, the Urawa Factory reduced its environmental impact and cut electricity consumption by installing the world's first* ice cream freezer incorporating freezing equipment using CO₂ as the refrigerant instead of CFC refrigerant with high environmental impact.

In addition to converting to eco-factories, we are also adopting renewable energy in our factories. In FY2019, the head office of LOTTE CO., LTD., located in the Shinjuku Ward of Tokyo, was the first of our operating sites to start using power derived from hydroelectric generation, a form of renewable energy. During FY2020 we switched the power supply to renewable energy at LOTTE CO., LTD.'s Urawa Factory, Sayama Factory, and Shiga Factory, as well as at LOTTE Wedel sp. z o.o. in Poland. Furthermore, in 2021, we collaborated with a power distribution company to launch an initiative using power derived from household solar power generation. By purchasing renewable energy in this way, we intend to contribute to its widespread use.

One of my most important roles is to boost motivation regarding environmental issues

The Technology Development Section, where I work, promotes the installation of energy-saving equipment and the adoption of renewable energy across all factories. Since the shared Group goal of achieving the Medium-Term ESG Targets was set, I have had more opportunities to talk about environment-related initiatives with people in the relevant sections, and I am constantly impressed by how the Group is becoming increasingly active in this regard. As awareness of environment-related initiatives grows throughout the Group, I hear of employees saying they want to know what other operating sites are doing, or tell others about successful initiatives at their own site. I feel that a positive spirit of competition has arisen between factories and workplaces. We are now seeking to stimulate further efforts by establishing an ESG Award category as part of our internal awards system to recognize outstanding examples of initiatives and share information about them throughout the Group. I am aware that one of my most important roles is to boost employees' motivation regarding environmental issues; by doing so, I intend to further step up the pace of our efforts to achieve the Medium-Term ESG Targets.

* According to LOTTE's own research

4

SUSTAINABLE PROCUREMENT

Related SDGs



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. In this year's report, an assistant manager describes LOTTE's efforts with regard to sustainable containers and packaging using environment-friendly materials such as paper.

Cacao Beans

Usage rate of Fair Cacao

46

2023 Target

20% or more



2028 Target

50% or more



Palm Oil

Usage rate of third-party verified oil

47

2023 Target

100%
(Japan)



2028 Target

100%
(Japan and overseas)



Paper

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

48

2023 Target

100%
(Japan)



2028 Target

100%
(Japan and overseas)



Comment from Manager Responsible for Achieving
Medium-Term ESG Targets



Contributing to the sustainability of the entire value chain through sustainable containers and packaging

Hiroo Fujiwara

LOTTE CO., LTD.
Packaging R&D Section
Assistant Manager

Profile

Joined LOTTE CO., LTD. in 2007. He worked on developmental research regarding chocolate at the Central Laboratory and subsequently engaged in chocolate marketing at the head office. Since 2015, in his current position, he has been developing environment-friendly containers and packaging.



We will go beyond meeting our target to take on new challenges

Paper accounts for more than 70% of the containers and packaging used by the Group. We regard the use of environment-friendly paper as indispensable for achieving sustainable procurement and have set a Medium-Term ESG Target, which we are working toward. Defining environment-friendly paper as paper that has been properly managed while protecting forest resources, we are increasing our use of paper certified by the FSC (Forest Stewardship Council) or other third parties, as well as recycled paper.

Having set the target of using environment-friendly paper for 100% of our containers and packaging in Japan, we have already reached 90%, and will continue working to achieve the target. I would then like us to go beyond meeting this target to take on new challenges.

The important thing is to get customers on our side as we move forward

I think that the key consideration when taking action on sustainability is to get customers on our side as we move forward. By clearly communicating our measures to customers and having them choose our products on that basis, our sustainability initiatives will help to strengthen the competitive advantages of our business. As a first step in achieving this, we are looking into adopting product packaging featuring our own environmental mark. Based on solid evidence, we will use product packaging as an easily understandable means of communicating our sustainability initiatives, including the use of third-party-certified paper and the reduction of the volume of petroleum-based plastics we use.

Moreover, our ongoing improvements to containers and packaging extend beyond simply switching materials to encompass improvements throughout the entire value chain, such as enhancing efficiency during transportation by changing the styles of packing. In order to present the benefits of these measures in terms of reductions in CO₂ emissions and make them visible in a way that is easy to understand, I would like us to also engage in LCA.* I hope that adopting our own environmental mark and commencing LCA will lead to the secondary benefits of increased ecological awareness within the Company and even faster progress with our initiatives.

Plastics, which account for around 20% of the containers and packaging used by the Group, have been blamed for causing a range of problems, including marine pollution and the emission of greenhouse gases when disposed of using incineration. Having formulated the LOTTE Basic Policy on Plastics, LOTTE CO., LTD. is continuously working to reduce the volume of petroleum-based plastics it uses in line with the policy. Measures to that end include decreasing the thickness of containers and packaging and modifying their dimensions, as well as replacing plastics with paper and other biomass materials or recycled raw materials. In addition, we are endeavoring to make our containers and packaging easier to recycle by switching to mono-materials as a means of ensuring that containers and packaging comprise just a single resin. We are also considering taking on new challenges to address the key issue of making effective use of plastic resources. These initiatives will be extremely difficult to implement as a single company, so we will aim to implement them in cooperation with numerous partner companies and government bodies.

* Life Cycle Assessment: A method of quantifying the environmental impact of products and services throughout their entire life cycle.

5

DEMONSTRATING EMPLOYEES' ABILITIES

Related SDGs



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. In this year's report, a manager describes initiatives utilizing ICT as an example of such efforts.

Diversity

Ratio of female managers (Japan)

31

2023 Target

10%
or more



2028 Target

20%
or more



Work Style Reform

Annual total working hours per person (Japan)

32

2023 Target

1,850 hours
or less



2028 Target

1,800 hours
or less



Employee Engagement

Percentage of employees with high job satisfaction (Japan)

34

2023 and 2028 Target

80% or more



Comment from Manager Responsible for Achieving
Medium-Term ESG Targets



Using the power of ICT to raise employees' productivity

Noriko Nishizono

LOTTE CO., LTD.
ICT Business Promotion Manager

Profile

Joined LOTTE CO., LTD. in 2018. She was previously employed as an IT engineer for a systems integrator. Drawing on this experience, she has worked on the development of LOTTE's internal accounting system and systems maintenance. Since 2021, in her current position, she has been using IT systems to help employees maintain flexible work styles and boost their productivity. She is also taking advantage of such systems herself as she combines work with parenting commitments.



We collaborated with the relevant sections to install ICT infrastructure and upgrade our systems and schemes

During 2020, the spreading COVID-19 pandemic meant that, rather than introducing our work-from-home scheme in stages as originally planned, we were more or less forced to introduce the scheme in a hurry. Because we implemented the scheme ahead of schedule, our ICT infrastructure remained inadequate in some regards, and this sometimes caused inconvenience for employees. Now, however, we have finished installing an ICT infrastructure that employees can use with peace of mind on a daily basis, and they are taking advantage of the opportunity to work from home whenever their work permits.

We have had plenty of positive feedback as result of introducing the work-from-home scheme: employees say that it enables them to use their time efficiently, or makes it easier to maintain life-work balance. I myself have a daughter in elementary school, and working from home has helped me to combine work with parenting commitments. A fulfilling home life has made me more motivated to work, and I really feel that I am working efficiently. On the other hand, we also received comments that working from home makes it difficult to keep track of team members' progress, and it is still necessary to go into the office to stamp official seals on documents. Accordingly, we are now trying to make it easier to work from home by implementing innovations such as work process visualization and the conversion to electronic seals.

It has already been 18 months since we introduced the work-from-home scheme; during that time, we listened to employees' opinions and collaborated with the relevant sections to install ICT infrastructure and upgrade our systems and schemes. As a result, we managed to reduce annual total working hours per person (one

of the indicators relating to our Medium-Term ESG Targets) to 1,885 hours for FY2020. Looking ahead, we will continue making further improvements to achieve our target.

We are embarking on a new phase of realizing higher productivity

The COVID-19 pandemic prompted us to move forward with installing ICT infrastructure, thereby enabling work from home and other flexible work styles. We are now embarking on a new phase in which employees will make more effective use of these options to realize higher productivity. In my section, we are constantly looking into promoting DX*¹ and introducing systems and other innovations that can make work processes more efficient, seeking to find ways of enhancing employees' productivity. For example, there is no need for humans to undertake simple tasks such as inputting large volumes of figures, which is the kind of work robots or AI could do instead. We will entrust robots and AI with whatever work they can do instead of humans, allocating the spare time generated to high-value tasks that only humans can perform. We intend to continue helping all employees to demonstrate their strengths by introducing innovations such as RPA*² and SFA*³ making full use of ICT technologies to enhance operational efficiency. By using the power of ICT to raise productivity, we aim to create workplaces in which employees can feel more genuinely motivated.

*1 Digital transformation

*2 Robotic process automation

*3 Sales force automation



DIALOGUES WITH EXPERTS

I commend the steady progress being made across a range of initiatives.

I would like to commend LOTTE for its sincere efforts and the steady progress it is making across its initiatives. Information disclosed in this Sustainability Report is also becoming clearer and more comprehensive with each passing year. Going forward I hope you will continue disclosing information proactively and with confidence. I believe that active communication can help one realize aspects one would not otherwise have noticed. In particular, with a paradigm shift unfolding in 2020 due to the COVID-19 pandemic, I think it would be beneficial to communicate the type of changes that have taken place, including the difficulties the company encountered.

Regarding disclosure, I would like to see more data on personnel outside Japan. Although standards for compiling data on human resources differ from country to country, which makes this difficult in some regards, I would like the company to begin by disclosing data on high-priority areas, such as occupational accidents. I would also like to see more disclosure on the initiatives implemented by subsidiaries outside Japan. In addition, I would appreciate more detailed information on how the company handles matters specific to each region, such as creating a faith-friendly workplace for Muslims in Indonesia.

Sustainable procurement is an area in which a number of aspects are closely intertwined including environmental issues, human rights, and community engagement. It would be good to see LOTTE partner with organizations working in these respective fields in the same way the company is working with RSPO on palm oil procurement. In addition, animal welfare is becoming a focus of attention overseas, and I hope that you will work towards ensuring a sound supply chain management in partnership with suppliers, NGOs, and other organizations.



Makiko Akabane

Director Japan, CSR Asia

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.

I would like to see more of the backstory on how LOTTE procures its products.

This is the fourth time I have participated in a dialogue with the company, and I have seen how our past discussions have been reflected in practice, such as starting to display the best-by dates in a year/month format on some of your products. I have also noticed some innovative approaches to disclosure in this Sustainability Report. The results highlights page is now presented in a graphical format, which makes it much easier to identify the progress toward targets.

From the perspective of food loss and waste reduction and community involvement, I know that you continue to donate to food banks, but your engagement need not be limited to donating products. Food bank organizations are often small and face the challenge of lacking space to store donated goods. I encourage you to consider additional ways to contribute, such as offering such organizations a portion of your refrigerators or freezers to use as storage space.

As awareness of the SDGs grows, communication with consumers is also becoming increasingly important. There are many things that may seem commonplace to people within the company, but that are unknown to those outside the organization, so I encourage you to proactively disclose a range of information. One major tool for communication with consumers is product packaging. I believe that there are many ways to utilize packaging, such as telling the story behind your procurement or explaining the difference between best-by dates and expiration dates. I hope that LOTTE will continue to think of innovative and unique ways to communicate with consumers.



Rumi Ide

Journalist in the Problem of Food Loss and Waste

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 Mikanau 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. As in 2020, our 2021 dialogue was again conducted online as part of COVID-19 prevention measures.

This year reaffirmed to me the important role that LOTTE has to play.

2020 was an extremely difficult year for society as a whole due to the COVID-19 pandemic. Many LOTTE associates are essential workers who are unable to work from home, such as those working in the company's factories. I can only imagine how difficult it must be for you to continue your business activities while paying the utmost attention not only to food safety and security, but also to employee health. Although I personally found the extended period of staying at home exhausting at times, having a snack or sweets helped to calm my mind, and these moments reminded me of the important role that LOTTE is playing in these uncertain times.

In the midst of all this, in July 2020 a charge for plastic bags was introduced in Japan. Although some have argued that disposable plastic is more hygienic, particularly given the current increased awareness regarding hygiene, the focus on ethical consumption and the reduction of plastic waste remains high. I feel that there is particularly keen interest among the younger generation such as high school and university students.

To achieve your goal of increasing the percentage of people who consciously practice *kamukoto* (chewing) to 50% or more by 2028, I would like to see you further communicate your various initiatives and the results of research. One of the things that people associate with chewing is chewing gum. Since LOTTE was founded as a chewing gum manufacturer, I hope you will continue to be innovation drivers in this area, such as devising new etiquette for when chewing gum or new ways to enjoy it.



Yuki Urago

Secretary General, Consumers Japan*

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 liferelated topics]

I hope you will use the 9 years remaining until the SDG target year in a meaningful way

Compared to the Sustainability Report 2020, this year's report is much easier to understand. 2020 was the year in which interest in the SDGs was extremely high due partly to the COVID-19 pandemic. As I observed the initiatives toward the SDGs implemented by a range of companies, this year I started to notice a clearer difference between superficial initiatives and sincere efforts. Going forward, I hope to see LOTTE also take a more active role in contributing to the 169 targets of the SDGs.

In particular, I believe that LOTTE has the capability to make further contributions to food-related goals and targets. I would like to see you disclose your value creation story based on evidence regarding which LOTTE products that contribute to health can help achieve SDG targets. I would also like to see you promote initiatives related to the product life cycle, from the perspective of partnerships with consumers. As consumers become increasingly conscious of societal issues, I believe there will be situations where they experience difficulties in disposing of packages. For example, I would like to see initiatives to co-create new value by engaging with consumers to explore whether it is possible to collect the packaging of products they have finished with. There are nine years remaining until the SDGs target year of 2030. I know that LOTTE is serious about the SDGs, and it is for this reason I have high hopes that you will make meaningful use of this time to achieve even greater progress.



Norichika Kanie

Professor
Graduate School of Media and
Governance,
Keio University

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. Selected by the UN Secretary-General as one of 15 independent scientists to author the 2023 Global Sustainable Development Report. 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.



DIALOGUES WITH EXPERTS

I hope you will create new value that only LOTTE can deliver.

I have participated in the dialogue since last year, and I believe LOTTE is moving forward in a positive way. I commend the fact that the company has set a purpose and many ambitious goals. The next thing I would like you to set is a vision. In particular, in light of the spread of teleworking and other changes brought about by the pandemic, I believe we need to redefine what constitutes a company. Previously, many people were under the illusion that if they showed up to work, they would naturally become part of the company, but going forward, a company must be a group of people who share the same goals, no matter where they are located. In the current era, where the fundamental meaning of what defines a company is being put to question, I believe a vision will fulfill a key role as a foothold for employees to base their actions on, as well as a source of job satisfaction.

In addition, with regard to the theme of Demonstrating Employees' Abilities, it is important to foster a corporate culture that allows employees to innovate and contribute. For employees, the awareness that their work is helping to improve society leads to greater motivation and creates an environment in which innovation is more likely to occur. I believe that LOTTE is a company that can deliver happiness, both on the day-to-day level and on a wider, societal scale. In addition to the delicious taste that LOTTE's chocolate delivers, it also provides a livelihood for cacao farmers. I hope you will continue working to deliver new value while continuing to value and respect stakeholders, both inside and outside the company.



Peter David Pedersen

Executive Director, (NPO) NELIS
Professor, Graduate School of Leadership
and Innovation, Shizenkan University

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; General Incorporated Association), a global network of young sustainability leaders. In 2019, he took up the additional post of professor at the Graduate School of Leadership and Innovation, Shizenkan University. He assumed his current role in 2020.

Responding to the Experts

We will continue our steady efforts to fulfill the expectations placed on us in order to help realize a sustainable society.

This year, we once again conducted dialogues with five external experts representing our stakeholders. I feel that these occasions are a truly valuable opportunity for us to obtain an objective assessment of our initiatives during the year, as well as to receive advice on how we can improve further. For example, during the previous dialogues, we were advised that having a purpose is critical in building a strong and vibrant organization, and we set a Purpose last year. At the same time, the COVID-19 pandemic served as a valuable opportunity for employees to reaffirm the meaning of LOTTE's existence in society and reconsider the value we should strive to deliver.

This year we have again received many suggestions and words of encouragement. With societal interest in the SDGs growing through the experience of the COVID-19 pandemic, the comment that it is becoming evident which companies are serious about the SDGs and which are not served to strengthen my resolve. The recommendation that we promote the value that our products such as confectionery and ice cream can deliver happiness, both on the day-by-day level and a wider, societal scale also filled me with encouragement.

We will continue our steady efforts to fulfill the expectations placed on us in order to help realize a sustainable society.



Kenichiro Sakai

Executive Officer
LOTTE CO., LTD.

REPORT ON ACTIVITIES FOR FY2020

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 CO., LTD. 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.

-
- 28 Organizational Governance
 - 29 Human Rights
 - 31 Labor Practices
 - 40 The Environment
 - 46 Fair Operating Practices
 - 50 Consumer Issues
 - 57 Community Involvement and Development
-

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, 2021

Type of System	Company with Board of Corporate Auditors
Number of Directors	8 directors (4 outside directors, of whom 1 is a woman)
Number of 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. Moreover, 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 violations 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

In FY2019 we identified the human rights issues to prioritize for action by undertaking human rights risk assessment and conducting a risk survey. First, 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 in relation to the potential issues we had determined.

*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 and Progress in Addressing Risks

We identified the potential human rights risks listed below through the risk assessment and the survey. We are planning and implementing measures to address these human rights risks, and disclosing our progress accordingly.

Potential Human Rights Risks

	Human rights risks identified	Specific concerns	Action and progress
In our own operations (Japan)	Discrimination and harassment	Insufficient human rights education for employees	In the first half of 2021, we provided e-learning for all LOTTE CO., LTD. employees. E-learning will be continued and extended to subsidiaries.
		Insufficient support for minorities including the LGBTQ community and people with disabilities	In the second half of 2021, we will provide training to promote understanding toward the LGBTQ community and people with disabilities. For more details, please see "Diversity" on page 31.
In our own operations (Overseas)	Discrimination and harassment	Insufficient grasp of human rights risks	In the first half of 2021, we investigated risks at bases in Thailand, Vietnam, and Indonesia in detail.
Supply chain	Discrimination and harassment	Insufficient supply chain management capacity	In 2021, we commenced supplier management using Sedex. For more details, please see "Building a Responsible Supply Chain" on page 48.
	Forced and child labor	Child labor in regions producing cacao beans	By procuring Fair Cacao we are promoting the monitoring of child labor and support for children in producing regions. For more details, please see "Primary Raw Materials #1: Cacao Beans" on pages 46 to 47.
	Lack of respect for fundamental rights of workers	Forced and child labor in regions producing palm oil	We are increasing the ratio of third-party verified oil we use. For more details, please see "Primary Raw Materials #2: Palm Oil" on pages 47 to 48.
	Lack of respect for rights of indigenous people or local residents		

Employee Education

▶ Human Rights Training

In the first half of 2021, LOTTE CO., LTD. provided human rights training for all its employees through e-learning. In addition to promoting a basic understanding of human rights, including our prohibition of discrimination, the training also made use of case studies to explain specific situations to be careful about in the course of business activities. We plan to continue implementing this training continuously, extending it to subsidiaries as well.

▶ Harassment Prevention Training

LOTTE CO., LTD. provides harassment prevention training for all its employees. In accordance with the Policy on Human Rights, which prohibits all forms of discrimination and harassment, we provide training to promote an understanding of harassment and to create a harassment-free workplace. In addition to addressing power harassment and sexual harassment, we also explain about the need to avoid sexual orientation and gender identity (SOGI) harassment. Moreover, we inform employees about our consultation desk and the process in case an incident does occur.

In addition, we explain to managers what follow-up action they should take if a report is made to the harassment consultation desk and provide new employees with training on how to use it.

▶ Whistleblowing Point-of-Contact

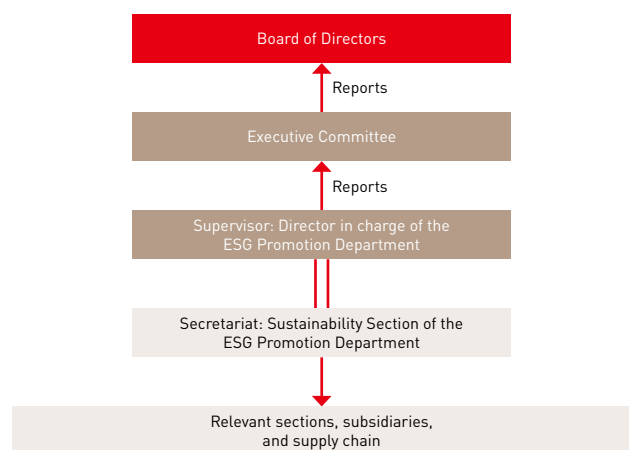
LOTTE CO., LTD. has established the “Clean Line” as a point-of-contact for whistleblowing from both inside and outside the Company. The Clean Line handles requests for advice and whistleblowing reports from employees (for more details, please see “Whistleblowing System” on page 49).

Human Rights Management

▶ System for Promoting Human Rights Management

Human rights issues are wide-ranging, and they affect not only our company itself but also all our business activities, including the supply chain. We therefore take action to raise awareness about human rights issues and conduct human rights due diligence in collaboration with the relevant sections and subsidiaries. The director in charge of LOTTE CO., LTD.’s ESG Promotion Department acts as supervisor while the department’s Sustainability Section serves as the secretariat. The director in charge provides reports on the risks determined through human rights due diligence, and progress in addressing those risks, to the Executive Committee and the Board of Directors.

Promotion System



Labor Practices

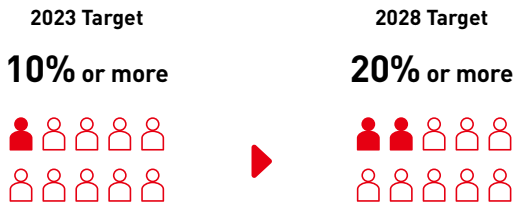
The most important pillar of support for a business is its human resources. We are working to establish a workplace environment where every employee can demonstrate their full potential, perform their duties in a lively manner, and maintain a healthy body and mind. In doing so, we aim to achieve corporate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

As of March 31, 2019	5.3%
As of March 31, 2020	5.3%
As of March 31, 2021	5.9%

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.

▶ Promoting Diversity

■ Promoting Diversity and Inclusion

In January 2021, LOTTE CO., LTD. joined the IkuBoss Corporate Alliance, which supports the creation of diverse workplaces, thereby communicating a message from management regarding the promotion of diversity and inclusion. During the course of 2021 we plan to provide diversity management training for all managers.

■ 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 to nurture the 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.

■ Employing Those with Disabilities

Another aspect of our efforts to promote diversity is our employment of people with disabilities, whom we are aiming to employ at a rate exceeding that required by law. 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 stairs, steps, or other obstacles. In 2021 we plan to start training to promote understanding toward people with disabilities for all LOTTE CO., LTD. employees.

Percentage of Employees with Disabilities

As of March 31, 2020	2.2% (legal requirement: 2.2%)
As of March 31, 2021	2.4% (legal requirement: 2.3%)

Scope of Tabulation

LOTTE CO., LTD. and Mary Chocolate 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

FY2018 Number of applicants:	178	Ratio re-employed: 100%
FY2019 Number of applicants:	121	Ratio re-employed: 100%
FY2020 Number of applicants:	95	Ratio re-employed: 100%

Scope of Tabulation

Applicants aged 60 to 64 at LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

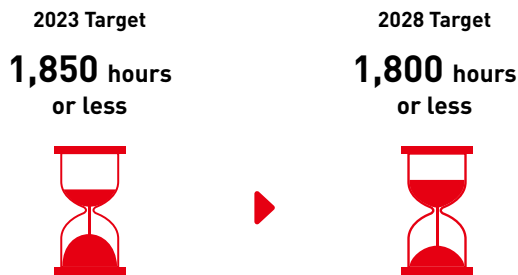
■ Measures to Supporting the LGBTQ Community

LOTTE CO., LTD.’s efforts to promote diversity also include measures to support the LGBTQ community as a means of providing workplace environments in which everybody can perform their job with peace of mind. Our Policy on Human Rights clearly stipulates that we prohibit discrimination based on sexual orientation or gender identity, and we provide training on human rights and the prevention of harassment to all employees in line with this policy. During 2021 we plan to commence training to promote understanding toward the LGBTQ community for all LOTTE CO., LTD. employees.

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%)
FY2020	Total working hours: 1,885 hours Total hours worked outside of work hours (excluding managerial staff): 131 hours Days of paid leave taken: 13.3 (Usage rate: 66.4%)

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 the effective use of time and place, improve productivity, and enable workers experiencing life events such as parenting or 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. Systems we have implemented include a refresh leave system.

▶ Balancing Life Events with Work

LOTTE CO., LTD. provides various forms of support to enable employees to continue working with peace of mind while experiencing life events such as pregnancy, parenting, or caregiving.

■ Support for Pregnancy

LOTTE CO., LTD. supports employees to ensure they have a worry-free start to their maternity leave and experience a smooth return to the workplace afterward. An 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.

Support for Parenting

To enable employees raising children to continue working with peace of mind while balancing parenting and employment, LOTTE CO., LTD. offers a broader selection of company support schemes than is legally required. We also provide other forms of assistance including on-site childcare centers (on the premises of our Urawa and Sayama factories), training for employees and their supervisors after an employee returns from childcare leave, and the gifting of a book on parenting to employees. In FY2021, we started holding regular lunchtime get-togethers to enable networking among employees who are parents. We are also encouraging male employees to take childcare leave by ensuring that everybody is aware of the scheme and providing in-company training.



On-site childcare center

Use of Childcare Leave Scheme

FY 2019	Number of employees who took childcare leave	43 (Men: 7 Women: 36)
	Ratio of eligible employees who took childcare leave	38% (Men: 9% Women: 100%)
	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)
FY 2020	Number of employees who took childcare leave	55 (Men: 16 Women: 39)
	Ratio of eligible employees who took childcare leave	48% (Men: 21% Women: 100%)
	Ratio of employees who returned to work after childcare leave	100% (Men: 100% Women: 100%)
	Retention rate after childcare leave	100% (Men: 100% Women: 100%)
	Number of parents who worked shorter hours	139 (Men: 2 Women: 137)

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

Scope of Tabulation

LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Support for Caregiving

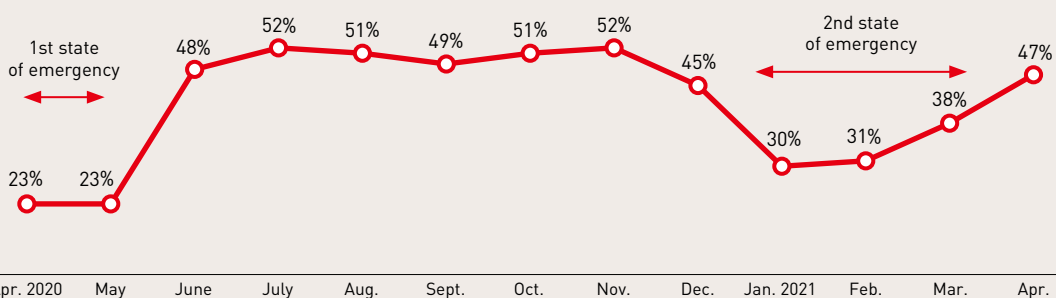
LOTTE CO., LTD. provides support to enable employees with caregiving commitments to continue working with peace of mind while balancing caregiving and employment. We offer a broader selection of company support schemes than is legally required, and also provide access to an external consultation desk so that employees can seek advice from experts regarding their caregiving-related concerns and problems. As a further benefit, we provide a specialized website for employees that they can use to gather information and search for care facilities and services.

COLUMN

On-site Work at Head Office (In Shinjuku Ward, Tokyo)

To prevent the spread of COVID-19 and ensure the safety of employees and their families, LOTTE CO., LTD. has continued its business activities while taking measures to prevent infection. We have work arrangements in place combining on-site work, working from home, and the use of satellite offices, according to the infection status in each region and the type of work to be performed. We also strive to prevent infection by ensuring that employees working onsite always wear masks, wash their hands, use sanitizer, and monitor their temperatures.

Ratio of Employees Working Onsite at Head Office (In Shinjuku Ward, Tokyo), FY2020



The states of emergency above are the periods during which states of emergency had been declared in Tokyo.

Scope of Tabulation

Regular and temporary employees working at the head office of LOTTE CO., LTD. (excluding some employees required to work on-site to maintain production and other business activities)

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 with High Job Satisfaction (According to Employee Satisfaction Survey)

FY2018 survey	59.1%
FY2019 survey	60.1%
FY2020 survey	62.7%

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 the 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. In FY2020, the COVID-19 pandemic prevented us from providing the usual in-person group training, but we are steadily introducing training employing new formats, including online provision.

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

FY2018	Training expenses: ¥87 million Average annual training hours per employee: 8 hours
FY2019	Training expenses: ¥89 million Average annual training hours per employee: 9 hours
FY2020	Training expenses: ¥45 million Average annual training hours per employee: 5 hours

Figures for the previous fiscal year have been restated due to an error.

Scope of Tabulation

LOTTE CO., LTD.

■ 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 offering employees the opportunity to apply for training through LOTTE-novation College, we provide foreign language training, e-learning, and correspondence courses to enable them to acquire a wide variety of knowledge and skills.

■ 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

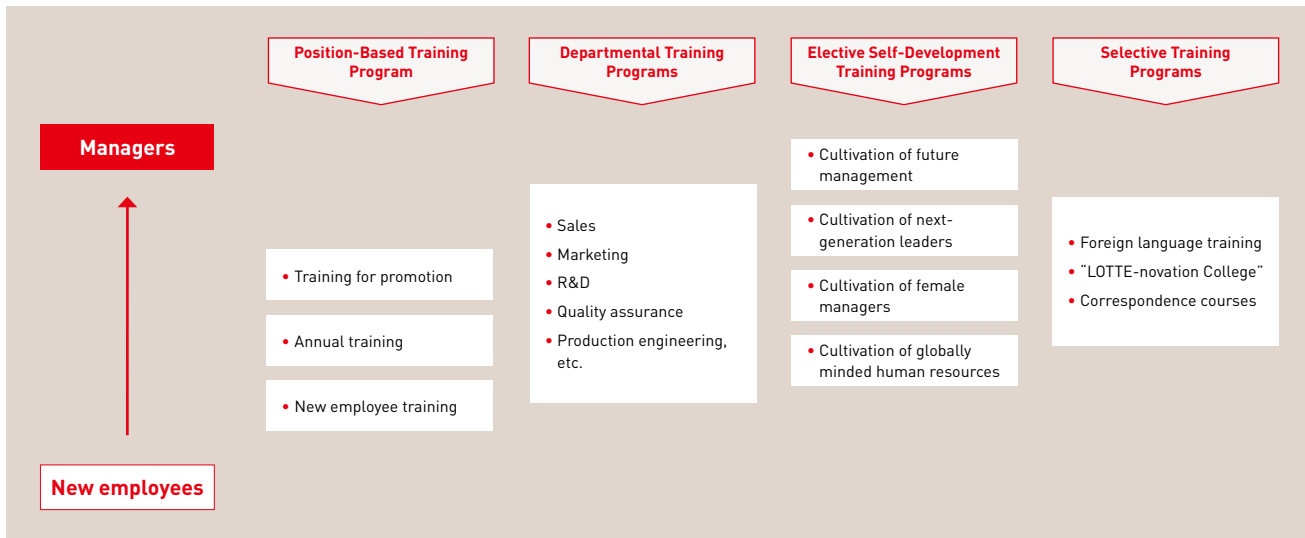
■ Encouraging Career Planning (Self-Reporting System)

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

Health Management Declaration

We believe that a company develops with the health of its personnel. We are committed to creating a workplace environment where employees can work with a healthy body and mind, in line with our Health Management Declaration, which articulates this belief.

Health Management Declaration

For LOTTE to continue growing sustainably by delivering “Everyday sweet life” and contributing to the enrichment of people’s lives, we believe it is important for us to create a work environment in which our employees are healthy in body and mind, and every employee can demonstrate their full potential.

Accordingly, we regard maintaining and improving the health of our employees and their families as a key issue in managing the Company, and will continue to take a proactive approach to health management.

1. We will respect employees’ diversity and strive to create workplaces that are inclusive of every single person in order to help employees achieve life-work balance.
2. We will help employees and their families to improve their health and endeavor to create a work environment in which our employees are healthy in body and mind, and can work free of worry.
3. We will encourage employees to be aware of self-care and support their efforts to maintain and improve their health.

System for Promoting Health Management

The director in charge of LOTTE CO., LTD.’s HR Department and Labor Administration Department is the person responsible for promoting health management. The Labor Administration Department, the HR Department, the ESG Promotion Department, and the Health and Safety Committee coordinate, cooperating with the LOTTE Health Insurance Society, the labor union, and the occupational health physicians to manage employees’ health.

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.

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.

Ratio of Employees Receiving Check-ups

FY2019	Medical checkups	100%
	Secondary checkups	84%
	Stress checks	92%
FY2020	Medical checkups	100%
	Secondary checkups	83%
	Stress checks	88%

Scope of Tabulation

LOTTE CO., LTD.

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 providing prizes for those who record the number of steps they take each day and reach their targets.

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. and Mary Chocolate Co., Ltd. provide 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.

Examples of Risk Reduction Measures

- Raised awareness of accident risk by introducing equipment that enables employees to experience potential dangerous situations
- Improved productivity and reduced the risk of lower back pain by improving workbenches
- Implemented measures to prevent equipment overturning or colliding outside production lines

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.

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

FY2018	Accidents with absence: 50 (18 in Japan; 32 overseas) Serious accidents: 0
FY2019	Accidents with absence: 50 (17 in Japan; 33 overseas) Serious accidents: 0
FY2020	Accidents with absence: 38 (16 in Japan; 22 overseas) Serious accidents: 0

Scope of Tabulation

LOTTE CO., LTD., Mary Chocolate Co., Ltd., and overseas subsidiaries

Number of Work-Related Fatalities

FY2018	0
FY2019	0
FY2020	0

Scope of Tabulation

LOTTE CO., LTD., Mary Chocolate Co., Ltd., and overseas subsidiaries

Lost-time Injury Frequency and Severity Rates (In Japan)

FY2020	Frequency rate 1.53	Severity rate 0.0424
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Scope of Tabulation

LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Calculation Methods

Lost-time injury frequency rate: No. of fatalities or injuries associated with accidents with absence / Total no. of working hours x 1 million

Lost-time injury severity rate: No. of working days lost due to accidents with absence / Total no. of working hours x 1 thousand

Human Resources Data

Employee Information

▶ Number of Employees (People)	As of March 31, 2019			As of March 31, 2020			As of March 31, 2021		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Group	10,475	—	—	10,428	—	—	9,844	—	—
Full-time employees	6,598	—	—	6,609	—	—	6,668	—	—
Part-time employees	3,877	—	—	3,819	—	—	3,176	—	—
Japan	6,022	—	—	5,900	—	—	5,708	—	—
Full-time employees	3,057	1,940	1,117	3,099	1,952	1,147	3,165	1,982	1,183
Part-time employees	2,965	—	—	2,801	—	—	2,543	—	—
LOTTE CO., LTD.	4,700	—	—	4,628	—	—	4,618	—	—
Full-time employees	2,361	1,679	682	2,405	1,700	705	2,493	1,747	746
Part-time employees	2,339	—	—	2,223	—	—	2,125	—	—
Mary Chocolate Co., Ltd.	1,322	—	—	1,272	—	—	1,090	—	—
Full-time employees	696	261	435	694	252	442	672	235	437
Part-time employees	626	—	—	578	—	—	418	—	—
Overseas	4,453	—	—	4,528	—	—	4,136	—	—
Full-time employees	3,541	—	—	3,510	—	—	3,503	—	—
Part-time employees	912	—	—	1,018	—	—	633	—	—
Asia	2,854	—	—	2,743	—	—	2,652	—	—
Full-time employees	2,624	—	—	2,529	—	—	2,456	—	—
Part-time employees	230	—	—	214	—	—	196	—	—
Europe and the United States	1,599	—	—	1,785	—	—	1,484	—	—
Full-time employees	917	—	—	981	—	—	1,047	—	—
Part-time employees	682	—	—	804	—	—	437	—	—

▶ Average Age of Employees (Age)	As of March 31, 2019			As of March 31, 2020			As of March 31, 2021		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Japan	38.8	39.5	37.7	38.7	39.3	37.6	38.8	39.4	37.8
LOTTE CO., LTD.	38.7	39.2	37.5	38.5	39.0	37.1	38.5	39.1	37.0
Mary Chocolate Co., Ltd.	39.2	41.2	38.0	39.5	41.3	38.5	40.0	41.5	39.2

▶ Average Length of Employment (Years)	As of March 31, 2019			As of March 31, 2020			As of March 31, 2021		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Japan	15.0	15.8	13.7	15.0	15.8	13.7	15.2	15.9	14.0
LOTTE CO., LTD.	16.0	15.8	16.4	15.8	15.8	16.1	15.9	15.9	15.9
Mary Chocolate Co., Ltd.	11.7	15.7	9.5	12.0	15.7	10.0	12.6	16.1	10.7

▶ Number of Managers (People)	As of March 31, 2019			As of March 31, 2020			As of March 31, 2021		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Group	739	609	130	754	616	138	714	565	149
	Ratio of managers (%)			17.6%			18.3%		
Japan	491	465	26	495	469	26	439	413	26
	Ratio of female managers (%)			5.3%			5.9%		
LOTTE CO., LTD.	383	367	16	384	369	15	337	322	15
	New graduates			294			278		
	Mid-career			89			59		
Mary Chocolate Co., Ltd.	108	98	10	111	100	11	102	91	11
	New graduates			93			86		
	Mid-career			15			16		
Overseas	248	144	104	259	147	112	275	152	123
	Ratio of female managers (%)			41.9%			44.7%		

Hiring and Dismissal / Retirement

▶ Number of Employees Hired (People)	FY2018			FY2019			FY2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Japan	222	113	109	199	103	96	183	103	80
	New graduates			164			170		
	Mid-career			58			13		
LOTTE CO., LTD.	151	97	54	156	93	63	157	97	60
	New graduates			141			150		
	Mid-career			10			7		
Mary Chocolate Co., Ltd.	71	16	55	43	10	33	26	6	20
	New graduates			23			20		
	Mid-career			48			6		

▶ Number of Employees Retired / Dismissed (People)	FY2018			FY2019			FY2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Japan	147	76	71	126	71	55	95	53	42
	Retirement			51			20		
	Personal reasons			96			75		
LOTTE CO., LTD.	88	62	26	70	51	19	50	34	16
	Retirement			20			10		
	Personal reasons			68			40		
Mary Chocolate Co., Ltd.	59	14	45	56	20	36	45	19	26
	Retirement			31			10		
	Personal reasons			28			35		

▶ Turnover Rate (%)	FY2018			FY2019			FY2020		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
LOTTE CO., LTD.	2.7	2.3	3.7	1.9	1.7	2.5	1.6	1.4	2.1
	New graduates employed less than 3 years (%)			0.7			0.6		

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 Greenhouse Gas Emissions

▶ Medium-Term Targets and Results

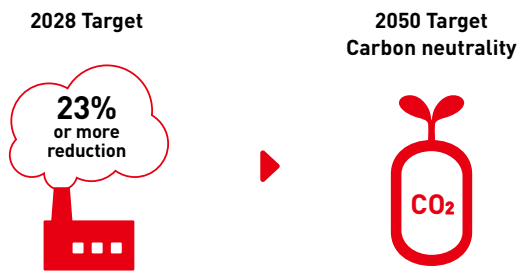
We aim to reduce Scope 1 and 2* energy-related CO₂ emissions, our primary producer of greenhouse gases, by 23% or more by FY2028 compared to levels in FY2019. Furthermore, we are targeting carbon neutrality by FY2050.

* 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)

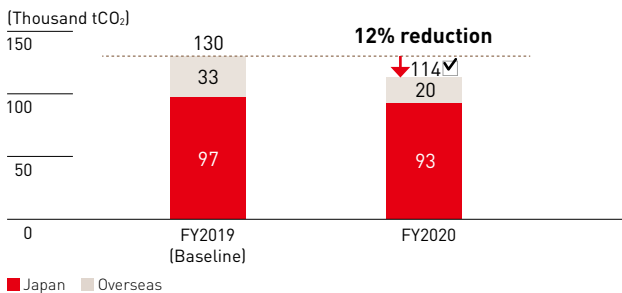


Note: In comparison with FY2019

■ Scope 1 and 2

We succeeded in reducing Scope 1 and 2 energy-related CO₂ emissions in FY2020 by 12% compared with the baseline year of FY2019. This significant reduction was achieved through the installation of highly efficient equipment in factories and the switch to renewable energy for a portion of the electricity used at factories, combined with continuous energy-saving activities.

Energy-Related CO₂ Emissions



Figures for the previous fiscal year have been restated due to an error.

Data indicated with ✓ have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd. (Please see page 64)

Scope of Tabulation

Japan: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Overseas: Major overseas subsidiaries (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

Calculation Methods

Scope 1: CO₂ Emissions = Σ [Fuel consumption x emission factors]

Scope 2: CO₂ Emissions = Σ [Volume of purchased electricity, etc. x emission factors]

Emission Factors

Japan: The emission factors for Scope 1 emissions are based on the Act on Promotion of Global Warming Countermeasures, while for Scope 2 emissions the adjusted emission factors determined separately by individual power companies based on the same Act are used.

Overseas: The emission factors for Scope 1 emissions have been determined according to the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, while the emission factors for Scope 2 emissions have been determined according to the International Energy Agency [IEA] Emission Factors 2020. 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	FY2020
1. Purchased goods and services	541	518
2. Capital goods	72	55
3. Fuel- and energy-related activities (not included in Scope 1 or 2)	17	17
4. Upstream transportation and distribution	56	55
5. Waste generated in operations	1	1
6. Business travel	0.4	0.4
7. Employee commuting	2	2
8. Upstream leased assets	—*	—*
9. Downstream transportation and distribution	37	37
10. Processing of sold products	—*	—*
11. Use of sold products	—*	—*
12. End-of-life treatment of sold products	90	89
13. Downstream leased assets	—*	—*
14. Franchises	—*	—*
15. Investments	—*	—*
Total	817	774 ✓

* Excluded from calculation as there were no applicable emissions

Data indicated with ✓ have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd. (Please see page 64).

Scope of Tabulation

LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Calculation Methods

Category 1: GHG Emissions = Σ [Weight of raw materials purchased × emissions intensity, etc. [1]] + Σ [Value of purchased goods and services other than raw materials × emissions intensity, etc. [2]]

Category 2: GHG Emissions = Σ (Value of capital goods \times emissions intensity, etc. [2])
 Category 3: GHG Emissions = Σ (Energy consumption \times emissions intensity, etc. [1] or [2])
 Category 4: GHG Emissions = Σ (Ton-km of transportation \times emissions intensity, etc. [1])
 $+$ Σ (Ton-km of transportation \times fuel consumption per ton-km of transportation \times emissions intensity, etc. [2])
 $+$ Σ (Transportation distance/average fuel efficiency \times emissions intensity, etc. [3])
 $+$ Σ (Electricity consumption for cargo handling & storage \times emissions intensity, etc. [4])
 Scenarios are employed for transportation relating to consigners that are not Specified Consigners as defined in Japan's Act on the Rational Use of Energy.
 Category 5: GHG Emissions = Σ (Amount of waste emissions according to type and disposal method \times emissions intensity, etc. [1] or [2])
 Category 6: GHG Emissions = Σ (No. of employees \times emissions intensity, etc. [2])
 Category 7: GHG Emissions = Σ (No. of employees \times no. of operating days \times emissions intensity, etc. [2])
 Category 9: Same as Category 4
 Category 12: GHG Emissions = Σ (Amount of waste emissions according to type and disposal method* \times emissions intensity, etc. [1])

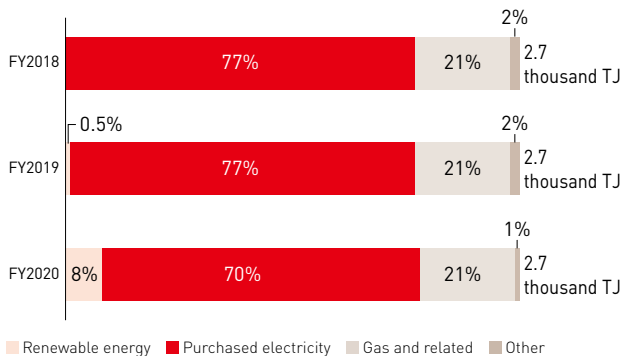
* Weight of purchased packaging materials is used as an amount of waste emissions.

Emissions Intensity, etc.

- [1] IDEA Ver. 2.3 (the greenhouse gas emissions database of the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry)
- [2] Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain [Ver. 3.1] of the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- [3] Emission factors used for the reporting system targeting Specified Consigners pursuant to the Act on the Rational Use of Energy
- [4] Alternative emission factors determined separately by individual power companies based on the Act on Promotion of Global Warming Countermeasures

Energy Input

Volume of Energy Input



Scope of Tabulation

Same as CO₂ emissions

Utilizing Renewable Energy

In April 2019, the head office of LOTTE CO., LTD., located in the Shinjuku ward of Tokyo, switched to the Aqua Premium program, which uses 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. We are also adopting renewable energy at our domestic factories in stages, and in February 2020, LOTTE Wedel sp. z o.o. in Poland



Head office

switched to power derived from wind power generation, another form of renewable energy. Moving forward, we will continue to constrain our greenhouse gas emissions by utilizing renewable energy, thereby contributing to the prevention of global warming.

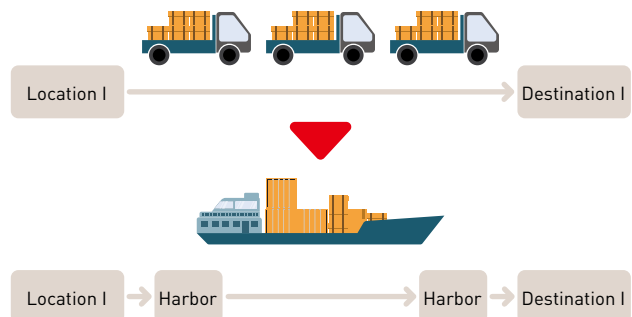
Logistics Initiatives

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.



Information Disclosure Relating to the Impacts of Climate Change

In May 2021, LOTTE CO., LTD. declared its support for the TCFD*¹ and joined the TCFD Consortium,*² a discussion forum for member companies and financial institutions. Going forward, we will strive to disclose climate change-related information in accordance with the TCFD's recommendations.



*¹ Task Force on Climate-related Financial Disclosures: Established by the Financial Stability Board (FSB) in 2015 in response to a request from the G20. The task force compiled recommendations advising companies to disclose information relating to climate change-related risks and opportunities.

*² TCFD Consortium: Established in 2019 as a forum for discussing the effective disclosure of information by companies, and measures to ensure that the disclosed information leads to appropriate investment decisions by financial institutions and other investors.

Refrigerants (CFCs)

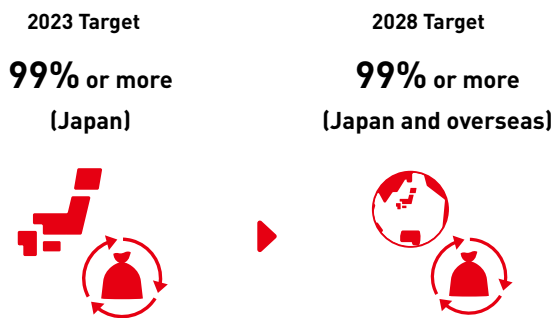
LOTTE CO., LTD.'s factories use CFCs as refrigerants for cold storage and freezing equipment. In light of the impact on global warming caused by the leakage of CFCs, we take steps to reduce risk by regularly inspecting equipment to manage CFCs correctly. At the same time, we are switching systematically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

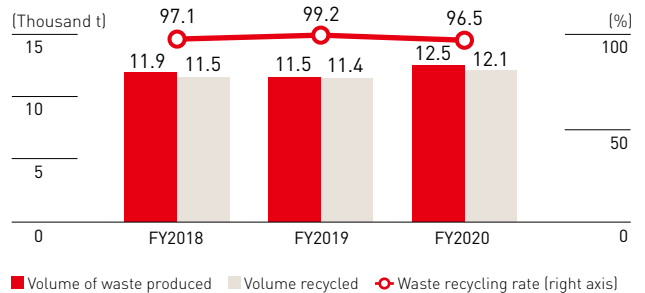
▶ Medium-Term Targets and Results

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.



In FY2020, waste generated by major operating sites in Japan amounted to 12.8 thousand tons. Of that total, 12.5 thousand tons of waste were generated by production processes, of which 96.5% was recycled. Going forward, we will make efforts throughout the value chain to restrict waste production and promote proper recycling, aiming 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 the 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.

2028 Target
50% or more reduction



* Per-unit volume comparison with FY2019

FLW Produced and Per-Unit Volume

FY2019 (Baseline)	FLW produced: 3.3 thousand tons Per-unit volume: 0.013
FY2020	FLW produced: 3.1 thousand tons Per-unit volume: 0.012 [5.3% reduction compared with baseline]

Figures for the previous fiscal year have been restated due to an error.

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

Per-unit volume = FLW produced / (Sales volume + FLW produced)

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 Reduction 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 Reduction Initiative: An initiative 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 the 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

COLUMN

The World's First* Ice Cream Freezer Incorporating CO₂-Based Freezing Equipment Put to Practical Use (Urawa Factory, LOTTE CO., LTD.)

As LOTTE CO., LTD.'s factories account for more than half of the Group's energy-related CO₂ emissions, they strive to dramatically increase energy efficiency in addition to engaging in continuous energy-saving activities.

The Urawa Factory succeeded in putting the world's first* ice cream freezer incorporating CO₂-based freezing equipment to practical use. This new freezer employs the natural refrigerant CO₂ instead of CFCs, which cause destruction of the ozone layer, or CFC substitutes with high global warming potential.

Conventional CO₂ refrigerant was regarded as unsuitable for large freezing or refrigerating equipment. However, the Urawa Factory collaborated with a freezer manufacturer to work on development, and by combining accumulated technical expertise and knowledge with the latest technologies, they were able to overcome the various challenges and arrive at practical application. The significant energy-savings that resulted enabled the factory to reduce its CO₂ emissions. This project received the ESG Award as part of the LOTTE Awards for 2020 in recognition of the persistence of those involved and their refusal to give up in the face of many challenges before the freezer was ready for practical use. We will continue striving to dramatically increase energy efficiency as we work toward achieving our Medium-Term ESG Targets.



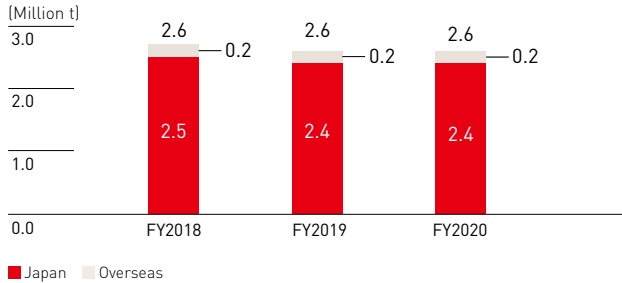
* According to LOTTE's own research



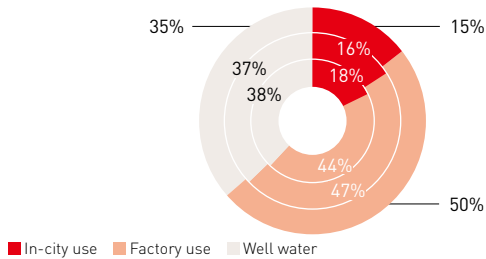
Water Resources

▶ Water Consumption

Volume of Water Used



Water Usage Ratio (Inner: FY2018, Middle: FY2019, and Outer: FY2020)



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)

	FY2018	FY2019	FY2020
Total raw materials	275	275	270
Ingredients	204	206	202
Packaging materials	72	69	68
Paper	52	49	50
Plastic	14	15	14
Other	5	5	4

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 48).

Environmental Management

▶ Environmental Management

■ Promotion System

The Sustainability Section of the ESG Promotion Department of LOTTE CO., LTD. serves as secretariat to promote groupwide environmental activities. 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, the Urawa, Sayama, Kyushu, and Shiga factories operated by LOTTE CO., LTD., have acquired ISO 14001 certification, the International Organization for Standardization’s standard for environmental management systems.

■ Environmental Audits

The Urawa, Sayama, Kyushu, and Shiga factories 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.

■ 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 FY2020, there were no serious environmental accidents or compliance violations.

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.

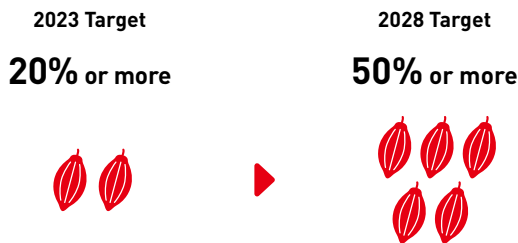
Primary Raw Materials

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 FY2020, the Company procured 8.3 thousand tons of cacao beans, 11.0% of which was Fair Cacao. Going forward, we will continue cooperating with producing regions and suppliers to increase our Fair Cacao procurement ratio.

Amount of Cacao Beans Procured

FY2018	6.4 thousand tons, Fair Cacao 7.9%
FY2019	7.5 thousand tons, Fair Cacao 4.0%
FY2020	8.3 thousand tons, Fair Cacao 11%

Scope of Tabulation

LOTTE CO., LTD.

Weight of cacao procured in the form of beans

▶ Fair Cacao Project

Cacao bean producing regions are affected by a range of issues including poverty among farmers and child labor. As chocolate is one of our main products, the sustainable procurement of cacao beans is an important issue for the Company, and we have therefore been using our procurement activities to provide various types of support to producing regions. Our activities contributing to a sustainable cacao industry, pursued under the Fair Cacao Project, comprise both procurement activities and support for producing regions.

As one of our procurement activities under the Fair Cacao Project, we supplemented the support we were already providing via purchasing from designated regions by starting to monitor child labor. This means that we designate producing regions from which we will procure beans and add a fixed premium to the amount we pay for cacao beans procured from those areas, and that premium is then used for monitoring child labor and providing support in those regions. Our purpose is not only to discover and counteract child labor, but also to use the monitoring to reveal issues that vary among regions to provide support appropriate to each region. We use the term Fair Cacao to refer to cacao beans procured 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. Our support for farmers, and the children who comprise the next generation of farmers, will lead to the sustainable procurement of cacao beans.

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 public health activities in the Republic of Ghana since 2008. We have been supporting donations of reconditioned bicycles that health promotion workers and midwives use to provide health education via home visits, as well as the construction of wells to ensure the availability of safe and clean water. In recent years, we have focused on measures to prevent infectious diseases, supporting improved hygiene in public health facilities and the training of healthcare personnel, among other initiatives.



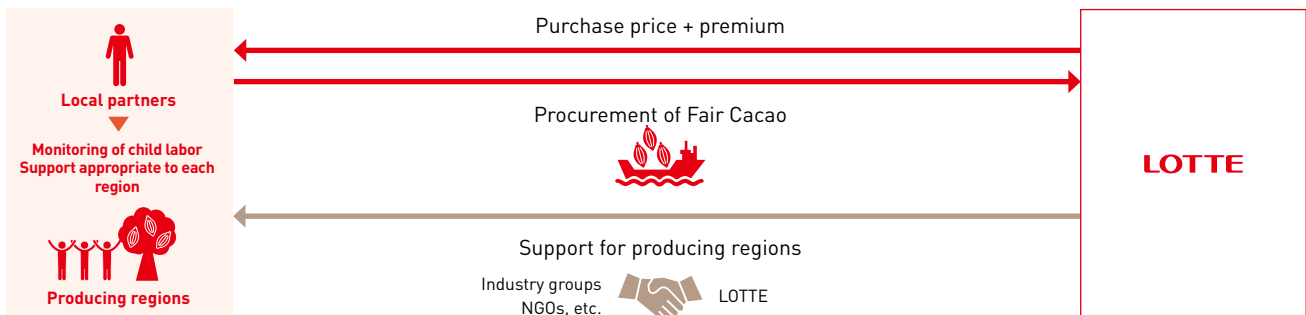
UN World Food Programme (WFP)

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 program. We participate in the "Red Cup Campaign," designed to help deliver school meals and support the WFP school feeding program in the Republic of Ghana.



School feeding programme ©WFP / Mandang-ba Mustapha

Overview of Fair Cacao Project



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 FY2020, the Company procured 16.0 thousand tons of palm oil, 7.5% of which was oil verified by third parties. We will continue working to procure palm oil sustainably and increase the ratio of third-party verified oil.

2023 Target

100%
(Japan)



2028 Target

100%
(Japan and overseas)



Amount of Palm Oil Procured

FY2018	15.9 thousand tons, third-party verified oil 0%
FY2019	15.4 thousand tons, third-party verified oil 0%
FY2020	16.0 thousand tons, third-party verified oil 7.5%

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

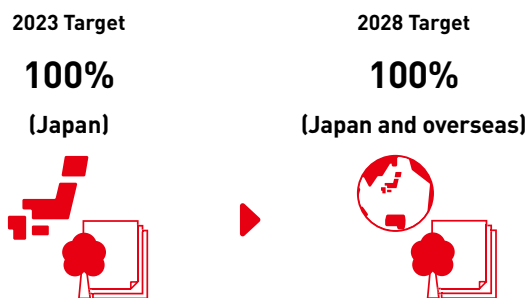
To promote the sustainable procurement of palm oil, we joined the RSP0. Through our association with the RSP0, we will work with palm oil-oriented companies and organizations and contribute to the sustainable development of the entire palm oil industry.



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 FY2020, 42.7 thousand tons of paper was procured for product containers and packaging in Japan, of which 94% was environment friendly—a 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)

FY2018	45.5 thousand tons, environment-friendly paper 92%
FY2019	42.5 thousand tons, environment-friendly paper 93%
FY2020	42.7 thousand tons, environment-friendly paper 94%

Scope of Tabulation

LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

Building a Responsible Supply Chain

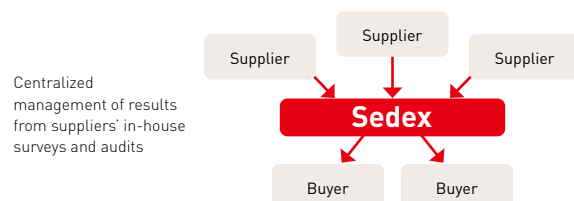
▶ Sharing Our Values

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 hold regular orientations on these guidelines to further deepen understanding and strengthen supplier relationships.

▶ Monitoring of Suppliers

In 2021, we joined Sedex,* the world's largest platform for sharing sustainability-related data and other results from in-house surveys and audits. From now on, we will make use of Sedex to evaluate and gather data on our suppliers. We intend to request tier 1 suppliers who are not Sedex members to join the platform and use it to share data.

* Sedex: Supplier Ethical Data Exchange. An NPO set up in the UK in 2004 that provides a platform for sharing and managing companies' ethical data with the aim of establishing responsible business practices within supply chains.



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 multilingual 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 FY2020, compliance was covered in annual training, as well as in training for new employees and those being promoted. 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. The Clean Line deals with compliance infringements of all kinds, including human rights issues such as harassment, misconduct such as fraudulent claims for expenses or taking data outside company premises, legal violations, or violations of company regulations. Employees can send whistleblowing reports or consult by telephone, email, letter, etc., and if a victim is involved, we take immediate action to help them. When responding, we strive to protect the privacy of the whistleblower and take the utmost care to prevent any disadvantage

from being incurred as a result of making a report. Beginning in 2018, we started to roll out an external whistleblowing system for LOTTE CO., LTD. and subsidiaries in Japan and overseas, thus improving the effectiveness of our internal whistleblowing system.

Number of Consultations and Reports



Scope of Tabulation

LOTTE CO., LTD.

▶ Compliance Violation

In FY2020, 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 development and production sites 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



Complete introduction of the system to all domestic and overseas development and production sites



Continue to operate the system in all domestic and overseas development and production sites

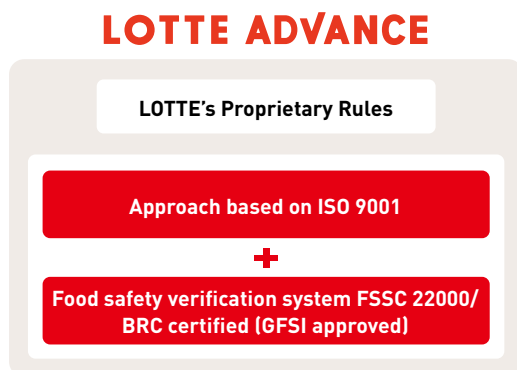
▶ LOTTE ADVANCE, Our New Quality Assurance System

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 recognized by GFSI that we have acquired as a company. Starting from this base, LOTTE ADVANCE incorporates the approach of 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. Focusing primarily on products sold in Japan, 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.

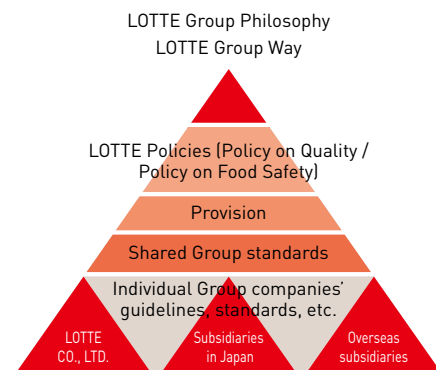
LOTTE ADVANCE will be used for our mainstay products of confectionery and ice cream. It comprises provisions associated with the Policy on Quality and the Policy on Food Safety, standards common to the entire Group, and guidelines that determine specific rules for LOTTE CO., LTD. and each of its subsidiaries. LOTTE CO., LTD.’s 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-Related Documentation



▶ Quality Assurance in the Supply Chain

■ Quality Assurance Promotion System

LOTTE CO., LTD.'s Quality Assurance Department 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.'s 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, focusing primarily on products sold in Japan, 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.

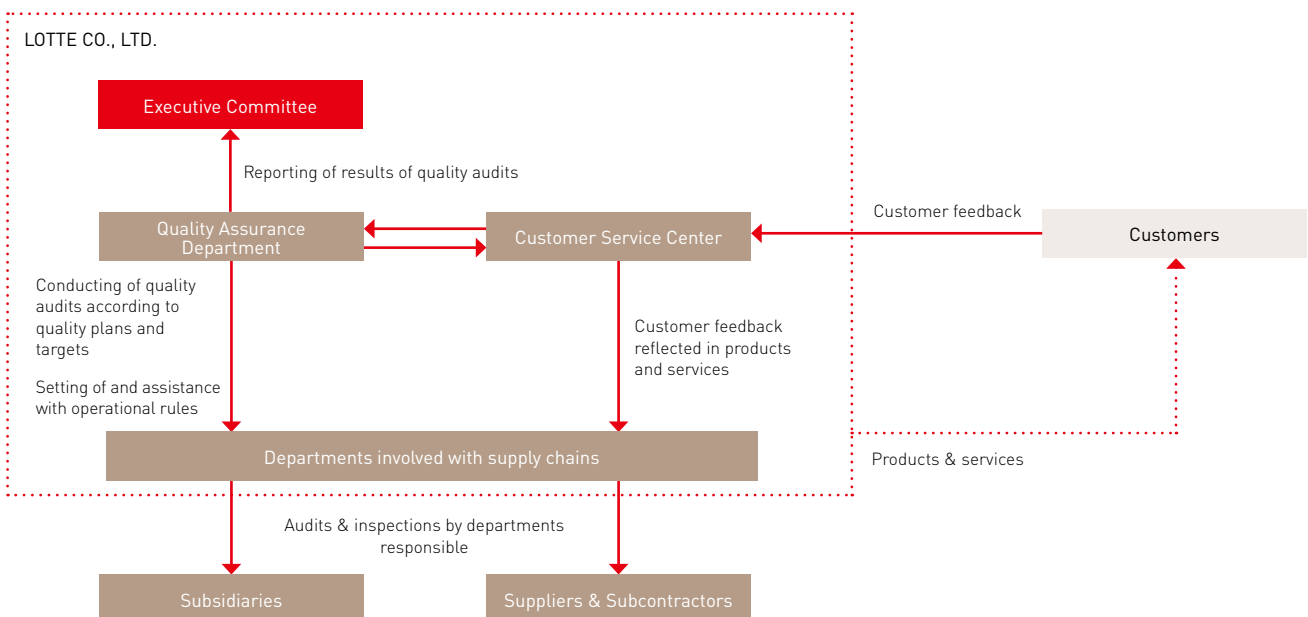
■ Raw Material Procurement

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 the 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.

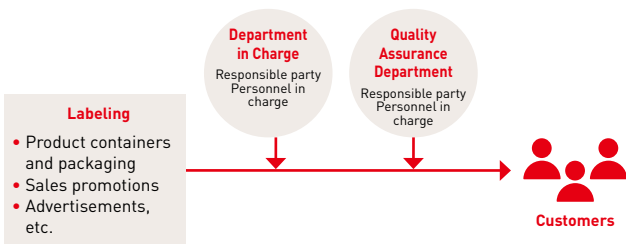
Quality Assurance Promotion System



■ Selling

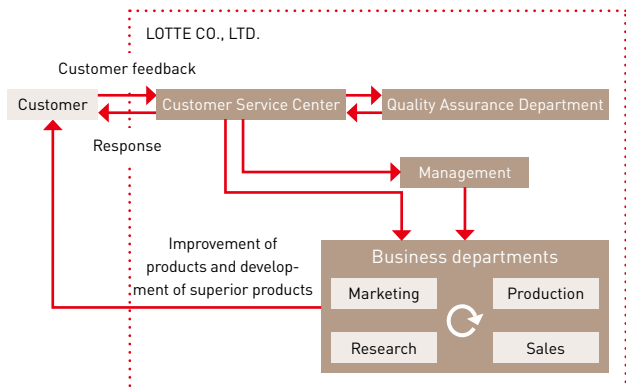
To enable customers to buy and consume our products with peace of mind, labeling related to product packaging, sales promotions, and advertisements is conducted in accordance with all relevant laws and regulations, with every effort made to provide information to customers in an easy-to-comprehend manner 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 labeling to improve the knowledge of those in charge of the task.

LOTTE CO., LTD.'s Label Checking System



■ Communication with Customers

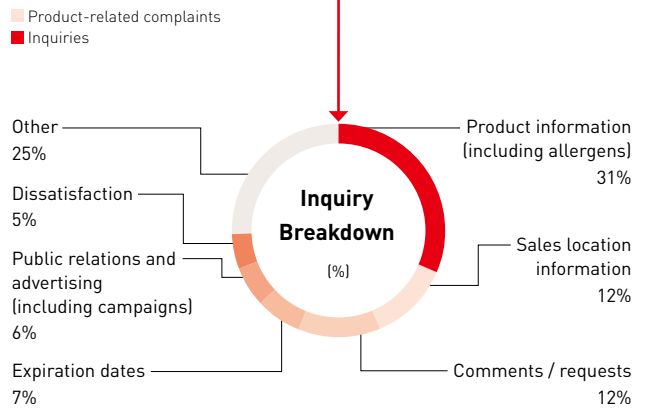
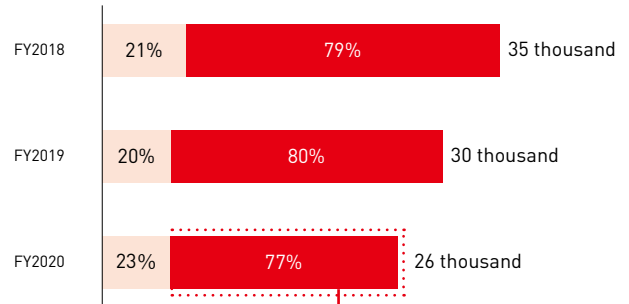
LOTTE CO., LTD. has established a Customer Service Center as a means to handle customer inquiries and consultations, which is part of our commitment to providing sincere support and clear information so that customers can use our products and services with peace of mind. Customer feedback is shared with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



▶ Number of Inquiries from Customers and Breakdown

In FY2020, LOTTE CO., LTD.'s Customer Service Center received roughly 26 thousand inquiries from customers.

Number of Inquiries from Customers



Scope of Tabulation

LOTTE CO., LTD.

▶ Recalls and Legal Violations

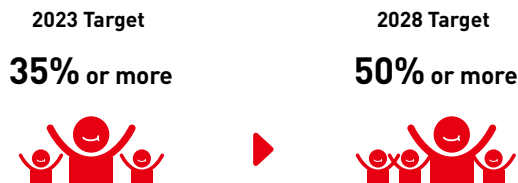
In FY2020, there were no recalls or violations of laws and regulations by LOTTE CO., LTD. or its subsidiaries. In addition, neither LOTTE CO., LTD. nor its subsidiaries committed any violations of the Act against Unjustifiable Premiums and Misleading Representations that were publicized by Japan's Consumer Affairs Agency.

Spreading Kamukoto (Chewing) Awareness

We are a company with postwar origins in chewing gum, 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%
May 2021 survey	20%

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

▶ Kamukoto Research and Sharing of Results

We are striving to contribute to the enrichment of people's lives by spreading awareness of *kamukoto*, having established the *Kamukoto* Research Laboratory, which specializes in conducting related research and sharing research results with the public. We have come to understand that *kamukoto* is closely associated with the health of the entire body, and we believe that it can be used to help resolve a range of societal challenges relating to healthy longevity and well-being. We are also working to popularize chewing gum as a means to put *kamukoto* into practice as a solution.



■ Positive Impact of Pre-Meal Chewing on Postprandial Blood Glucose Level

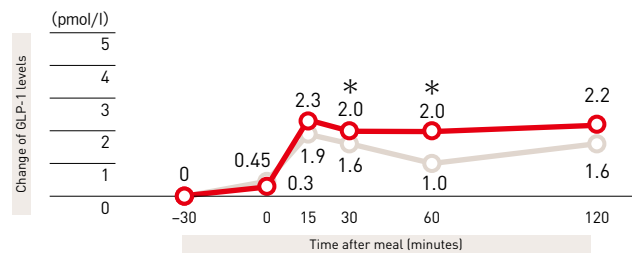
After intaking the meal, the carbohydrates (sugars) contained in foods cause an increase of blood glucose levels, and the mechanism of glycemic response regulates blood glucose to be a normal level. It is said that if the mechanism is burdened by taking high-sugar diet constantly, it will lead to lifestyle-related diseases such as diabetes.

It is already known that chewing well during meals is beneficial in terms of keeping blood glucose levels lower. A new study published in 2020 reported that pre-meal chewing also had a positive impact on the postprandial glycemic response.

In the research, healthy adult males were enrolled as subjects to compare blood components and it was found that when they chewed tasteless, calorie-free chewing gum for 15 minutes before the ingestion of cooked rice, postprandial GLP-1* levels increased significantly compared with the treatment without chewing gum. Moreover, lower blood glucose levels right after the consumption of the test meal and higher insulin levels 15 minutes after the test meal were observed.

* GLP-1: A type of hormone categorized as "incretin". GLP-1 is reported to have beneficial effects on the body, such as promoting insulin secretion, regulating the movement of the gastrointestinal tract, and protecting internal organs.

Changes of Blood GLP-1 Levels



○ GUM- treatment ● GUM+ treatment

* Shows a statistically significant difference (P<0.05)

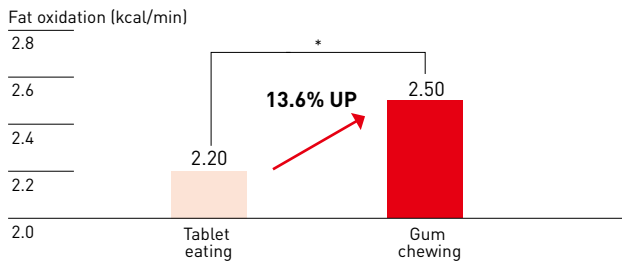
Source: Takahara M, Fukuda M, Matsuzawa Y, and Shimomura I. "Effect of tasteless calorie-free gum chewing before meal on postprandial plasma glucose, insulin, glucagon, and gastrointestinal hormones in Japanese men without diagnosed glucose metabolism disorder: a pilot randomized crossover trial." *Diabetology International*. 2020; 11: 394-402.

■ Gum Chewing While Walking Increases Fat Oxidation

It has been reported that chewing gum while walking for exercise increases the amount of fat oxidation.

In this study, men and women aged between 20 and 60 were recruited to compare physical and physiological effects while walking while chewing gum or eating tablets. It was found that fat oxidation was significantly higher in the gum-chewing trial than in the tablet trial. It was also observed that the energy expenditure increased in the gum-chewing trial.

Comparison of Fat Oxidation While Walking for Exercise

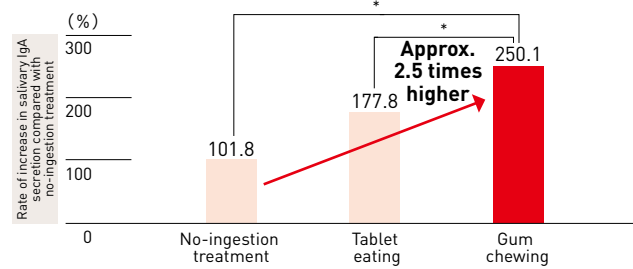


Source: Kanno S, Shimo K, Ando T, Hamada Y, Miyashita Y and Osawa K. "Gum chewing while walking increases fat oxidation and energy expenditure." *J Phys Ther Sci.* 2019; 31(5): 435-439.

■ Gum Chewing Increases IgA Secretion in Saliva

There is an immune substance called IgA in saliva. IgA plays the role of the first defense mechanism against foreign substances, such as viruses and bacteria that have entered the mouth and prevents foreign substances from entering the body. It has been reported that chewing gum increases the volume of saliva as well as the amount of IgA. In research that measured the volume of saliva and amount of IgA secretion while chewing gum, it was found that IgA secretion and saliva volume were significantly increased by approximately 2.5 times after chewing gum for five minutes, compared with the no-ingestion treatment.

Change of IgA Secretion with Gum Chewing



Source: Matsui M, Sugano N, Osawa K and Kobayashi H. "Effect of S-IgA secretion in saliva by chewing gum—A randomized, open, crossover trial." *Japanese Pharmacology & Therapeutics* 2020; 48 (12): 2161-2166

▶ 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.

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 with 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 the percentage of people in Japan who have made xylitol part of their daily lives for the sake of their dental and oral health to 50% or more.

2028 Target

50% or more



July 2020 survey	32%
May 2021 survey	32%

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

▶ Project Xylitol: Your Own Teeth for 100 Years

As one of our initiatives to achieve the Medium-Term ESG Target, we launched this project in 2020 to spread the habit of preventing cavities by making xylitol part of daily life. Following the example of Finland, which is a leader in preventive dentistry, we are working with local governments and dental associations on initiatives to spread oral care habits comprising toothbrushing, fluoride, and xylitol, supplemented by regular dental checkups.

Overall Purpose of Initiatives

Achieve Medium-Term ESG Target

Goal of Initiatives

Spread the habits of toothbrushing, fluoride, and xylitol, supplemented by regular dental check-ups, to help maintain dental health in Japan through xylitol.

Details of Initiatives

1. Recommendation of cavity-prevention programs through coordination with local governments and dental associations
2. Provision of xylitol tablets to educational institutions such as kindergartens and nursery schools

As our first initiative, we provided xylitol tablets with their own special dispensers to kindergartens and nursery schools in the city of Aizuwakamatsu, Fukushima Prefecture, with the support of the local government. In addition to instilling oral care habits from early childhood, we will also consider collaboration with the city's dental associations to undertake activities that utilize data on the incidence of cavities among children taking the xylitol tablets.



Special dispenser for xylitol tablets

▶ Xylitol Explained

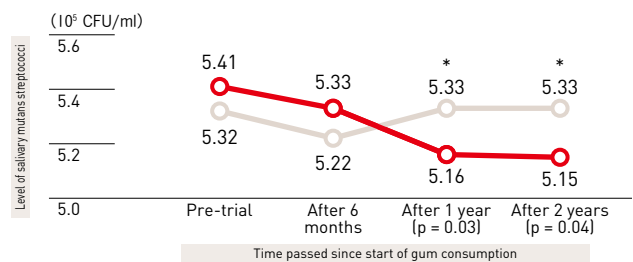
Xylitol is a type of sugar alcohol that does not create the acid that causes cavities; it is made from trees such as white birch and oak. It is roughly as sweet as sugar, but has fewer calories at around 3

kcal/g, compared with sugar's 4 kcal/g. Xylitol's key distinguishing feature is the smooth burst of refreshing coolness it delivers.

■ Reduction of 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 with a control group, the level of salivary mutans streptococci in the gum-consuming group was reduced and cavity progression was held in check.

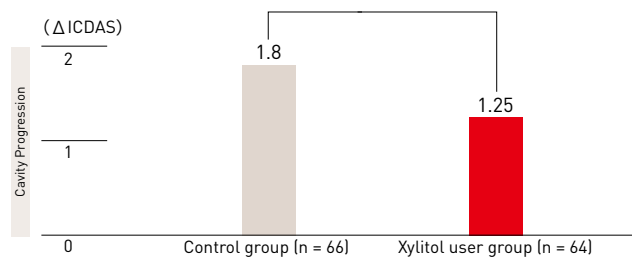
Changes in Level of Salivary Mutans Streptococci after Consuming Chewing Gum Containing Xylitol



○ Control group (n = 66) ● Xylitol user group (n = 64)
* Shows a statistically significant difference

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)



* Shows a statistically significant difference (P=0.01)

Source: Cocco, F., Carta, G., Caletti, M.G. et al. *Clin Oral Invest* (2017) 21: 2733
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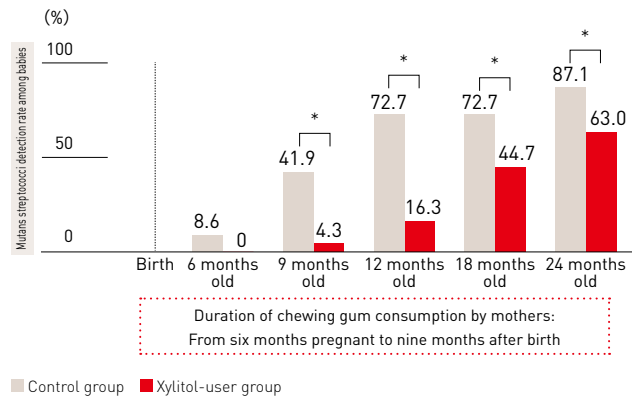
Every day for a year the xylitol user group consumed six tablets of chewing gum containing 30% xylitol, equating to 2.5 grams of xylitol per day. During the following year, when they did not consume any gum, they underwent follow-up observation. The control group consumed chewing gum that contained no xylitol for a year, and during the following year, when they did not consume any gum, they also underwent follow-up observation.

■ Mitigation of 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 consumed chewing gum containing xylitol as its only sweetener for 13 months. The xylitol consumption targeted was 5 grams or more per day, but the actual average amount consumed was 3.83 grams 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

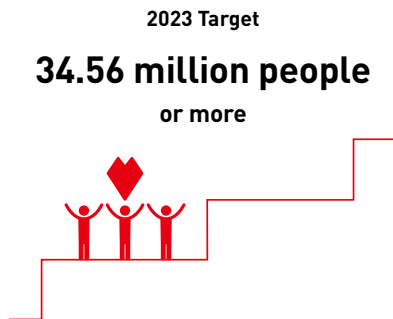
The research targeted pregnant women with high levels of mutans streptococci.
* Shows a statistically significant difference

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 the 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.



FY2018	25.30 million people
FY2019	24.36 million people
FY2020	21.98 million people

* Purchase rate of target brands SCI purchase rate (over target period) × Japanese population.
Target brands refer to *Xylitol*, *Foods with Function Claims*, *Nodoame*, *Zero*, *Nyusankin Chocolate*, 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 not only 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.

Community Involvement and Development

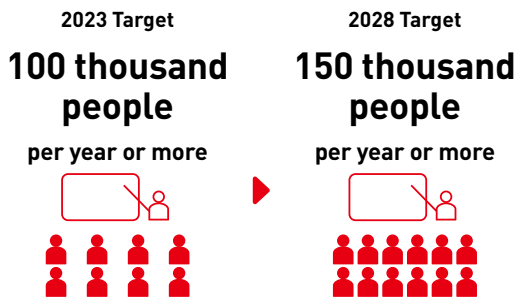
The values and culture surrounding food varies, not only by country and region but also by generation. As a company that operates globally, and as a member of local and international communities, we respect a wide range of cultures and values while contributing to local sustainable development and providing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

Food Education

We view food as a resource for good health, and on that basis, we use a variety of means to engage in food education activities aimed at spreading accurate food knowledge and promoting greater understanding, including offering factory visits to schoolchildren and the public, and school visits by our employees.

▶ 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

FY2018	50 thousand people (Factory visit attendees: 36 thousand people)
FY2019	63 thousand people (Factory visit attendees: 36 thousand people)
FY2020	41 thousand people (Factory visit attendees: 0 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. During this suspension, we are fully refurbishing the factory's visiting facilities to provide even more impressive experiences for visitors.

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



Factory visit

■ Remote Factory Tours

LOTTE CO., LTD. is planning to offer remote factory tours. Customers all over Japan can participate in these tours, which will explain the factory manufacturing process, as well as our commitment to excellence and creative techniques with regard to raw materials and manufacturing methods. The remote tours will be interactive, including quiz-style questions for the participants.



■ Virtual Factory Tours

LOTTE CO., LTD. is launching virtual factory tours on its website using graphics and videos to provide easy-to-understand explanations of the process from procurement and processing of raw materials through to the end product.



■ School Visits

We provide food education in elementary schools by means of school visits.* Our lessons enable children to have fun while learning about key approaches to product development, among other topics. Creative thinking is cultivated by encouraging the children to come up with new ideas as they themselves work to develop confectionery products.

* We employ a full range of measures to prevent COVID-19 during lessons, including ventilation and disinfection. Some lessons are held online, depending on the infection status at that time



School visits



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 FY2020, the company held events to inspect and transplant existing cherry trees at three schools: Sagara Village Sagara Kita Elementary School in Kumamoto Prefecture, Izumo Municipal Taisha Elementary School in Shimane Prefecture, and Toyama Municipal Furusawa Elementary School in Toyama Prefecture. In addition, the company provided support during the COVID-19 pandemic by donating chocolates to healthcare and caregiving professionals, as well as children at orphanages.



Messages of thanks received from children at orphanages

▶ 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 the 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	

■ Wedel Academy

LOTTE Wedel sp. z o.o. is implementing initiatives in line with the three CSR priority issues shown in the left column. One such initiative is the Wedel Academy, which draws on its employees' skills. In FY2020, the first Wedel Academy online workshops were held. LOTTE Wedel sp. z o.o.'s employees shared their knowledge, skills, and interests with young people living in medical and care homes, and attending educational institutions, offering them support related to a variety of spheres of endeavor to enable the young people to play active roles within their current institutions, as well as after leaving.



■ Utilizing Renewable Energy

In February 2020, LOTTE Wedel sp. z o.o. switched all of its energy use to renewable energy derived from wind-powered generation. The company reduced its CO₂ emissions for FY2020 by approximately 12,000 tons by utilizing renewable energy.



■ Procurement of Third-Party Verified Oil

LOTTE Wedel sp. z o.o. has set the target of switching 100% of the palm oil it uses to oil certified by the RSPO or other third parties by FY2021. In FY2020, third-party verified oil accounted for 57% of the palm oil the company procured. The company will continue contributing to the widespread use of sustainable palm oil through activities to boost interest in the RSPO, among other initiatives.

▶ **THAI LOTTE CO., LTD.**

■ **Donation Activities**

THAI LOTTE CO., LTD. provided support during the COVID-19 pandemic by donating chocolate confectionery to orphanages and elsewhere.



▶ **LOTTE VIETNAM CO., LTD.**

■ **Raising Awareness of Xylitol**

From January to May 2021, employees from LOTTE VIETNAM CO., LTD. visited a total of 38 universities in Hanoi and Ho Chi Minh City to raise awareness of the beneficial effects of xylitol through events and lectures. At the same time, the company organized dental check-ups to assist students in maintaining their dental and oral health. Employees also visited elementary schools to tell children

about the importance of keeping one's mouth healthy and the beneficial effects of xylitol.



▶ **PT. LOTTE INDONESIA**

■ **Adapting to the Local Culture**

PT. LOTTE INDONESIA has established prayer spaces in offices and factories for its Muslim employees. It allows prayer breaks of around 10 minutes five times a day at the Islamic prayer times.



Donations

▶ **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.

* We support: 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 accept the delivery.

■ **Support for Families with Children**

To support families with children that have been affected by the COVID-19 pandemic, LOTTE CO., LTD. provided free confectionery through Save the Children Japan's*1 Summer Vacation Children's Food Support Box*2 project.

*1 Save the Children Japan: The Japanese branch of an international organization established in 1919 that implements private-sector, non-profit initiatives to help children. In Japan, the organization has been working since 1986 to find solutions to issues such as child poverty and abuse. During the COVID-19 pandemic it has supported families suffering economic hardship by providing them with food and other necessities, aiming to improve children's diets, while also working to provide opportunities for children to play.

*2 Summer Vacation Children's Food Support Box: An initiative to support families with children that have been affected by the COVID-19 pandemic by delivering boxes containing a selection of food products for their children. It is a collaborative project involving the Consumer Goods Forum's Japan Sustainability Local Group and the Japan project of the World Resources Institute's 10x20x30 Food Loss and Waste Reduction Initiative, as well as Save the Children Japan. By involving multiple organizations working in collaboration, the project is able to provide a wide variety of food products and expand in scale to an extent that would be difficult for a single organization or company to achieve, thereby enabling efficient and sustainable operation.

Sustainability Activities

Promotion System

Sustainability-related activities are promoted by the officer in charge of LOTTE CO., LTD.'s ESG Promotion Department, who acts as manager, and the ESG Promotion Department's Sustainability Section, which serves as the secretariat, acting in collaboration with related departments and subsidiaries. The Sustainability Section also formulates sustainability-related policies and strategies, monitors progress toward meeting the Medium-Term ESG Targets, and cooperates with related departments to implement initiatives. The officer in charge provides reports to the Executive Committee and the Board of Directors on the progress toward meeting the Medium-Term ESG Targets and on important matters relating to sustainability.

In addition, the Sustainability Section is responsible for disclosure of information; it 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.



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 24). In addition, the Company promotes these efforts based on ISO 26000, the International Organization for Standardization's standard for social responsibility, and the SDGs and other international initiatives.

Lectures Involving Experts

The Sustainability Section of the ESG Promotion Department of LOTTE CO., LTD. holds a lecture series arranged by materiality themes and involving external experts. Previous lectures are published on the company's intranet in order to share them with employees who are unable to attend in person. In FY2020, we changed the lectures to an online video streaming format, enabling more employees to watch them.

Lectures Held

FY2018	Food loss and waste (Relevant materiality theme: Environment)
	Diversity (Relevant materiality theme: Demonstrating Employees' Abilities)
FY2019	Food labeling (Relevant materiality theme: Food Safety and Reliability)
	Oral frailty*1 (Relevant materiality theme: Food and Health)
	Palm oil (Relevant materiality theme: Sustainable Procurement)
FY2020	Food safety (Relevant materiality theme: Food Safety and Reliability)
	The "ikuboss"*2 (Relevant materiality theme: Demonstrating Employees' Abilities)
	Food education (Relevant materiality theme: Food and Health)

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

*2 In Japan, hands-on fathers are referred to as "ikumen" (combining the Japanese word "iku," meaning "parenting," with the English word "men"). In the same vein, an "ikuboss" is a manager who supports his or her team members in achieving balance between their work, and home commitments such as parenting or caring.

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 the 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 FY2020, we included explanations on sustainability in our training for newly appointed managers and assistant managers.

MESSAGE



Makoto Sato

General Manager
ESG Promotion Department
LOTTE CO., LTD.

Promoting Sustainability-Related Activities

The world has been transformed by the COVID-19 pandemic. In order to prevent infection, we have spent more time at home, our opportunities to meet up with family living in separate households or close friends have decreased definitively, and various restrictions have been imposed on daily life. However, such changes in our lifestyles and values have provided a chance for us to reconsider sustainability on a global scale. At the same time, a marked increase in media coverage of the United Nations' SDGs has highlighted the rising interest in sustainability.

2020 was also the year in which Japan joined other nations in moving decisively toward the goal of a sustainable society. The Japanese government announced its declaration of carbon neutrality, pledging to reduce greenhouse gas emissions to net-zero by 2050, thereby clearly articulating its aim to work toward a decarbonized society. In addition, Japan announced its National Action Plan pursuant to the United Nations Guiding Principles on Business and Human Rights, which clearly stipulate what is expected of companies in terms of human rights due diligence.

LOTTE CO., LTD. responded to such societal trends as we redoubled our efforts, aiming to contribute to realizing a sustainable society. We set a new target of achieving carbon neutrality as a company by FY2050. Moreover, having started to implement human rights due diligence before the announcement of Japan's National Action Plan, we are moving ahead with measures to reduce human rights risk. Our rapid adoption of new work styles to prevent the spread of COVID-19 proved effective, and we made substantial progress toward our Medium-Term ESG Targets for work-style reform. This sustainability report describes our initiatives in this regard. We at LOTTE CO., LTD. will continue to take our stakeholders' opinions on board as we step up the pace of our action to contribute to realizing a sustainable society.

LOTTE'S Sustainability Initiatives

ESG	ISO 26000 Seven Core Subjects	Major Issues	Items in This Report	Materiality	
E	The Environment	Reducing Greenhouse Gas Emissions (page 40)	Greenhouse Gas Emissions Energy Input Logistics Initiatives, etc.	Environment	
		Refrigerants (CFCs)(page 42)	Switching to CFC Substitutes and Natural Refrigerants		
		Waste Reduction and Recycling (page 42)	Waste Production and Waste Recycling Rate		
		Reduction Rate of Food Loss and Waste (FLW) (page 42)	Reduction Results of FLW Produced and Initiatives to Reduce FLW		
		Water Resources (page 44)	Water Consumption Water Risks		
		Raw Materials (page 44)	Raw Materials Procurement Volume Environment-Friendly Containers and Packaging		
		Environmental Management (page 45)	Environmental Activities Promotion System, etc.		
S	Human Rights	Human Rights Due Diligence (page 29)	Human Rights Risk Assessment and Survey to Grasp Underlying Risks Human Rights Risks Identified and Progress in Addressing Risks	Demonstrating Employees' Abilities	
		Employee Education (page 30)	Human Rights Risks Identified Training		
		Human Rights Management (page 30)	System for Promoting Human Rights Management		
	Labor Practices	Diversity (page 31)	Promoting Diversity		
		Life-Work Balance (page 32)	Using a Flexible Work Style to Increase Productivity Balancing Life Events with Work		
		Employee Engagement (page 34)	Employee Satisfaction Survey		
		Human Resource Cultivation (page 34)	Human Resource Cultivation Programs Career Development Support		
		Health Management (page 36)	Health Management		
		Occupational Health and Safety (page 37)	Occupational Health and Safety System Safety Audits and Inspections, Past Occupational Accidents		
	Fair Operating Practices	Labor Relations (page 37)	Labor Relations		
		Sustainable Procurement (page 46)	Primary Raw Materials		Sustainable Procurement
		Sustainable Procurement of Cacao Beans (page 46)	Fair Cacao Project		
		Sustainable Procurement of Palm Oil (page 47)	Results Related to Palm Oil Procurement		
Sustainable Procurement of Paper (page 48)		Results Related to Paper Procurement			
Building a Responsible Supply Chain (page 48)		Sharing Our Values, etc.			
Compliance (page 49)	Compliance Training Whistleblowing System Information Security, etc.				
Consumer Issues	Food Safety and Reliability (page 50)	LOTTE ADVANCE, Our New Quality Assurance System Quality Assurance Promotion System, etc.	Food Safety and Reliability		
	Spreading <i>Kamukoto</i> (Chewing) Awareness (page 53)	Spreading <i>Kamukoto</i> (Chewing) Awareness, etc.	Food and Health		
	Dental and Oral Health (page 54)	Xylitol Explained, etc.			
	Helping People Lead Healthy Lives through Our Products (page 56)	LOTTE-novation			
Community Involvement and Development	Food Education (page 57)	Food Education Activities (Factory Visits, School Visits, etc.)			
	Initiatives at Subsidiaries in Japan (page 58)	Mary Chocolate Co., Ltd.			
	Initiatives at Overseas Subsidiaries (page 58)	LOTTE Wedel sp. z o.o. (Poland) THAI LOTTE CO., LTD. LOTTE VIETNAM CO., LTD. PT. LOTTE INDONESIA			
	Donations (page 59)	Donations Related to the COVID-19 Pandemic			
G	Organizational Governance	Corporate Governance (page 28)	Corporate Governance, etc.		
		Risk Management (page 28)	Risk Management System Countermeasures for Large-Scale Disasters		

Independent Practitioner's Assurance of Greenhouse Gas Emissions

Energy-related CO₂ emissions (Scope 1 and 2) and greenhouse gas emissions in Japan (Scope 3) for FY2020 indicated with ✓ on page 40 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

August 26, 2021

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) and greenhouse gas emissions (Scope 3) indicated with ✓ for the year ended March 31, 2021 (the "Greenhouse Gas Information") included in the "LOTTE CO.,LTD. SUSTAINABILITY REPORT 2021" (the "Report") of LOTTE CO., LTD. (the "Company").

The Company's Responsibility

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

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 Greenhouse Gas 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 Greenhouse Gas 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	2,493 6,668 (Consolidated)
	(As of March 31, 2021 for domestic sites; as of December 31, 2020 for overseas sites)

Website

Please visit our website for more information.

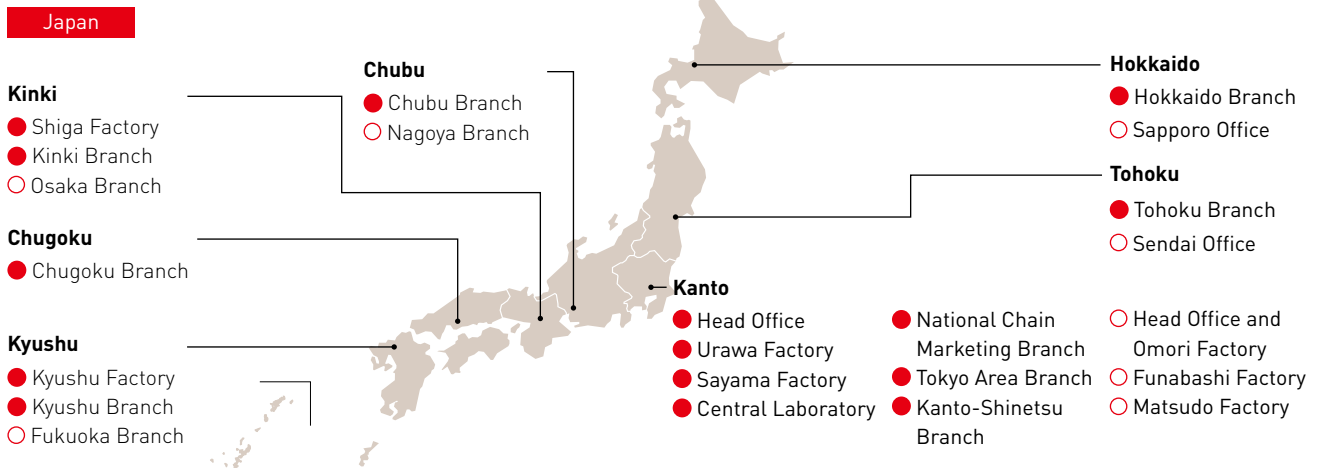


Sustainability

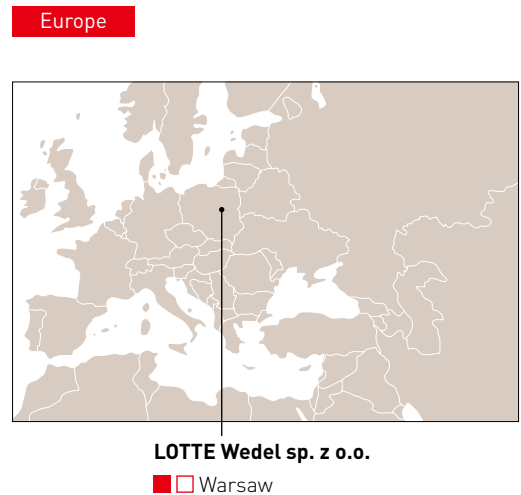
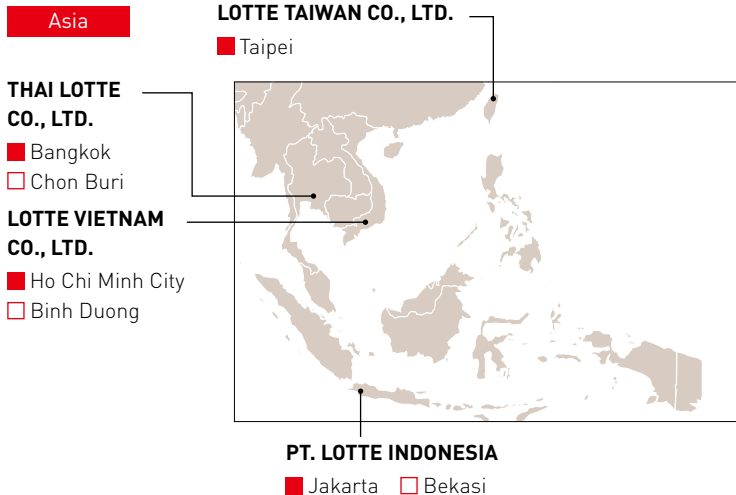
<https://www.lotte.co.jp/english/sustainability/>

Business Locations

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



■ Head Office □ Factory



Everyday sweet life

LOTTE

LOTTE CO., LTD.

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

Tokyo 160-0023, Japan

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