

Governance





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Corporate governance is one of the most important pillars of our management for the Group to grow sustainably for years to come.

Recent years have witnessed rapid changes in the business environment brought by the pandemic, wars, and other events.

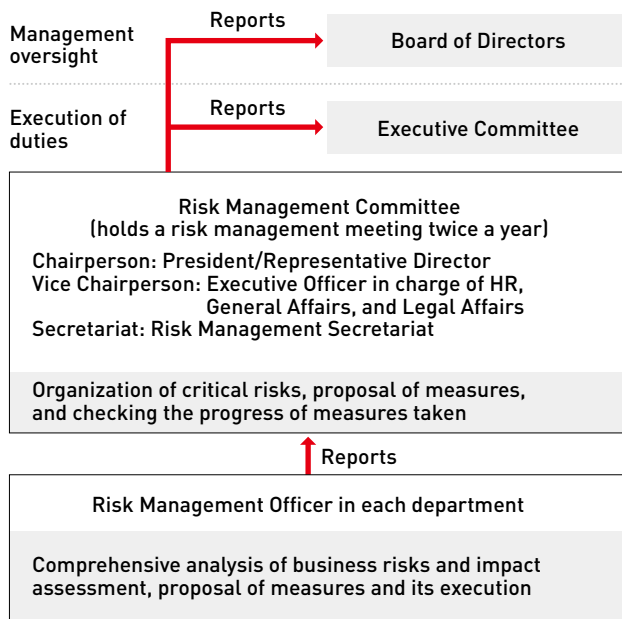
We continue to strengthen our corporate governance to ensure sustainable enhancements in corporate value while responding to change.

Risk Management

Risk Management Structure

The Risk Management Committee plays a central role in managing all risks associated with business operations. Each department appoints a risk management officer who identifies business risks comprehensively and evaluates the risk impact (probability multiplied by severity). Based on the identified risks and its countermeasures reported by a risk management officer of each department, the Risk Management Committee determines the most serious risks, along with the countermeasures. The results will be reported to the Executive Committee and the Board of Directors.

If a risk becomes a reality, the Risk Management Committee will serve as the Emergency Task Force and promptly issue instructions to minimize damage.



Risk Management Process

The Risk Management Committee and the risk management officers from each department work together to reduce business risks by following the PDCA cycle. Based on the impact analysis of the risks comprehensively identified by each department's risk management officers, the Risk Management Committee prioritizes the risks and considers the responses. Each department implements the countermeasures under the supervision of its risk management officer and reports the progress to the Risk Management Committee. The risk management officers identify risks and re-evaluate the impact assessment regularly, and report the updated countermeasures to the Risk Management Committee.

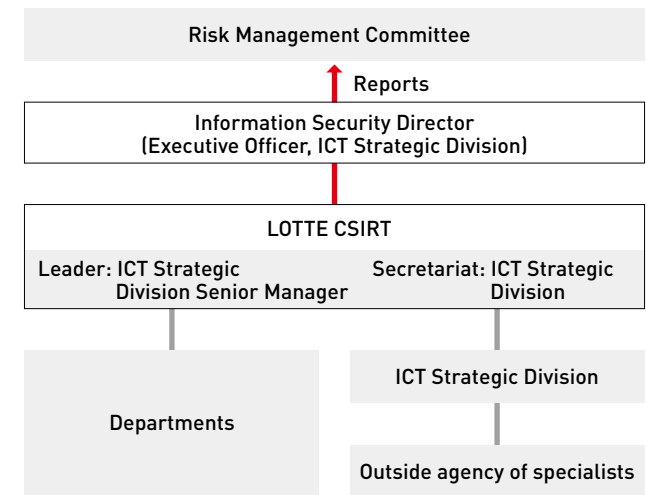


Information Security

Information Security Structure

The executive officer of the ICT Strategic Division serves as the information security director to promote company-wide awareness. We established LOTTE CSIRT (Computer Security Incident Response Team) under the information security director. LOTTE CSIRT identifies information security-related risks company-wide and determines the responses accordingly. CSIRT strives to enhance information security by working closely with outside agencies and experts. LOTTE CSIRT will report information security-related risks to the Risk Management Committee, just like the other business risks.

In the event of a crisis, LOTTE CSIRT will assemble a cybersecurity response team and take prompt action.



Education on Information Security

The LOTTE CSIRT also provides information security education. In addition to training new employees, the CSIRT regularly raises alerts regarding targeted emails threats and implements practical training.

Responses to Disaster Risks

We have launched a BCP project team and defined the fundamental BCP policy applicable to individual BCP for our factories and departments within the head office.

Fundamental BCP Policy

1. The lives and safety of employees and their families are our top priority.
2. We fulfill our corporate social responsibility while ensuring business continuity.

To achieve these two objectives, we will build a robust organization capable of taking appropriate actions promptly.

Compliance

Our Behavior Charter, LOTTE Group Way

The LOTTE Group Way, established in 2008, is the policy to be understood by all of our directors and employees of LOTTE Group companies in conducting their work. 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.



▶ LOTTE Group Way

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

Employee Education

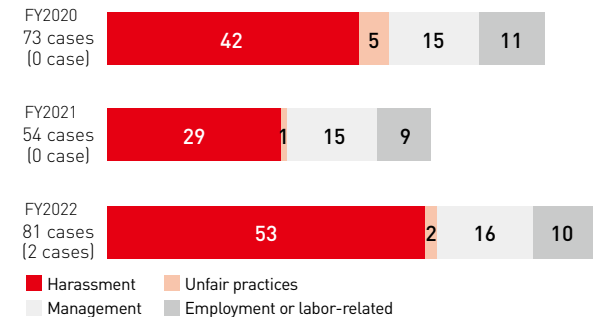
As another means to communicate our behavior charter and encourage ethical and honest business practices, we provide compliance training to our employees. In FY2022, compliance was covered in annual training, as well as in training for new employees and those being promoted. We also distributed the Compliance Guidebook to all employees to raise awareness of compliance-related matters.



Whistleblowing System

In 2006, we established an internal hotline called "Clean Line" as part of our whistleblowing system. 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. Internal regulations on whistleblowing include the whistleblower protection clause that prohibits all forms of prejudicial treatment for whistleblowers. Anonymous reporting is also accepted. In 2018, we established an external whistleblowing hotline aiming to improve the effectiveness of our whistleblowing system for LOTTE CO., LTD. and LOTTE Group companies in Japan and overseas.

Number of Consultations and Reports



Figures in parentheses represent the number of consultations or reports that had not been fully dealt with by March 31, 2023.

Scope of Tabulation

LOTTE CO., LTD. and its Group companies in Japan

Compliance Violation

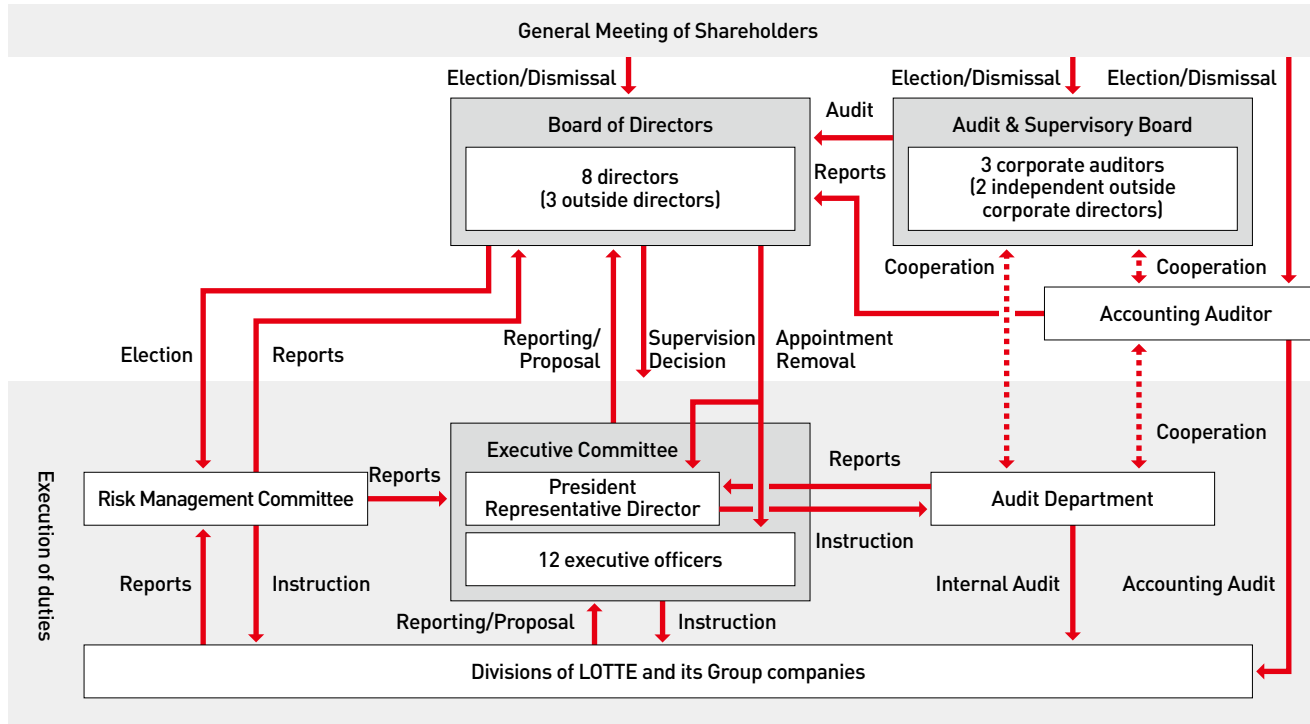
In FY2022, there were no serious compliance violations.

Corporate Governance

As of July 1, 2023

Type of System	Company with Board of Corporate Auditors
Number of Directors	8 directors (3 outside directors, of whom 2 are women)
Number of Corporate Auditors	3 corporate auditors (2 outside corporate auditors)

Number of Executive Officers	12
Accounting Auditor	Deloitte Touche Tohmatsu LLC
Internal Audit Department	Audit Department



Organization & Meeting	Chairperson	Members (As of July 1, 2023)				Number of Meetings Held in FY2022
		Total	Inside Director	Outside Director	Audit & Supervisory Board Member	
Board of Directors	President / Representative Director	11	5	3	3	15 times
Executive Committee	President / Representative Director	19*	4	-	2	12 times
Audit & Supervisory Board	Full-time Company Auditor	3	-	-	3	13 times

*Includes 12 executive officers and 5 department heads nominated by the chairperson