

Everyday sweet life

LOTTE

LOTTE Sustainability Communication Book 2023



LOTTE Purpose



To create a happier future



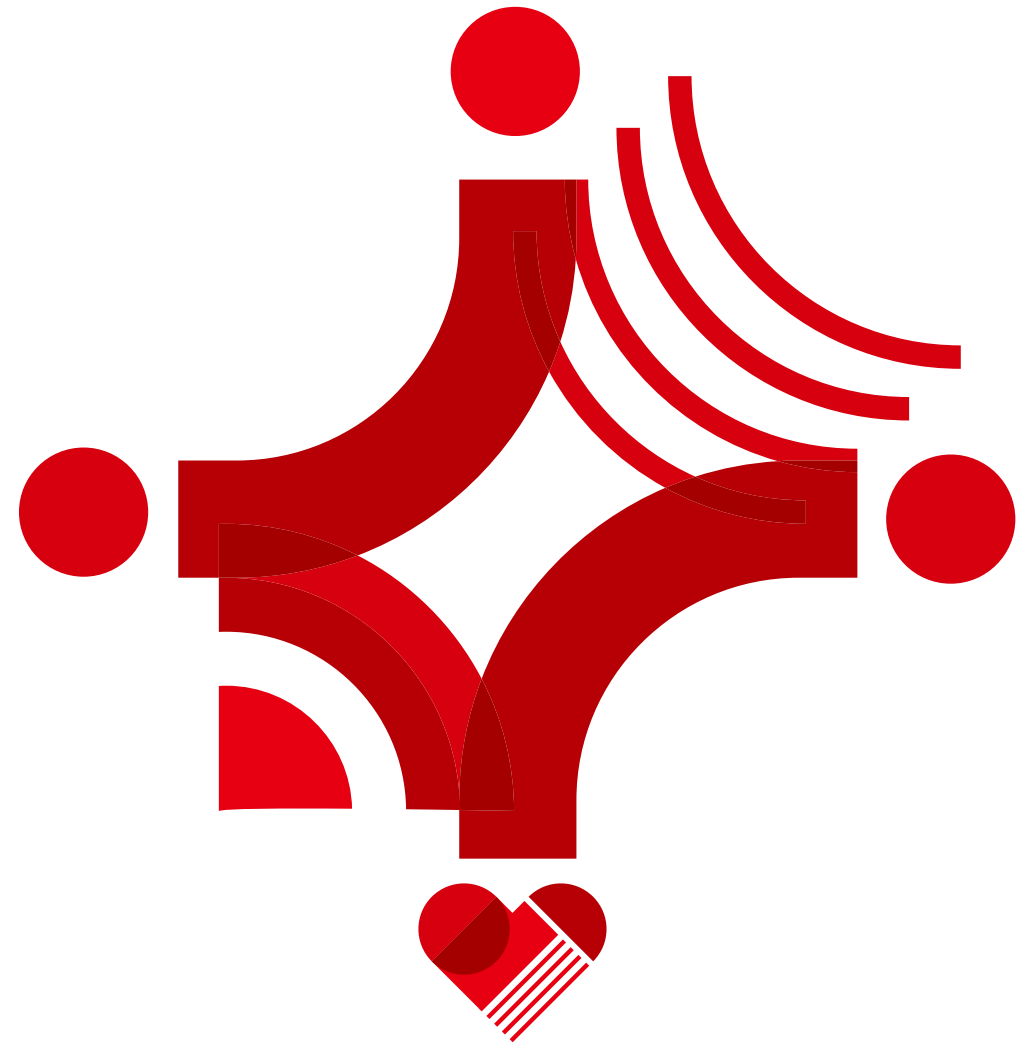
by connecting people



through original ideas



and uplifting experiences.



LOTTE Sustainability Communication Book 2023

Our New Sustainability Ambassadors!



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They are LOTTE's sustainability ambassadors! They will be sharing LOTTE's sustainability efforts with you in a fun and engaging way, all aimed at creating a brighter future together with many people.

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President × Outside Director Dialogue



Outside Director
Ayako Sonoda

President /
Representative Director
Eiichi Gochou

DIALOGUE

—The thoughts and feelings contained in the new Purpose of LOTTE CO., LTD. are “To create a happier future by connecting people through original ideas and uplifting experiences.”

Gochou: We feel there have been a variety of changes, including workstyles and consumer behavior, after the experience of the COVID-19 pandemic. Under such a situation, we found a need to share with all of our employees what we are here for and the value we provide. We also wanted to make the Purpose short and simple to ensure it is easy to understand and convincing. We expressed the Purpose in words after holding interviews with a variety of stakeholders, including employees.

Sonoda: As an unknown infectious disease was close by, I think some people began to think about the meaning of their own existence and what value they could provide in life. As a company owner, I myself also reconsidered the meaning of the company's existence. I feel it is very important to properly express what we are here for in words as our purpose and share it as LOTTE has done. A purpose is like a guiding star. There are various ways and routes for climbing up to the top of the mountain (the Vision), and I think it would be good for everyone to use the same guiding star as a marker while climbing up in various ways. Through the process of promoting the company's Purpose, could you get all the em-

employees to think about their own personal purpose? What are original ideas? What are uplifting experiences? What is a happier future? I would like everyone to discuss these questions and express them in words. First of all, I would like to hear about your own personal purpose, Mr. Gochou.

Gochou: My uplifting experience is making customers happy. When I see people buying our confectionary and ice creams at stores, or children enjoying eating them at resorts, I feel very happy. Therefore, I believe that my role is to shape organizations and people that will produce a succession of products and services that are loved by people. I like the word “inspire,” and I want to be a person who conveys my own ideas to people and inspires them. We must become a company that enables employees to think and challenge themselves, stimulated by the way I myself take the initiative in taking on new challenges. My own personal purpose definitely lies in creating a “culture that enables us to rise to any challenge,” an “environment that facilitates free and open discussion,” and the “discovery of individual strengths” that I have been advocating for since I first became President.



—Aims of promoting sustainability management

Gochou: DEI (Diversity, Equity, and Inclusion) is essential for creating the original ideas that are mentioned in the Purpose, and our business, particularly our raw materials, is based on the bounty of nature. In other words, promotion of sustainability management is indispensable when thinking about the future of LOTTE, and it is only meaningful if our employees understand it and put it into practice. It has been five years since we established our five materialities and Medium-Term ESG Targets in 2018, and these ideas and targets have permeated the company to some extent. We invited you to serve as an Outside Director because we wanted you to help us in further promoting sustainability management.

Sonoda: When I received a request to serve as an Outside Director, I remember the concept of sustainability management that you just described resonated with me, so I accepted your offer. In fact, my mother ran a candy store, so LOTTE’s chocolates and ice creams are full of enjoyable memories for me. But from an external perspective, I had the impression that LOTTE did not disclose much information in the past, and I did not fully understand the company’s sustainability initiatives to

be honest. However, when I talked with the employees, I found they were making very serious and enthusiastic efforts. However, this seriousness may result in overly cautious dissemination of information. Since you are making the effort to take on the challenge of positive and progressive new initiatives, please disseminate information even when the initiatives are still a work in progress. Disseminating information will facilitate the involvement of many people from inside and outside the company, which will, result in initiatives with more impact.

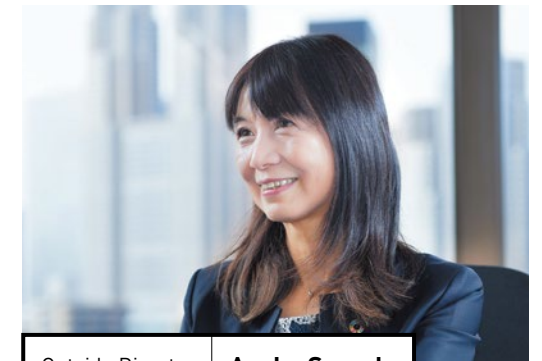
—Expectations of LOTTE for realizing sustainable growth

Sonoda: The most important resource is human capital. The launch of LOTTE University to train the next generation of leaders is really wonderful. Regarding human resource development as an investment rather than a cost is a significant change in perspective for making decisive investments in future corporate growth. In addition, it is important to train human resources with the ability to practice followership rather than just leadership. The presence of followers to build and move forward together is essential for leaders to reach their full potential.

Gochou: Besides LOTTE University, we are developing systems that enable employees, particularly the younger generation, to put their hands up to play active roles, including an open recruitment personnel system and an in-house venture mechanism. Of course, in conjunction with this, we will also review the evaluation system so that the various challenges are recognized. Human resource development is truly my purpose, so we will continue to go forward with all kinds of measures.

Sonoda: That is a wonderful commitment from

top management. Active participation by diverse human resources is essential for creating innovation through original ideas and realizing sustainable growth. Even if an individual has a good idea, it is just a pie in the sky without support to bring it out and make it into reality. It is the role of management to create such support. As an Outside Director, I will continue to actively provide more and more support.








Outside Director **Ayako Sonoda**

Representative Director & Chairman, Cre-en Inc.

In 1988, Ayako Sonoda established Cre-en Inc. which has supported approximately 800 companies to date in the planning and production of sustainability reports and integrated report, in addition to providing sustainability consulting. She serves as Representative Director at Mirai RITA Foundation, Director at Sustainability Forum Japan, and Outside Director at MITSUBISHI ESTATE CO., LTD., among other roles. She has been an Outside Director at LOTTE since 2022.

Materiality and Medium-Term ESG Targets

*KAMUKOTO means "Mastication" or "Chewing" in English, which contains the movement of the muscles around the mouth and tongue used for eating. KAMUKOTO has many benefits for the body, such as increasing cerebral blood flow and activating brain functions.

Materiality	Key Items	Indicators	2023 Target	2028 Target	Relevant SDGs Targets	
1 Food Safety and Reliability 	Further improvement of product quality	GFSI recognized certification schemes (FSSC 22000/BRC)	Certification maintained	Certification maintained	 2.1, 2.4	
		Introduction of LOTTE ADVANCE, our new quality assurance system	Start roll out in development and production sites	Continue to operate the system in development and production sites		
2 Food and Health 	Health	Percentage of people who practice KAMUKOTO* with proper awareness (Japan)	35% or more	50% or more	  3.4, 9.5	
		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 attending our Food Education	100 thousand persons per year or more	150 thousand persons per year or more		
3 Environment 	Decarbonized society	Reduction rate of energy-related CO ₂ emissions (Scope 1 and 2) (comparison with FY2019)	—	23% or more reduction (2025 Target: Carbon neutrality)	  13.1	
		Reduction rate of food loss and waste (FLW) (Per-unit volume comparison with FY2019)	—	50% or more reduction		
	Circular Economy	Recycling rate of waste generated by production processes	99% or more (Japan)	99% or more (Japan and overseas)		12.3 12.5
Cacao beans		Usage rate of Fair Cacao	—	100% (2025 Target: 100% for Ghana beans)	  8.7, 8.8, 12.7, 17.16, 17.17	
Palm oil	Usage rate of third-party verified palm oil	100% (Japan)	100% (Japan and Overseas)	8.7, 8.8, 12.7, 13.1, 17.16, 17.17		
Paper	Usage rate of environmentally friendly paper (for product containers and packaging)	100% (Japan)	100% (Japan and Overseas)	  8.4, 12.7, 13.1, 17.16, 17.17		
5 Employee Empowerment 	Diversity	Ratio of female managers (Japan)	10% or more	20% or more	  5.1, 5.5, 5.b, 8.5	
	Work-style reform	Annual total working hours per person (Japan)	1,850 hours or less	1,800 hours or less		5.4, 5.b, 8.1, 8.2
	Employee Engagement	Percentage of employees with high job satisfaction (Japan)	80% or more	At least 80%		8.1, 8.2



Materiality 1

Food Safety and Reliability



“Quality” (pursuing the highest quality) is one of the three LOTTE Values that we have been trying to convey since the founding. 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.” All of these are “Quality” that we strive for, and they are something that each of our employees works to further improve.

LOTTE ADVANCE, Our New Quality Assurance System

Major factories of LOTTE CO., LTD. and its Group companies have been certified under the international food safety verification system called GFSI*1 recognized schemes (FSSC22000*2). To further improve quality and ensure a high level of safety in the future, LOTTE ADVANCE, our new quality assurance system, has been implemented at all the development and production sites, beginning in FY2023.

*1 GFSI stands for Global Food Safety Initiative. It is a non-profit organization established in May 2000 operating globally to promote the continuous improvement of the Food Safety System.

*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.



Ayumi Yoshida

Chief Specialist
Food Safety Management Section,
Quality Assurance Department
LOTTE CO., LTD.

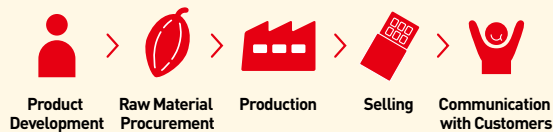
Kenichi Kimura

Omori Factory Manager,
Production Division,
Mary Chocolate Co., Ltd.

Ensuring the Quality Improvement throughout the Supply Chain

We are working to enhance quality across our entire supply chain, not just at our factories. We introduce a risk assessment system for quality from the product development stage to ensure the delivery of safe and high-quality products. Additionally, we inspect and control each lot of raw materials to ensure traceability. Product package labels, sales promotion, and advertising materials are reviewed by multiple personnel to ensure compliance with relevant laws and regulations, as well as to provide customers with easy-to-understand information free from misleading messages. In addition, customer feedback is shared with the management and related departments to develop new products and improve existing products.

Supply chain



Materiality 2

Food and Health



Leveraging the knowledge and technology accumulated to date since the founding, we continued to grow by providing new value to local communities and society. For example, *Xylitol Gum*, launched in 1997, contributed to society and created new value that gums can keep your teeth strong and healthy. We will continue to put our efforts into solving social issues by providing health-oriented value through delicious food we take pride in.

Visiting Lecture

We offer Visiting Lecture by visiting elementary schools. Our lessons enable children to have fun while learning about key approaches to product development and other topics. Creative thinking is cultivated through new ideas generated during the process of confectionery product development. We recruited candidates nationwide from among our existing employees who can teach classes as part-time instructors. Starting in June 2023, their classes began sequentially. This program, aimed at expanding our food education activities, will foster talent within the company through the participation of individuals from diverse backgrounds, regardless of their positions, age, or career types.

President and Representative Director Gochou also served as an adjunct instructor ahead of other employees nationwide and conveyed his message to the employees in a company newsletter. As a well-known confectionery manufacturer, we can make a significant contribution to the field of food education. Stay tuned for more progress we will make over the coming years.



Natsuki Ikeda

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

Nobuyuki Ueda

Shokuiku (Food Education)
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Yuna Nakayama

Production Engineering Section II
Production Engineering
Department, Urawa Factory
LOTTE CO., LTD.

Message from Ms. Nakayama, Adjunct Instructor

My daily work is usually production-related and doesn't involve interacting with consumers. I applied for this position because I wanted to hear their real opinions. The confectionery development classes featuring the “LOTTE-Novation” concept are captivating for children. Their flexible ideas amaze me every time. Open and lively discussions have helped me upgrade my skills. I want to share our food education with people inside the company and help the public become more familiar with the concept.



Materiality 2

Food and Health



OKASHI SCHOOL

Our Urawa Factory is open to factory tour visitors. In May 2022, our *OKASHI SCHOOL* opened after a two-year renovation in full scale. During a factory tour, visitors can see the actual manufacturing process and learn about our efforts to realize sustainable development goals. Come visit us and experience our unique hands-on workshops.



Project Xylitol: Your Own Teeth for 100 Years

In order to continue enriching people's lives by researching and spreading awareness of the beneficial effects of xylitol on dental and oral health, we launched "Project Xylitol: Your Own Teeth for 100 Years" in 2020. 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 tooth-brushing, fluoride, and xylitol, supplemented by regular dental checkups. As the first step of this project, we have been delivering xylitol tablets and soft candies packed in special dispensers to kindergartens and nursery schools in the city of Aizuwakamatsu, Fukushima Prefecture, with the support of the local government. As of today, seven municipal kindergartens and nursery schools have used our products. We encourage children to have good oral care habits from the early age. (Hokkaido, Goshogawara city in Aomori Pref., Aizuwakamatsu city in Fukushima Pref., Chiba Pref., Ebina city in Kanagawa Pref., Yamaguchi Pref., and Kikakyushu city in Fukuoka Pref.) In addition to Japan, this project was launched as a pilot program on a global scale, beginning with kindergartens in Vietnam.



Spreading KAMUKOTO Awareness

Starting out as a chewing gum company, we have conducted extensive research on dental and oral health. Our research over the years has revealed that *KAMUKOTO* is closely associated with the health of the entire body, and we believe that *KAMUKOTO* will extend the healthy life span through good oral functions and help solve various social issues, such as those related to well-being. To enrich people's lives through the promotion of *KAMUKOTO*, we established the *KAMUKOTO* Research Laboratory, which specializes in the research on chewing and shares the outcome with the public. In April 2022, we started delivering the education material for the program "Be a *KAMUKOTO* Master—Chew & Stay Healthy!" designed for elementary school students in the early grades. This educational material aims to raise awareness about *KAMUKOTO* and promote the chewing habits by teaching the importance of chewing and key aspects of mastication. We will continue to promote *KAMUKOTO* through various initiatives.



Mastication Check Application

In 2004, we developed *Xylitol* chewing gum designed to measure mastication ability. We launched the service to quantify the results through "Mastication Check Application" in February 2023. We developed this application in order to encourage users to include chewing exercises in their daily routines, as an effort to promote their well-being throughout a 100-year lifespan. We will continue to disseminate information about *KAMUKOTO* and expand the application's reach.



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Chief
Chewing Gum Section
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Shota Mohri
Chief
Chewing Project Section
Branding Strategy Department,
Marketing Division
LOTTE CO., LTD.



Materiality 3

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 our most important responsibilities. We are actively working to reduce our environmental impact, with a focus on decarbonization and a reduction of FLW (food loss and waste) that has been identified as our key agenda.



Toward Decarbonization

We have also set targets for achieving carbon neutrality (Scope 1 and 2) by FY2050. Our efforts to achieve these targets involve the efficient use of energy and the utilization of renewable energy resources. In particular, the Smart Factory Project is currently being implemented in factories that emit most of energy-derived CO₂. Using various production data collected by sensors, we optimize the production process with the power of AI in order to achieve a drastic improvement in energy efficiency. Starting in April 2019, we adopted renewable energy by switching the power source for LOTTE's Shinjuku head office to those generated by hydroelectric power. Our factories in Japan have gradually adopted renewable energy. In February 2020, LOTTE Wedel sp. z o.o. in Poland began using renewable energy generated from wind on a full scale. Moving forward, we will continue to reduce our greenhouse gas emissions by utilizing renewable energy and promote the use of renewable energy resources.



Responses to Climate Change

As our business relies on the gifts provided by the Earth's environment, and climate change has a significant impact on our business activities, we recognize that responding to it is a key issue for management. In May 2021, we declared our support for the TCFD^{*1} and joined the TCFD Consortium,^{*2} a discussion forum for member companies and financial institutions. In FY2022, we conducted quantitative analysis while strengthening resilience and proceeding with information disclosure based on the analysis of risks and opportunities in line with the TCFD recommendations. For details on our information disclosure, see the Sustainability Databook on P20-22. We will continue to review the risks and opportunities we have analyzed, consider and implement response strategies and plans as we move forward.

^{*1} TCFD: 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.



Environmentally Friendly Containers and Packaging

Since 2022, we have been gradually labelling products that pass unique environmental criteria with the *Smile Eco Mark* to inform customers about its environmental initiatives through a variety of containers and packaging in a way that is easy to understand.

The design of the *Smile Eco Mark* incorporates a leaf motif, symbolizing LOTTE's environmentally conscious approach on a global scale and the thoughts of bringing smiles to people through its products.



<https://lotte-land.jp/publisher/smileeco/>
(Japanese only)

Initiatives of Food Loss and Waste (FLW) Reduction

We are working with food banks that provide free food to welfare facilities and those who may not have full access to food. We support this effort, and from FY2022 we have been donating our products nationwide in cooperation with MOWLS* in order to expand the scope of our activities. This collaboration enabled the transportation and donation at multiple sites that can receive a large volume of donations. We expect to have less disposal of our unshipped confectionery in FY2023. 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.

* MOWLS: A project run by Meals on Wheels Japan involving 50 intermediary support organizations. They have opened the freezer and refrigerator-equipped storage locations nationwide to make it easier for food charities and local governments to receive food donations.



Kazumasa Oomoto Manager, Supply Chain Management Div. Logistics Division, Logistics Planning 1st Section, LOTTE CO., LTD.
Takashi Kataoka Supply Chain Management Div. Supply & Demand Department, Supply & Demand 1st section, LOTTE CO., LTD.
Yuta Wanajo Sustainability Section, ESG Promotion Department, LOTTE CO., LTD.

Message from Mr. Wanajo (project member)

This collaboration has made the donations using logistics hubs more efficient and increased the volume of donations. We had a hard time establishing the internal procedures because it was a new challenge for us, but we successfully reduced the FLW and disposal costs together with the related departments led by the Supply Chain Management Div. In addition, the words of appreciation we have received from food banks and children's cafeterias made us realize the true value of what our confectionery and ice cream products have, letting us feel a great sense of fulfillment. We will continue to work together with everyone inside and outside the company.



Materiality 4

Sustainable Procurement



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.



FAIR CACAO PROJECT— Sustainable Procurement of Cacao Beans

Cacao bean producing regions are affected by a range of issues including poverty among farmers, child labor, and deforestation. With chocolate being one of our core products, sustainable procurement of cacao beans is vital to the company. We provided a wide range of support through our procurement activities. Under the FAIR CACAO PROJECT, we promote sustainable development of the cacao industry. Among all the problems cacao producers have, the FAIR CACAO PROJECT aims to eradicate child labor more than anything else. In addition to our strategic procurement from the designated regions, we also monitor child labor as part of a joint program with local partners. In this strategic procurement, a certain amount of premium is paid to cacao beans procured from the designated regions. The premium will be invested in the child labor monitoring of the region. Our Medium-Term ESG Targets include a plan to increase the procurement ratio of FAIR CACAO—cacao beans sourced under this project.

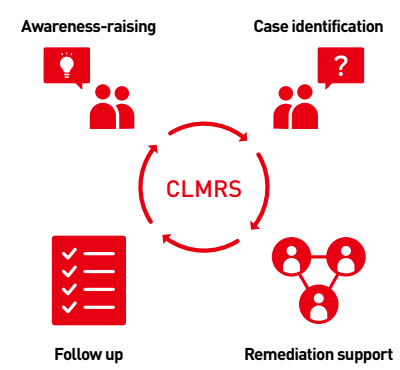


Monitoring of Child Labor

Child labor monitoring is one of our actions to eradicate child labor in cacao bean production areas. We have adopted the child labor monitoring system called CLMRS* as part of a joint program with local partners. The CLMRS approach starts with educating people about the definition of child labor and the importance of schooling for children. In addition, the program allows us to take necessary action if any child labor is involved. Monitoring will help us identify region-specific problems and improve the situation continuously through a follow-up.

* CLMRS stands for Child Labor Monitoring and Remediation System. This system was developed by the International Cocoa Initiative (ICI), a non-profit organization dedicated to the abolition of child labor in cocoa-producing regions.

Overview of CLMRS

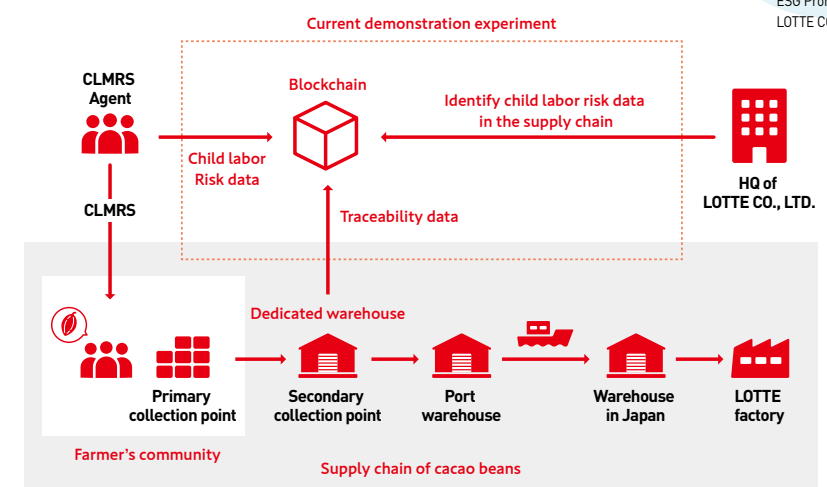


Launch of Demonstration Experiments on Traceability and Child Labor Risks

The cacao bean supply chain in Ghana is complex and most of their data is not available electronically, which makes it difficult for us to gather detailed traceability data (on producing regions). Since there was no complete association made between the traceability data of procured cacao beans and the child labor risk information obtained from the CLMRS, we were not aware of detailed data regarding child labor risks in the supply chain. In the demonstration experiment that was launched in 2022, we are testing the integration of data related to child labor risks and the unified traceability data of cacao beans using blockchain technology. This mechanism will allow us to visualize the child labor risks in the supply chain of procured cacao beans.



Yuta Matsumoto
Purchasing Department
LOTTE CO., LTD.
Tomoharu Iida
Manager
Sustainability Section
ESG Promotion Department
LOTTE CO., LTD.



LOTTE DO Cacao PROJECT

In the LOTTE DO Cacao PROJECT, we are working with our partners to create new products utilizing cacao husks. We have developed a craft gin made from cacao husk as botanical ingredients, and also made neckties dyed with cacao husk. We will continue to develop products beyond the boundaries of chocolate to broaden the potential of cacao beans and engage in upcycling.



Building a Responsible Supply Chain

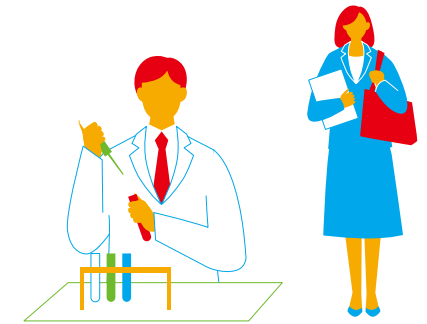
We advocate for sustainable procurement based on our procurement policy. This policy outlines ethical business practices, quality and safety standards, as well as environmentally friendly practices and consideration for society. However, as our supply chain becomes more globalized, it is more difficult 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.



Materiality 5

Employee Empowerment

The most important pillar of support for a business is its human resources. We aim to grow sustainably as a corporation by building a workplace environment where each and every employee from diverse backgrounds can reach their full potential, perform at their best, and maintain a healthy body and mind.



DEI (Diversity & Equity & Inclusion)

We promote the DEI initiatives because our employees from diverse backgrounds play an important role in creating our innovation and competitiveness. In January 2023, we signed the WEPs* as part of our efforts to promote women's success. To express our commitment to the employees, we broadcasted a video featuring the dialogue between Ms. Asako Osaki, a gender specialist, and the Representative Director & President, which was made available to our employees nationwide. We have been hosting annual joint seminars since 2016 to promote women's success in six food and beverage companies and nurture young female employees who are candidates for top management positions. In addition, we have a human rights policy that explicitly prohibits discrimination. Based on this policy, we provide training on human rights and harassment prevention to create a safe and comfortable work environment for everyone. We also provide training to promote awareness of LGBTQ+ and people with disabilities while encouraging participation of minorities.

*WEPs: Action principles of a company's voluntary efforts on women's empowerment, which was created jointly by the UN Global Compact and the UN Women's Development Fund (currently UN Women).



Life-Work Balance

We believe that having a good life-work balance is essential for our employees to maximize their potential and stay healthy physically and mentally. Our solutions to this include an introduction of various policies that enable flexible working arrangements and the enhanced ICT infrastructure in order to create a workplace environment where diverse talents can thrive regardless of their life stages. In addition, we joined *IKUBOSS** Corporate Alliance in January 2021, aiming to foster our corporate culture.

* *IKUBOSS* refers to bosses (at top-management or managerial positions) who effectively manage their team and support the team members' career path and life-work balance while enjoying their work and personal life.



Flexible Working Arrangements

- Telecommuting Program
- Staggered Working Hours Scheme
Option to choose the start and end work hours best suited to their lifestyles
- Hot Desking Office
An office without the assigned seating, which allows people to choose any seat for the day's work
- Promoting the Usage of Paid Leave

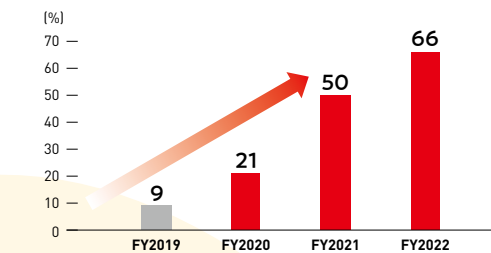
Balancing Life Events with Work

We provide various forms of support to enable employees to continue working with peace of mind, while experiencing life events such as pregnancy or parenting. Eligible employees fill out the Pregnancy and Parenting Related Meeting Sheet prior to childbirth and have a meeting with their supervisors to talk about health-related matters and responsibilities to be transferred. Employees on childcare leave can use the online community where they can interact with other employees who are also taking childcare leave. Upon returning to work, they are invited to participate in a post childcare leave workshop with their supervisors to help them balance childcare and work, as well as to seek their colleagues' understanding about having shorter work hours. Taking a time off during such busy days will allow them to reevaluate themselves, contemplate their career path and vision. In addition, we offer them a community to share childcare-related concerns and exchange information through a lunchtime get-together to encourage networking among employees who have children.

Encouraging Male Employees to Take Childcare Leave

As part of our efforts to raise awareness that such life events not only affect women but men, we inform employees of their childcare leave eligibility and provide in-company training. Introduction of team-based work units within each department is a step toward making this change because it encourages members to take their eligible childcare leave.

Childcare leave utilization rate for male employees



Scope of Tabulation LOTTE CO., LTD. and its Group companies in Japan



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Engagement Promotion Section,
HR Department
LOTTE CO., LTD.

Tatsuya Ebata
Chief
Ice Cream Project Section
Branding Strategy Department,
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Message from Mr. Ebata who took childcare leave

When my first child was born, I couldn't take childcare leave, so I wanted to be more involved in parenting when my second child was born. When I told my supervisor about my wife's pregnancy during a 1-on-1 meeting, he responded, "Congratulations! Any plans for childcare leave?" and made it easier for me to request my leave. I was also encouraged by my supportive team members and clients. While I share my experience of parenting, I will encourage my colleagues and young team members to take this leave as much as possible.



Materiality 5

Employees Empowerment



White 500 Enterprises (Outstanding Health and Productivity Management)

Because our company's growth goes hand in hand with the well-being of our employees, it is important for us to create a workplace environment that supports their mental and physical well-being. Including our key agenda "health monitoring and improvement," "support for regular exercise," and "prevention of second-hand smoke and support for smoking cessation," we implement various measures to promote the well-being of our employees. As part of our "health monitoring and improvement" initiative, for example, we encourage all employees to undergo regular medical checkups. We will follow up with employees who need second medical exams, and provide a counseling program to help them maintain their physical and mental well-being. "Support for regular exercise" includes in-company walking events and the corporate gym memberships. In addition, we have defined assessment indicators for the key agenda to ensure effectiveness through continuous monitoring and updates. We were recognized as a 'White 500 enterprise' for our outstanding efforts in promoting health management under the Certified Health & Productivity Management Organization Recognition Program of METI.



Human Resource Cultivation

We believe that when every employee works with enthusiasm, expressing their unique character and abilities to the fullest, it fosters the growth of the company and elevates its corporate value. Our goal is to cultivate a corporate culture that brings out innovation through LOTTE University and other opportunities designed to foster next-generation leadership and top management candidates, building an environment conducive to our employees' autonomous career development.

Structure of Human Resource Cultivation Programs

	Position-Based Training Program	Departmental Training Programs	Elective Self-Development Training Programs	Support for Self-Development	Career Development Support
Manager	Manager training		Cultivation of future management Cultivation of next-generation leaders	Foreign language training Correspondence courses Online training and e-learning	Re-employment career design workshop Career design workshop for 50s
Mid-career	Training for promotion	Sales Factory	Cultivation of female managers Cross-industry exchange training Off-the-job training		Career design workshop for 40s Career design workshop for 5th-year employees
Entry-level	Annual training		Cultivation of globally minded human resources		Career interview for 1st, 2nd, and 3rd-year employees
New employees	New employee training (OJT)				

Foundation of Our Business Activities

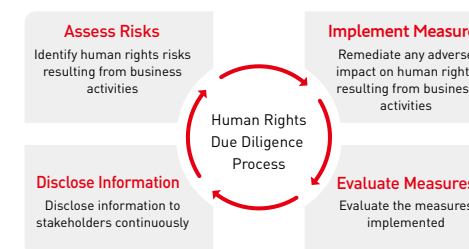
The message "Everyday Sweet Life" reflects our commitment to being a company cherished by people around the globe. In an effort to be a company that people love, our compliance and risk management activities prioritize the legal compliance, as well as fair and honest business practices. Recognizing the importance of respecting the human rights of all people involved in our corporate activities, we have established a human rights policy and are actively making efforts to promote this initiative.

Respecting Human Rights

At Our Group, we ensure human rights are respected in all of our business activities. 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. To ensure the human rights of all individuals affected by any aspect are respected 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. Also, we provide human rights training for the employees. 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 also provide harassment prevention training in accordance with our human rights policy in which all forms of discrimination and harassment are prohibited. In addition to addressing power harassment and sexual harassment, we also explain about the need to avoid sexual orientation and gender identity (SOGI) harassment.

Compliance

We established the LOTTE Group Way, which serves as business guidelines to be understood by all the directors and employees. The LOTTE Group Way, which is also available on our corporate website, serves as our promise to society to engage in ethical and honest business practices. It defines behavioral guidelines necessary to achieve the LOTTE Group Mission and embody the LOTTE Values. We have a whistle-blowing program that enables employees to seek advice or report issues related to human rights such as harassments, fraudulent activities like expense fraud or information leakage, violations of laws and regulations, breaches of internal company policies or rules. Employees can contact us via telephone, email, or in writing, and we provide immediate assistance to those who affected by such incidents. The Audit Department, which operates independently of our business operations, monitors LOTTE Group's compliance in terms of the legal requirements and company regulations across all aspects of the operations. In addition to the periodic training for employees, we also distribute the Compliance Guidebook to all employees to raise awareness of compliance-related matters.



Medium-Term ESG Targets: Results Highlights



1. Food Safety and Reliability

GFSI recognized certification schemes (FSSC 22000/BRC)

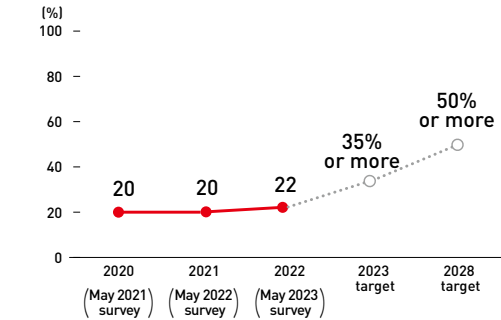
FY2020	> Certification maintained	2023 target	> Certification maintained
FY2021	> Certification maintained	2028 target	> Certification maintained
FY2022	> Certification maintained		

* Applicable to LOTTE CO., LTD., Mary Chocolate Co., Ltd., Ginza Cozy Corner Co., Ltd. (Saitama Factory, Kawaguchi Factory) and production sites of Group companies overseas



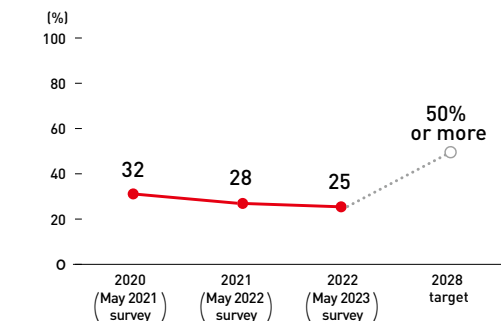
2. Food and Health

Percentage of people who practice KAMUKOTO with proper awareness (Japan)



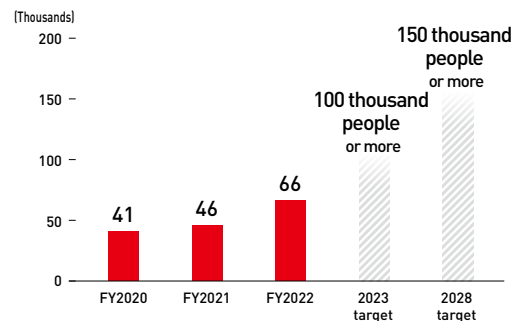
Results of an online survey of 3,000 people (conducted by LOTTE)

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



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

Number of people attending our food education lectures



Scope of Tabulation: LOTTE CO., LTD.

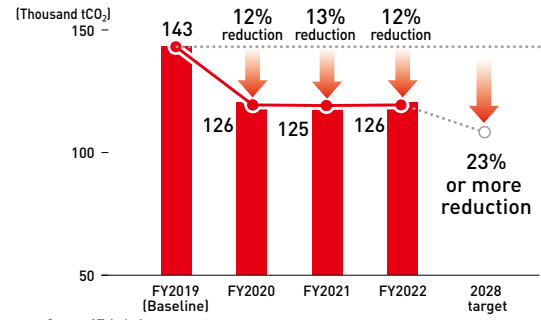
Introduction of LOTTE ADVANCE, our new quality assurance system

FY2020	> Completed outline of shared Group standards
FY2021	> Completed the draft of shared Group standards applicable to Japan
FY2022	> Finalized the shared Group standards (Japan and overseas)
2023 target	> Start the operation in development and production sites
2028 target	> Continue to operate the system in development and production sites



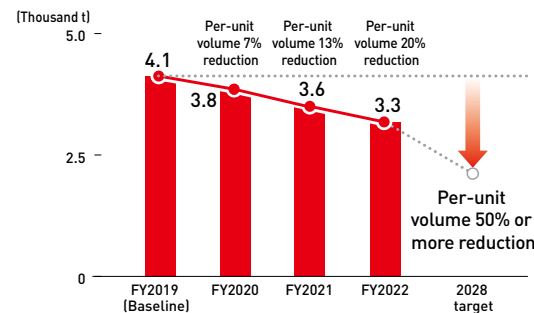
3. Environment

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



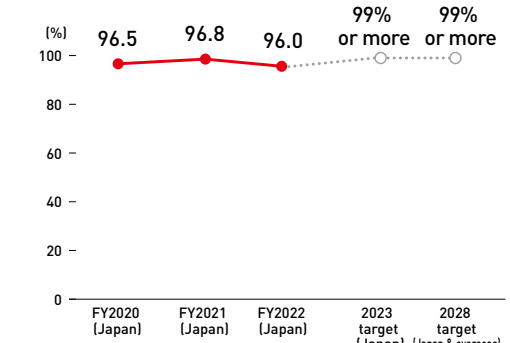
Scope of Tabulation
Japan: LOTTE CO., LTD. and its Group companies in Japan (Mary Chocolate Co., Ltd., Dari K Co., Ltd., Ginza Cozy Corner Co., Ltd.)
Overseas: Major Group companies overseas (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)
The previously provided information has been updated due to changes in Group companies.

Reduction rate of *FLW produced (Per-unit volume, comparison with FY2019) *Food Loss and Waste



Scope of Tabulation
LOTTE CO., LTD. and its major Group companies
The previously provided information has been updated due to changes in Group companies.

Recycling rate of waste generated by production processes

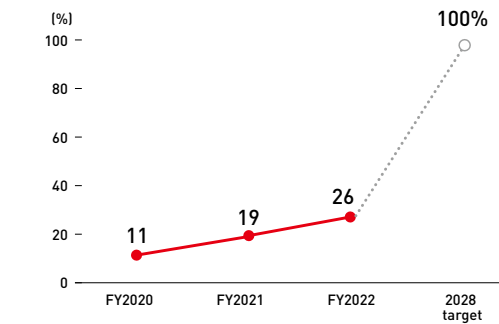


Scope of Tabulation
LOTTE CO., LTD. and its major Group companies in Japan



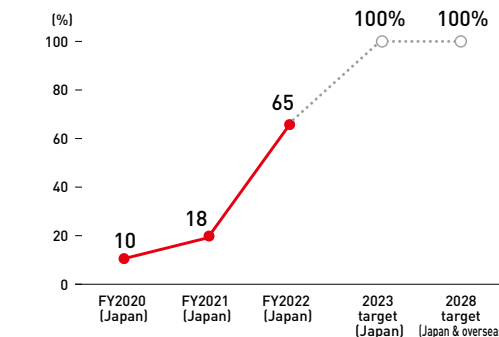
4. Sustainable Procurement

Usage rate of Fair Cacao



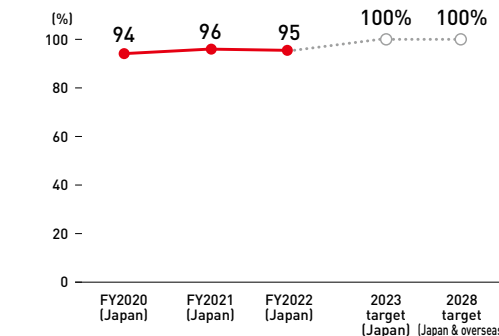
Scope of Tabulation
LOTTE CO., LTD.
Weight of cacao procured in the form of beans

Usage rate of third-party verified palm oil



Scope of Tabulation
LOTTE CO., LTD. and its major Group companies in Japan
Weight of palm oil contained in oil and oil processed goods

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

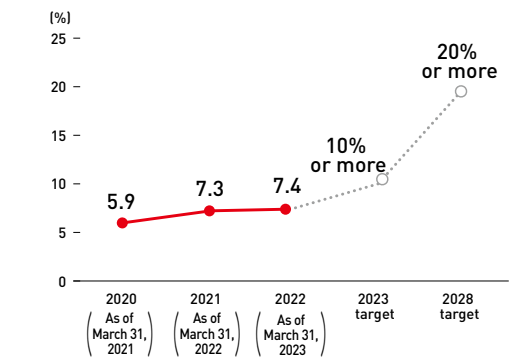


Scope of Tabulation
LOTTE CO., LTD. and its major Group companies in Japan



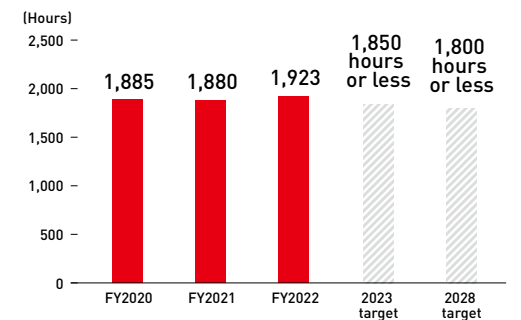
5. Employee Empowerment

Ratio of female managers (Japan)



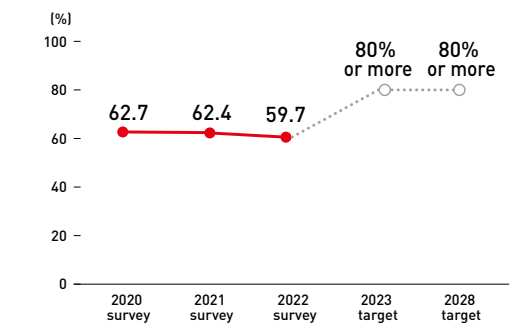
Scope of Tabulation
LOTTE CO., LTD. and its major Group companies in Japan
Figures for the previous fiscal year have been restated due to an error.

Annual total working hours per person (Japan)



Scope of Tabulation
LOTTE CO., LTD. and its Group companies in Japan

Percentage of employees with high job satisfaction (Japan)



Scope of Tabulation
LOTTE CO., LTD. and its major Group companies in Japan

LOTTE

Sustainability Communication Book 2023

Company Information

Company Name	LOTTE CO., LTD.
Head Office	20-1, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo, Japan
Founding	June 1948
Capital	217,000,000 yen
Closing Date	March 31
Full-time Employees	2,459 7,375 (Consolidated) (As of March 31, 2023 / Data on overseas locations and Dari K is as of December 31, 2022)

LOTTE Sustainability Databook 2023

Please visit our website for more information.
<https://www.lotte.co.jp/corporate/sustainability/report.html>



Everyday sweet life



www.lotte.co.jp