

LOTTE'S APPROACH

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.

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. In order to help realize a sustainable society, we have been promoting initiatives in line with ISO26000 in recent years. Furthermore, we have also identified and mapped key priority issues (materiality) based on their impact on society and their importance to our business activities. Going forward, we will create specific targets regarding these issues, and work to reach these targets.

▶ Process for Determining Materiality and Setting Medium-Term ESG Targets

STEP 1

Understand Issues

List issues according to ISO26000, the International Organization for Standardization's standard for social responsibility

STEP 2

Identify Materiality

Hold a discussion of the issues by theme and discuss their importance in terms of business activities

STEP 3

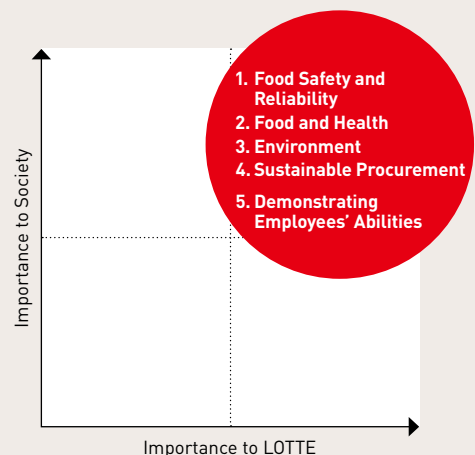
Dialogue with Experts

Exchange opinions with experts with a wide variety of perspectives regarding initiatives that LOTTE should focus on

STEP 4

Map and Organize Materiality

Map and organize materiality based on the discussions from STEP 2 and the dialogues from STEP 3



STEP 5

Formulate Medium-Term ESG Targets

Formulate Medium-Term ESG Targets to address and investigate initiatives to reach them (For details, please see page 10 and onward.)

TO MATERIALITY

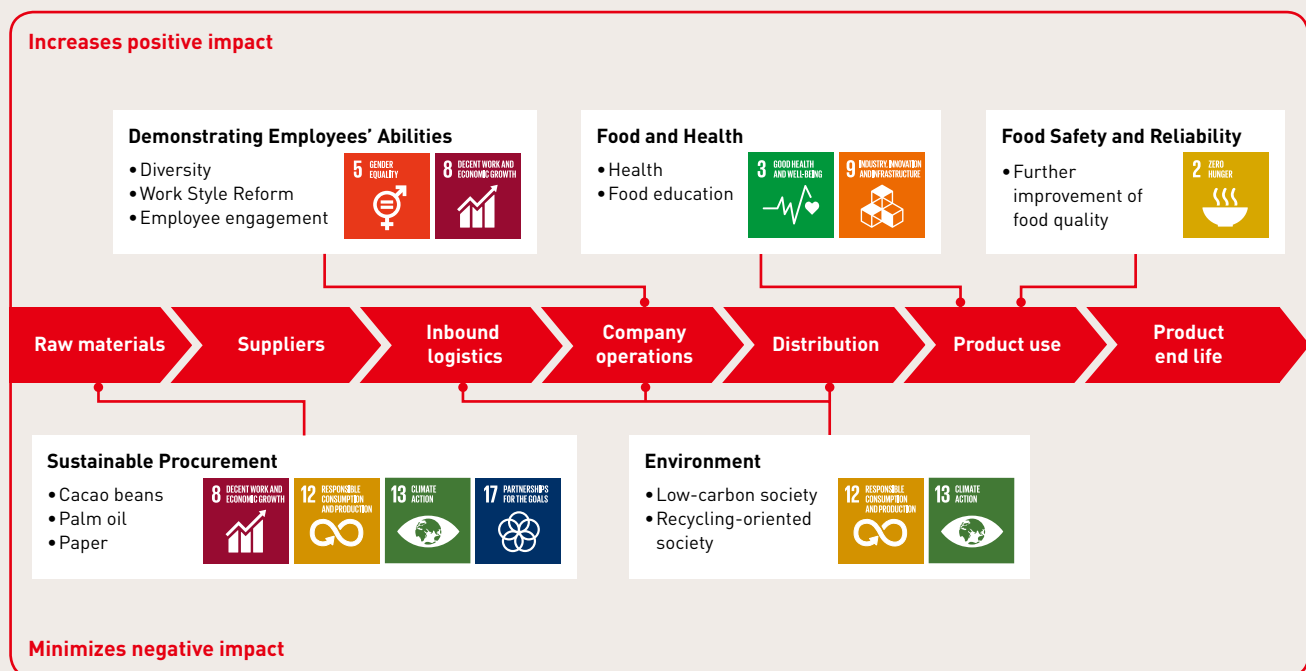
About the SDGs

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



▶ Mapping Materiality in the Value Chain

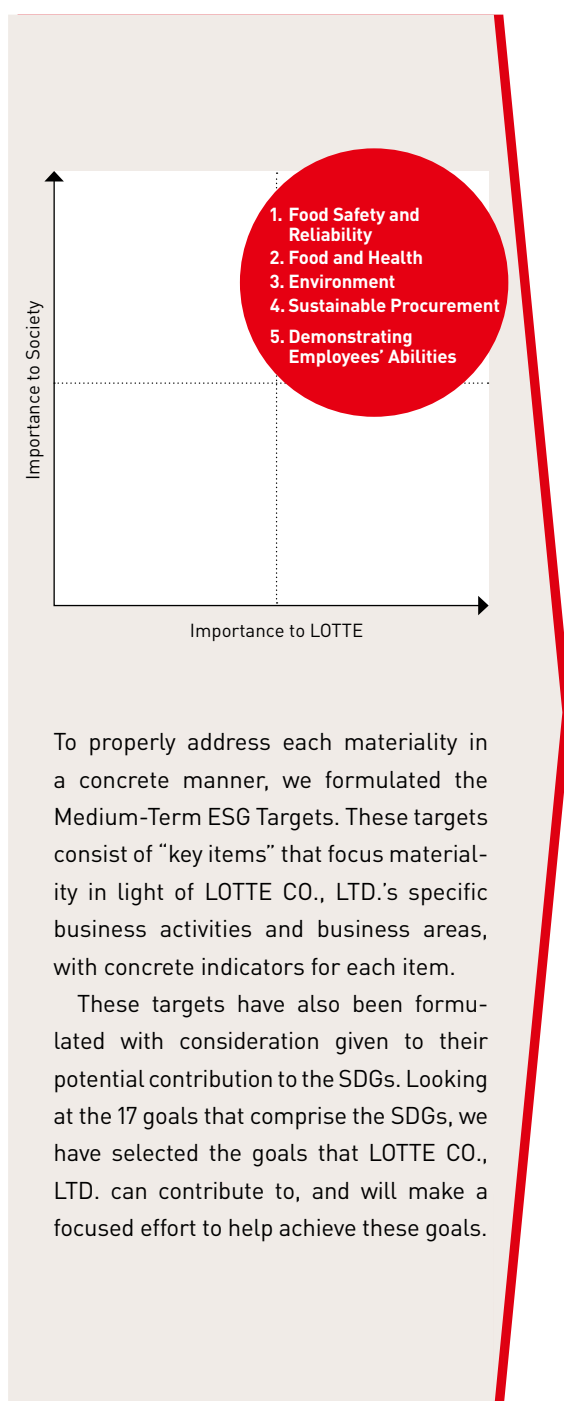
We analyzed the impact of each materiality on the value chain and identified whether each materiality “increases positive impact” or “minimizes negative impact.”



Note: Created referencing the SDG Compass

LOTTE'S Materiality and Medium-Term ESG Targets

Materiality Map



Materiality	Contributing to the SDGs
1 Food Safety and Reliability ▶ Page 12	 ▶ Ensuring food safety and reliability
2 Food and Health ▶ Page 13	 ▶ Promoting "chewing to improve health" ▶ Creating and distributing products that contribute to a healthy diet ▶ Sharing accurate food knowledge
3 Environment ▶ Page 14	 ▶ Reducing greenhouse gas emissions ▶ Addressing dwindling food resources ▶ Helping realize a recycling-oriented society
4 Sustainable Procurement ▶ Page 15	 ▶ Realizing a sustainable supply chain
5 Demonstrating Employees' Abilities ▶ Page 16	 ▶ Reinforcing business competitiveness by showing respect for diversity ▶ Responding to labor shortages by increasing productivity

LOTTE CO., LTD. has established five materiality themes through which it conducts its business activities: Food Safety and Reliability, Food and Health, Environment, Sustainable Procurement, and Demonstrating Employees' Abilities. We are working together throughout the Group to promote these themes, which are indispensable for achieving sustainable development alongside society. To this end, we have formulated our Medium-Term ESG Targets, decided on concrete indicators of success, with the aim of incorporating both when creating plans for each business division. To ensure that these targets are met, we will confirm progress on an annual basis and disclose information publicly. In the following pages, we will introduce each of our goals along with the concrete efforts aimed at achieving them.

Medium-Term ESG Targets

Key Items	Indicators	2023 Targets	2028 Targets
Further improve product quality	GFSI: Global Food Safety Initiative (FSSC22000/BRC)	Maintain certification at all Japanese and overseas factories	Maintain certification at all Japanese and overseas factories
	Introduction of new "LOTTE ADVANCE," our new quality assurance system	Introduce at all Japanese and overseas factories	Continue use for operations in all Japanese and overseas factories
Health	Percentage of people who practice "kamukoto (chewing)" with proper awareness (Japan)	35% or higher	50% or higher
	Number of people we have helped lead healthy lives through our products (Japan)	34.56 million people or more	Expand this number even further
Food education	Number of people who have attended food education lectures	100,000 people per year or more	Over 150,000 per year or more
Low-carbon society	Reduction rate of CO ₂ emissions (CO ₂ emissions intensity comparison to FY2013)	Reduce by 13% or more	Reduce by 26% or more
Recycling-oriented society	Reduction rate of food loss and waste (Collection of raw materials to product delivery comparison to FY2017)	Reduce by 25% or more	Reduce by 50% or more
	Recycling rate of waste generated by production processes	99% or higher (Japan)	99% or higher (Japan and overseas)
Cacao beans	Usage rate of Fair Cacao	20% or higher	50% or higher
Palm oil	Usage rate of third-party verified oil	100% (Japan)	100% (Japan and overseas)
Paper	Usage rate of environment-friendly paper (for product packaging)	100% (Japan)	100% (Japan and overseas)
Diversity	Ratio of female managers (Japan)	10% or higher	20% or higher
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 higher	Stay at 80% or higher

1 Food Safety and Reliability



Basic Approach

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

Further Improve Product Quality

GFSI recognised certification schemes (FSSC22000/BRC)

All domestic and overseas factories have acquired FSSC22000/BRC certifications and are thus recognized under the Global Food Safety Initiative (GFSI). Both certifications are approved by GFSI, which is operated by The Consumer Goods Forum (TGCF), organized by approximately 400 major distributors and food companies in 70 countries worldwide. These certifications add additional requirements to ISO22000 based on Hazard Analysis and Critical Control Point (HACCP) and have also been established as global standards for food defense and other food safety measures.

► For details, please see page 40.

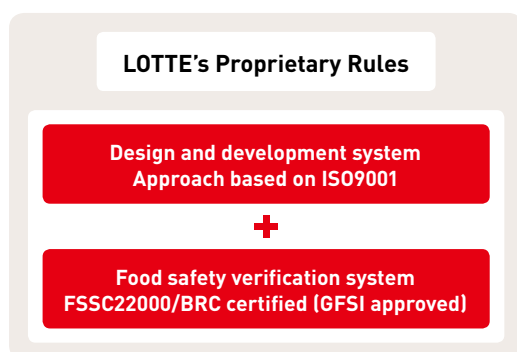
Introduction of “LOTTE ADVANCE,” our new quality assurance system

To further improve quality in the future and to promote the dissemination of information, we are working to build and implement a proprietary quality assurance system. This system will consist of proprietary rules based on the certifications we have acquired as a company recognized by GFSI (FSSC22000/BRC) and incorporates the approach toward design and development from ISO9001, the International Organization for Standardization’s standard for quality management systems. Standards and guidelines related to the new quality assurance system are to be established and systematized in sequence, and will be deployed to all factories in Japan and overseas by FY2023.

LOTTE ADVANCE

► For details, please see page 40.

LOTTE ADVANCE Framework



LOTTE ADVANCE—Related Standards and Guidelines



2 Food and Health



Basic Approach

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

Health

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

As a company with its origins in chewing gum, we have accumulated years of research in the field of *kamukoto*. What has been made clear is that *kamukoto* is at once a basic physical function for manipulating food and also something that exerts a major influence both physically and mentally. We will continue to enrich people’s lives by working to communicate the importance of *kamukoto* and by disseminating the results of our research, thereby making *kamukoto* more common knowledge.

► For details, please see pages 43-45.

2023 Targets

35% or higher



2028 Targets

50% or higher

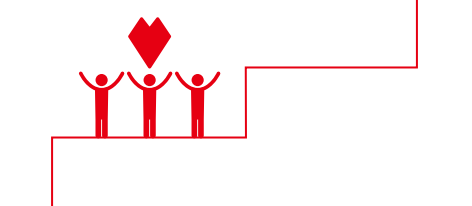


Number of people we have helped lead healthy lives through our products (Japan)

Among various shifts in society that include increasing health awareness, the declining birthrate and aging population, and diversifying eating habits, 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. Making use of the knowledge and technology that we have acquired since the founding of the company, we are developing products that possess new health-oriented qualities in order to contribute to the healthy eating habits of our customers.

► For details, please see page 45.

34.56 million people or more



Food Education

Number of people who have attended food education lectures

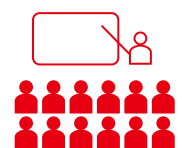
Working with the understanding that food acts as a resource for health, we are engaged in food education activities aimed at spreading correct food knowledge and deepening understanding. We conduct factory tours, hands-on workshops, and school visits to provide opportunities to help participants learn about healthy eating habits in an easy-to-understand manner.

► For details, please see pages 46-47.

100,000 people per year or more



150,000 people per year or more



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.

Low-Carbon Society

Reduction rate of CO₂ emissions

Our measures to combat global warming by reducing CO₂ emissions are crucial for attaining a sustainable global environment. We have set targets for reducing emissions and will promote Groupwide efforts to reach these targets through both energy-saving activities and by incorporating renewable energy.

► For details, please see page 30.

2023 Targets



2028 Targets



Note: CO₂ emissions intensity comparison to FY2013

Recycling-Oriented Society

Reduction rate of food loss and waste

As one of our responsibilities as a member of the food industry, we have set a FY2028 target of reducing food loss and waste, from collection of raw materials to product delivery, half the amount compared to FY2017. To reach this target, we will work across the entire value chain and in each business division and utilize food banks to promote effective food use.

► For details, please see page 33.

Reduce by 25% or more



Reduce by 50% or more



Note: Collection of raw materials to product delivery comparison to FY2017

Recycling rate of waste generated by production processes

While it goes without saying that we should work to avoid wasting finite resources, and that we should aim to limit the amount of waste produced, we also believe it is important that any waste generated should be used as completely and effectively as possible. Therefore, we have set a target to recycle 99% or higher of waste generated by production processes from our factories and will work toward reaching this target.

► For details, please see page 32.

99% or higher [Japan]



99% or higher [Japan and overseas]



4 Sustainable Procurement



Basic Approach

While the role of safety and reliability in the stable provision of high-quality goods and services cannot be overstated, we also believe in the importance of sustainable procurement of ingredients, with due consideration given to the environment and society. To this end, we are working with clients and stakeholders both inside and outside of the food industry to promote sustainable procurement throughout the supply chain.

Cacao Beans

Usage rate of Fair Cacao

With international demand for cacao beans on the rise, sustainable and stable procurement of cacao beans is an important matter for our business activities. Accordingly, LOTTE CO., LTD. is expanding procurement efforts through the Fair Cacao Project (FCP), aimed at building ties with producing areas while carrying out procurement activities which contribute to the economic and social development of surrounding areas.



► For details, please see pages 36-37.

2023 Targets

20%
or higher



2028 Targets

50%
or higher



Palm Oil

Usage rate of third-party verified oil

We utilize palm oil in a wide range of products, such as chocolate, biscuits, and ice cream. As one of our initiatives to promote sustainable palm oil, we are expanding use of palm oil that has been certified by the Roundtable on Sustainable Palm Oil (RSPO) and other third parties.

► For details, please see page 38.

100%

(Japan)



100%

(Japan and overseas)



Paper

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

To ensure the effective use of forest resources and to help combat global warming, we promote environment-friendly paper procurement. Specifically, we are expanding our usage of recycled paper and paper that has been certified by the Forest Stewardship Council (FSC) and other third parties.

► For details, please see page 38.

100%

(Japan)



100%

(Japan and overseas)



5 Demonstrating Employees' Abilities



Basic Approach

The most important pillar of support for our business is our human resources. We are committed to creating a lively work environment where each and every employee is able to demonstrate their abilities, which will lead to our sustainable development.

Diversity

Ratio of female managers (Japan)

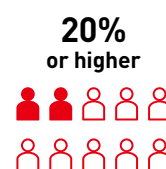
To ensure that a wide variety of human resources are capable of demonstrating their abilities to the fullest, we are promoting diversity and innovation. As a first step, we are using the ratio of female managers as an indicator of our efforts to promote women's success, a pressing issue not only for the company but also for society. We will continue our work to promote diversity and establish a system where employees can flourish regardless of gender.

► For details, please see pages 24-25.

2023 Targets



2028 Targets



Work Style Reform

Annual total working hours per person (Japan)

To create a comfortable work environment for every employee, we are working to improve productivity and thereby reduce the total number of working hours, aimed at achieving a life-work balance for our employees. Our target in these efforts is to allow employees to lead fulfilling lives, with a healthy body and mind, and, using annual total working hours per person as an indicator, we are taking steps to create a comfortable work environment through Work Style Reform such as telecommuting and flextime while working to increase employee awareness of life-work balance.

► For details, please see page 25.

**1,850 hours
or less**



**1,800 hours
or less**



Employee Engagement

Percentage of employees with high job satisfaction (Japan)

We are focused on improving employee engagement—creating a workplace where each employee can perform their duties with vigor while being aware of their own growth and motivations. To promote engagement, all domestic employees complete a periodic employee satisfaction survey. From this survey, we are able to derive a quantitative understanding of motivation, which we use as an indicator for employee engagement. Using this information, we will continue to identify employee issues and make efforts to improve upon them.

► For details, please see page 26.

**80%
or higher**

