

お口の恋人

**LOTTE**

**LOTTE**

**Sustainability**

**Databook 2022**



## Our Philosophy

Corporate Message



LOTTE Group Philosophy



### 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.

## LOTTE Sustainability Databook 2022

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### Information Related to Report Contents

Editorial Policy	LOTTE CO., LTD. Sustainability Databook 2022 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 FY2021. This report has been edited referencing the guidelines below. Some information for fiscal years before FY2021 has been amended using more appropriate calculation methods.
Reference Guidelines	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). <a href="https://www.lotte.co.jp/corporate/sustainability/standard.html">https://www.lotte.co.jp/corporate/sustainability/standard.html</a>
Period of Reporting	FY2021 (April 1, 2021 - March 31, 2022) For some subsidiaries, FY2021 has been adjusted to match their accounting period, which is January 1–December 31, 2021. Furthermore, some of the content reported may include information from before or after the periods stated above.
Scope of Reporting	As a general rule, the scope of reporting is LOTTE CO., LTD. and its consolidated subsidiaries, but Dari K Co., Ltd., which became a consolidated subsidiary in January 2022, and Ginza Cozy Corner Co., Ltd., which became a consolidated subsidiary in March 2022, are not included in the scope of reporting on activities for FY2021. However, all subsidiaries are included in the scope of information stated as March 31, 2022 (the information for Dari K Co., Ltd. and overseas subsidiaries is stated as of December 31, 2021 to match their accounting period). In addition, in each instance where the information available is incomplete, the scope reported is clearly indicated.
Date of Reporting	September 2022

## HISTORY

## 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.



1958

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

LOTTE took its place on this brand-new media (television) 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

## 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.



1964

## Ghana Milk Chocolate



1972

## Ice cream manufacturing and sales

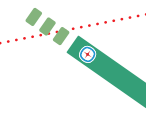
At the time, ice cream was made using milk fat. Bucking that trend, we launched Italiano, an ice cream that used vegetable fat for a refreshing and invigorating flavor that met the tastes of Japanese people.



1997

## 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.



## 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.

1957

## Green Gum

## 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

1970 Candy manufacturing and sales  
1972 Ice cream manufacturing and sales  
1976 Biscuit manufacturing and sales  
1978 Head office and factory relocation to Nishi-Shinjuku, Shinjuku Ward of Tokyo  
1988 THAI LOTTE CO., LTD.

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

2010 LOTTE Wedel sp. z o.o. joined as a subsidiary company  
2018 70th anniversary of LOTTE CO., LTD.  
2022 Dari K Co., Ltd. joined as a subsidiary company

## Product Launch History

1957 Green Gum

1964 Ghana Milk Chocolate

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

1994 Toppo  
1997 Xylitol Gum  
1999 Soh  
2003 Coolish

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



2003

## Coolish

1981

## Yukimi Daifuku



1983

## Choco Pie



1984

## Koala's March



AT A GLANCE


AT A GLANCE


**1** Group


LOTTE CO., LTD.

# LOTTE

Subsidiaries in Japan

Mary Chocolate Co., Ltd. 

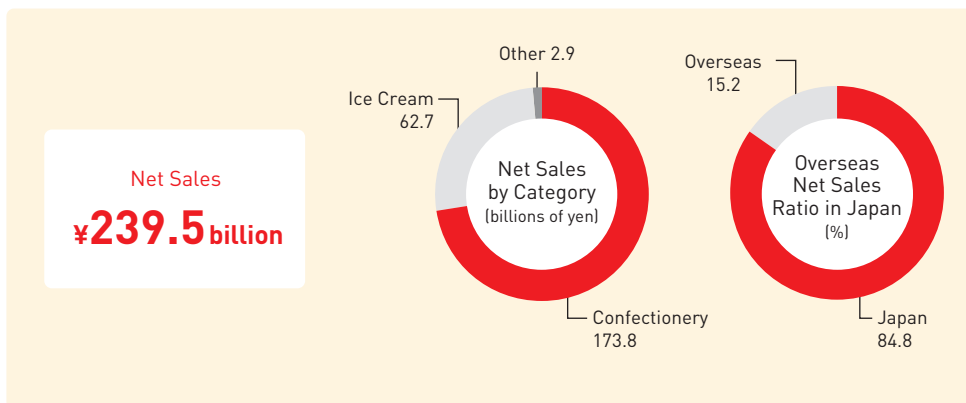
Ginza Cozy Corner Co., Ltd. 

Dari K Co., Ltd. 

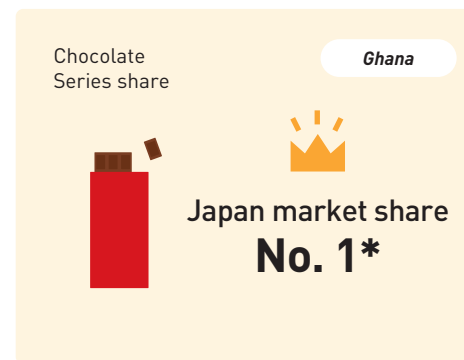
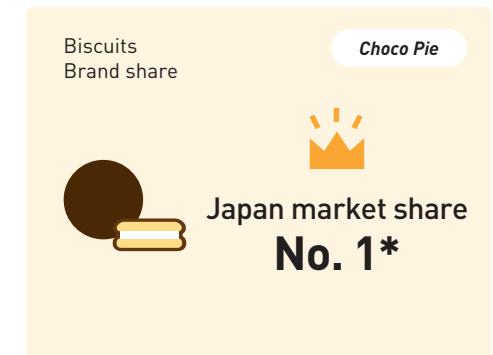
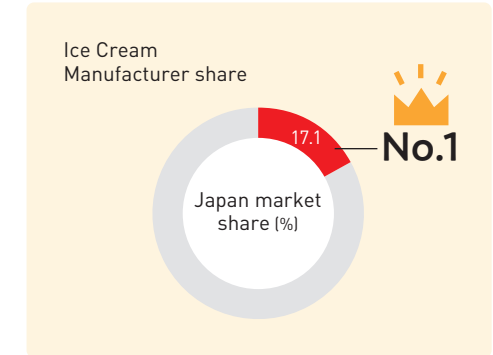
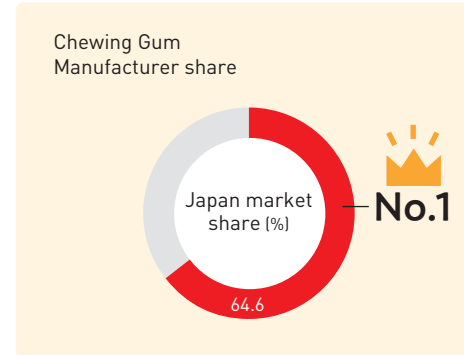
Overseas Countries and Regions

- Thailand
- Vietnam
- Taiwan
- Indonesia
- Poland

**2** Performance Results for FY2021



**3**



\*Source: INTAGE SRI+ data Value of sales from April 1, 2021 to March 31, 2022

## ◆ Message from the President



**We hope to make a difference using  
LOTTE-novation to work toward realizing a  
sustainable society and environment.**

**Eiichi Gochou**

President / Representative Director  
LOTTE CO., LTD.

FY2021 was a year when the suffering and upheaval caused by the COVID-19 pandemic dragged on from the previous fiscal year. In addition, the world became more disordered than before with the soaring price of crude oil caused by the war in Ukraine and the ensuing sharp increase in prices of food ingredients. I would like to offer my sincere sympathies to all those affected by the pandemic or war and send my best wishes for a speedy return to normality.

In such a dramatically changing world, LOTTE CO., LTD. must contribute to the realization of a sustainable society and environment through our business activities in order to

remain a company regarded as necessary to society into the future. To work toward this, we mapped and organized five materialities in 2018, which are food safety and reliability, food and health, environment, sustainable procurement and demonstrating employees' abilities. To resolve each of the issues, we also set Medium-Term ESG Targets and have been promoting initiatives. Moreover, last year, LOTTE CO., LTD. endorsed the recommendations compiled by the TCFD, and we have published the results of climate change scenario analysis in this data book. By analyzing the risks and opportunities, we have reaffirmed the need to reduce dependence on raw mate-

rials derived from fossil resources and to promote stable procurement of raw materials. We hope that by promoting these initiatives we will contribute to the realization of the United Nations' Sustainable Development Goals (SDGs) while achieving the sustainable growth of LOTTE CO., LTD.

Even before we established a system for such initiatives, we had been setting ourselves the challenge of using innovation to solve social issues through our business activities. One example of these products is *Xylitol Gum* launched in 1997, which went against the conventional image of confectionery believed to cause cavities. We provided new value that chewing

## ◆ Message from the President

gum can help us maintain strong and healthy teeth while addressing the importance of promoting cavity-free teeth as a social issue. This initiative embodies the concept of CSV (Creating Shared Value), aiming to solve social issues while creating economic value simultaneously. Now we are further promoting the challenge of using this kind of innovation to solve social issues, using the name LOTTE-novation.

We are thankful that our initiatives so far have been recognized. In the FY2021 Good Practices of Consumer-Oriented Management Awards organized by Japan's Consumer Affairs Agency, we received the Commissioner of Consumer Affairs Agency Commendation (Special Category). More specifically, we received the commendation in recognition of our work with dental associations and local government using chewing gum that contains xylitol to prevent tooth decay and go against the image that gum can cause tooth decay as well as our efforts to improve oral function by *KAMUKOTO* (chewing) using chewing gum and extend healthy life expectancy by preventing the need for nursing care and dementia. This commendation has recognized our efforts. At the same time, we consider it to be an expectation that we will contribute even more than before to the realization of a sustainable society, and we feel inspired to work harder. We will continue contributing to solving social issues by taking on the task of LOTTE-novation.

We have also been regularly updating our Medium-Term ESG Targets so that we can respond sensitively to trends in society. Last fiscal year, we upwardly revised our targets for

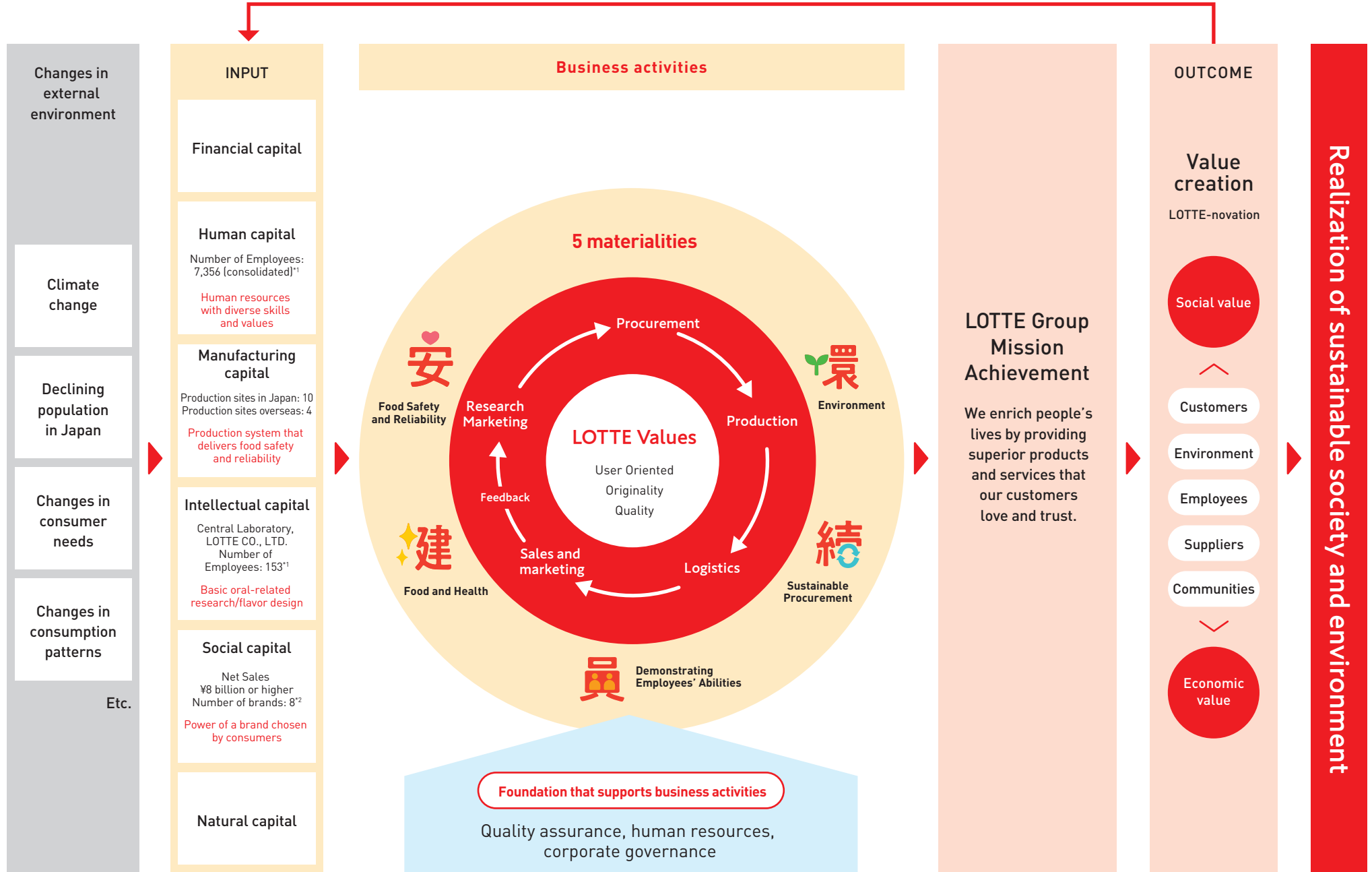
reduction of energy-related CO<sub>2</sub> emissions (Scope 1 and 2). This fiscal year, we upwardly revised our target for the sustainable procurement of cacao beans. Cacao beans are one of our most important raw materials. However, a number of issues have been observed in Ghana, the country which is our main supplier, including poverty among cacao farmers, child labor, and deforestation. Our Medium-Term ESG Targets were established to help solve these issues, but the new addition of Dari K Co., Ltd. as a subsidiary lies behind our decision to upwardly revise these targets. Dari K Co., Ltd. is a start up that has been researching fermentation technology in Indonesia to increase the value of cacao beans while at the same time improving the incomes of farmers and working on initiatives to create more product value. While there are differences between Ghana and Indonesia as producing regions, we decided to upwardly revise our targets with the belief that working together can accelerate resolution of issues. We have also planned a variety of initiatives aimed at solving complex issues, which we hope will make a difference.

We considered the value creation story of LOTTE CO., LTD. for the future we would like to achieve through our Medium-Term ESG Targets. Our value creation story consists of LOTTE-novation, contributing to the realization of a sustainable society and environment through the achievement of the LOTTE Group mission "We enrich people's lives by providing superior products and services that our customers love and trust." driven by the three LOTTE Group values of "User Oriented", "Originality", and "Quality", which we have upheld

as our founding spirit. We will continue rising to the challenge of value creation using LOTTE-novation by refining our brand and investing in human resources and production facilities based on the social and economic value we create by addressing materiality through our business activities. Our individual employees form the foundation for all of our business activities, and we consider investment in human resources to be of utmost importance for achieving our value creation story. Starting this fiscal year, we have launched a new selective training program for the systematic cultivation of future management. Furthermore, telecommuting has become firmly established due to the COVID-19 pandemic, and we have renovated part of our Head Office as an area where employees are free to choose where they work to accommodate this change. This will help to address the lack of communication that can be associated with telecommuting and create new work styles that are more productive than those of the past.

Going forward, we hope to make a difference using LOTTE-novation to work toward realizing a sustainable society and environment. I would like to ask our stakeholders for their continued support.

# Value Creation Process



\*1 As of March 31, 2022 (as of December 31, 2021 for Dari K Co., Ltd. and overseas subsidiaries)

\*2 FY2021 results

# LOTTE'S APPROACH TO MATERIALITY

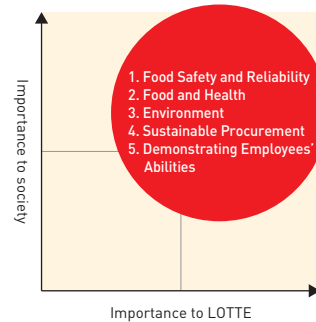
Since our founding, we have upheld the three LOTTE Values of "User Oriented," "Originality," and "Quality" as the basis for all of our corporate activities. Under the LOTTE Group Philosophy, on which these values are based, we have continued to grow by providing new value for customers, local communities,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

## STEP1

### 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.

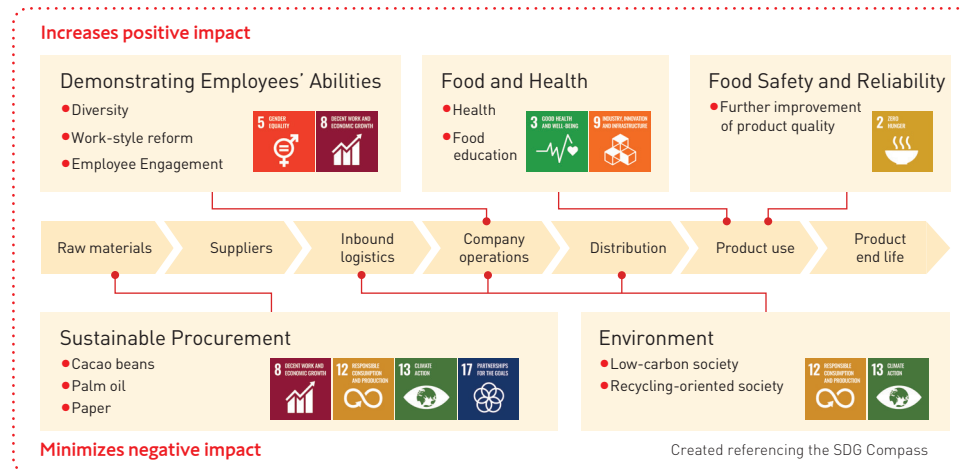


- 1**  
 Food Safety and Reliability
- 2**  
 Food and Health
- 3**  
 Environment
- 4**  
 Sustainable Procurement
- 5**  
 Demonstrating Employees' Abilities

## STEP2

### 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 humankind 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.



## STEP3

### Formulate Medium-Term ESG Targets

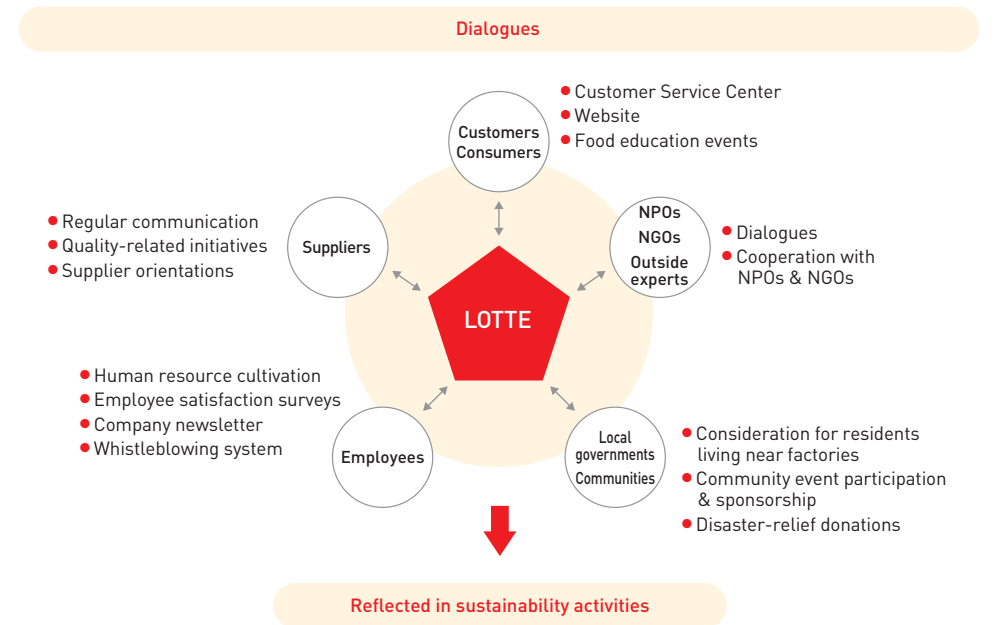
To properly address each materiality theme, we defined the Medium-Term ESG Targets. These were devised in light of contributions to the SDGs. For each materiality theme, we decided which of the 17 SDGs LOTTE CO., LTD. could contribute to, focusing our efforts on addressing those goals. To ensure that our targets are met, we will confirm the progress annually and disclose the information.

**2028**  
**Medium-Term ESG Targets**

## STEP4

















### 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.





## Materiality and Medium-Term ESG Targets

Materiality		Key Items	Indicators	2023 Targets	2028 Targets	Relevant SDGs Targets	
1	Food Safety and Reliability 	Further improvement of product quality	GFSI recognized certification schemes (FSSC 22000/BRC)	<b>Maintain certification</b> at all domestic and overseas factories	<b>Maintain certification</b> at all domestic and overseas factories	 2.1, 2.4	
			Introduction of LOTTE ADVANCE, our new quality assurance system	<b>Complete introduction</b> of the system to all domestic and overseas development and production sites	<b>Continue to operate</b> 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)	<b>35% or more</b>	<b>50% or more</b>	 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)	—	<b>50% or more</b>		
		Food education	Number of people attending our food education lectures	<b>100 thousand people</b> per year or more	<b>150 thousand people</b> per year or more		
3	Environment 	Low-carbon society	Reduction rate of energy-related CO <sub>2</sub> emissions (Scope 1 and 2) (comparison with FY2019)	—	<b>23% or more reduction</b> (2050 Target: Carbon neutrality)	 13.1 	
		Recycling-oriented society	Reduction rate of food loss and waste (FLW) (Per-unit volume comparison with FY2019)	—	<b>50% or more reduction</b>		12.3
			Recycling rate of waste generated by production processes	<b>99% or more</b> (Japan)	<b>99% or more</b> (Japan and overseas)		12.5
4	Sustainable Procurement 	Cacao beans	Usage rate of Fair Cacao	—	<b>100%</b> (2025 Target: 100% for Ghana beans)	 8.7, 8.8, 12.7, 17.16, 17.17   8.4, 12.7, 13.1, 17.16, 17.17 	
		Palm oil	Usage rate of third-party verified palm oil	<b>100%</b> (Japan)	<b>100%</b> (Japan and overseas)		
		Paper	Usage rate of environment-friendly paper (for product containers and packaging)	<b>100%</b> (Japan)	<b>100%</b> (Japan and overseas)		
5	Demonstrating Employees' Abilities 	Diversity	Ratio of female managers (Japan)	<b>10% or more</b>	<b>20% or more</b>	 5.1, 5.5, 5.b, 8.5  5.4, 5.b, 8.1, 8.2	
		Work-style reform	Annual total working hours per person (Japan)	<b>1,850 hours</b> or less	<b>1,800 hours</b> or less		
		Employee engagement	Percentage of employees with high job satisfaction (Japan)	<b>80% or more</b>	<b>At least 80%</b>		8.1, 8.2

# Results Highlights

## 安 1. Food Safety and Reliability

### GFSI recognized certification schemes (FSSC 22000/BRC)

- FY2020 > Certification maintained\*

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- FY2021 > Certification maintained\*

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- 2023 Target > Maintain certification at all domestic and overseas factories

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- 2028 Target > Maintain certification at all domestic and overseas factories

\* Applicable to LOTTE CO., LTD., Mary Chocolate Co., Ltd., and production sites of overseas subsidiaries

### Introduction of LOTTE ADVANCE, our new quality assurance system

- FY2020 > Completed the outline of shared Group standards

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- FY2021 > Completed the draft of shared Group standards applicable to Japan

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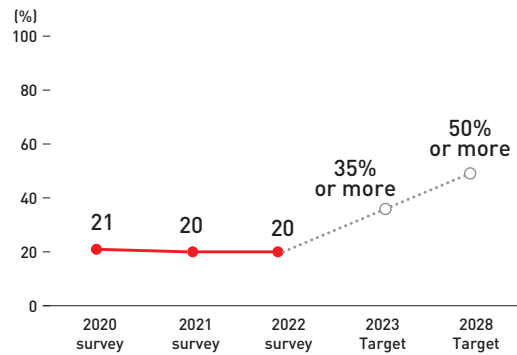
- 2023 Target > Complete introduction of the system to all domestic and overseas development and production sites

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- 2028 Target > Continue to operate the system in all domestic and overseas development and production sites

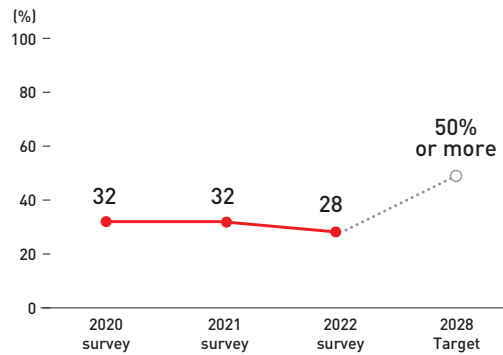
## 建 2. Food and Health

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



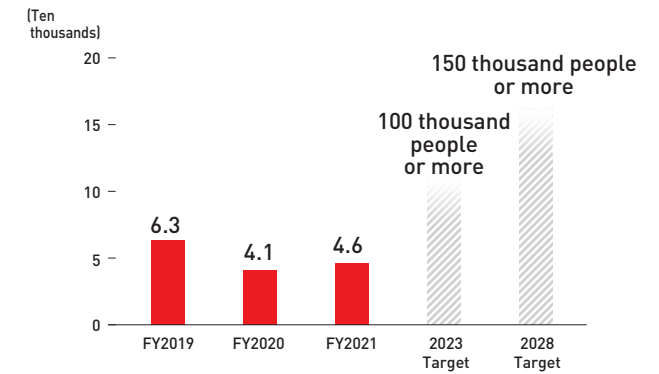
Results of an online survey of 3,000 people (conducted by LOTTE)

### 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



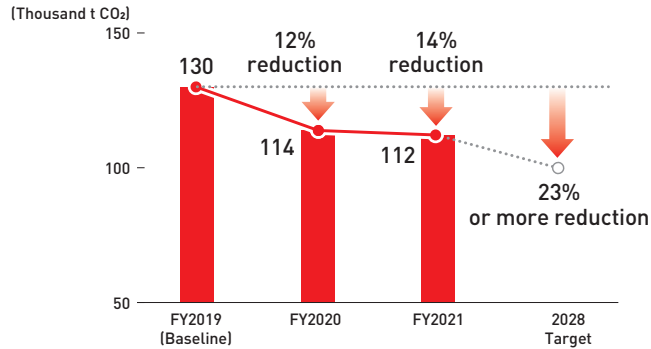
Scope of Tabulation  
LOTTE CO., LTD.

# Results Highlights



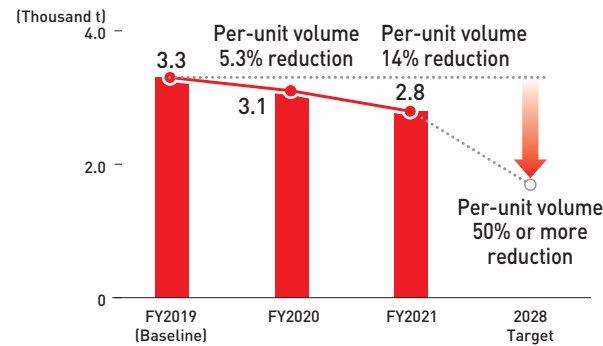
## 3. Environment

Reduction rate of energy-related CO<sub>2</sub> emissions (Scope 1 and 2) (comparison with FY2019)



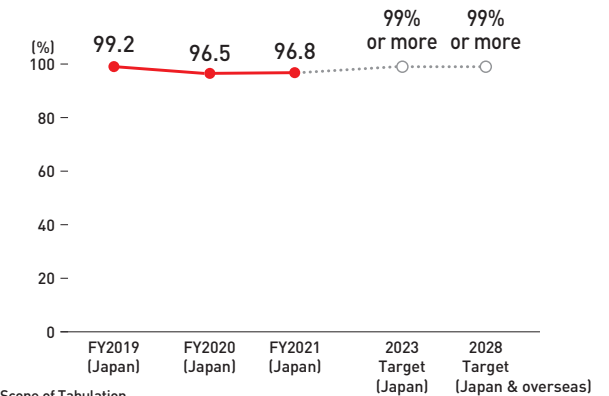
Scope of Tabulation  
 Japan: LOTTE CO., LTD. and Mary Chocolate Co., Ltd.  
 Overseas: Major overseas subsidiaries (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

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



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

Recycling rate of waste generated by production processes

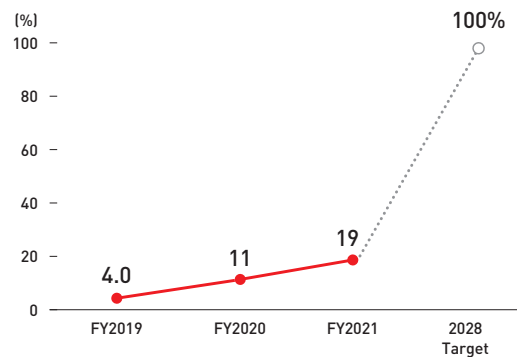


Scope of Tabulation  
 LOTTE CO., LTD. and Mary Chocolate Co., Ltd.



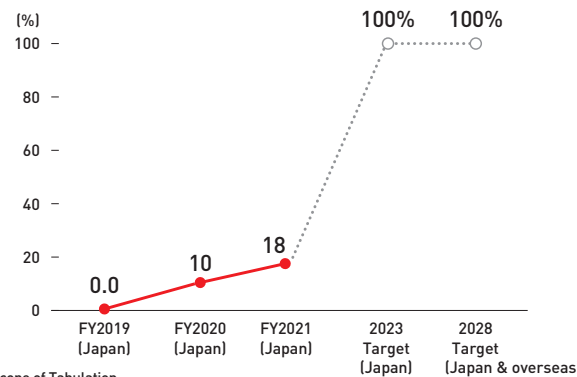
## 4. Sustainable Procurement

Usage rate of Fair Cacao



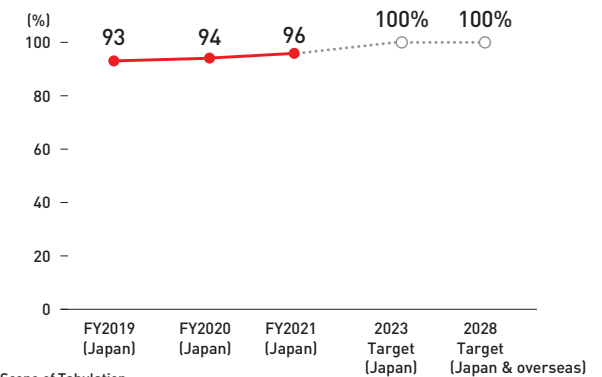
Scope of Tabulation  
 LOTTE CO., LTD.  
 Weight of cacao procured in the form of beans

Usage rate of third-party verified palm oil



Scope of Tabulation  
 LOTTE CO., LTD. and Mary Chocolate Co., Ltd.  
 Weight of palm oil contained in oil and oil processed goods  
 Figures for the previous fiscal year have been restated due to an error.

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

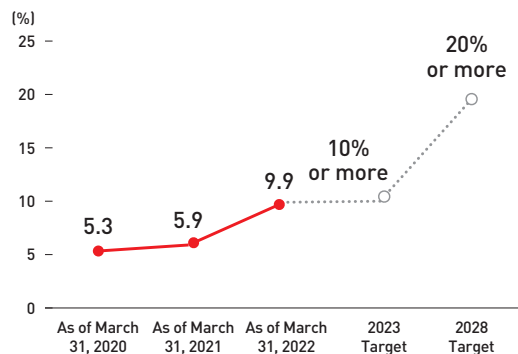


Scope of Tabulation  
 LOTTE CO., LTD. and Mary Chocolate Co., Ltd.

# Results Highlights

## 5. Demonstrating Employees' Abilities

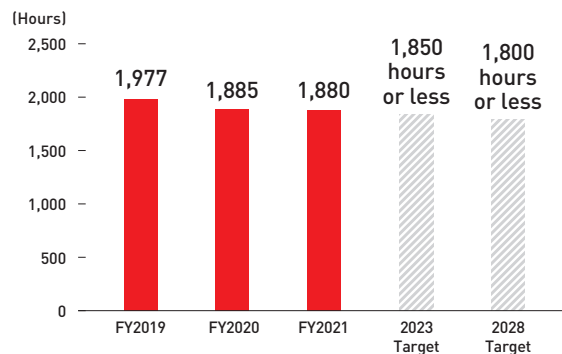
Ratio of female managers (Japan)



Scope of Tabulation

LOTTE CO., LTD. and Mary Chocolate Co., Ltd.  
 Note that the figures for the fiscal year ended March 31, 2022 include results of Dari K Co., Ltd. and Ginza Cozy Corner Co., Ltd.

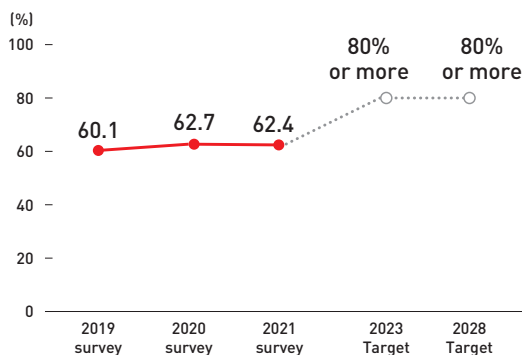
Annual total working hours per person (Japan)



Scope of Tabulation

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

Percentage of employees with high job satisfaction (Japan)



Scope of Tabulation

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

### Changes to the Fair Cacao usage target



Cacao bean producing regions are affected by a range of issues including poverty among farmers, child labor, and deforestation. As chocolate is one of our main products, the sustainable procurement of cacao beans is an important agenda for LOTTE CO., LTD. We have been working to increase the ratio of Fair Cacao usage by setting our goals in the Medium-Term ESG Targets. To further expedite this effort, we revised this target and set a higher goal. The new goal for FY2025 includes 100% procurement of Fair Cacao from Ghana, our primary supplier. Also, by FY2028, we plan to increase the procurement ratio of Fair Cacao to be 100% for all the cacao bean suppliers.

### SBTi certification for the CO<sub>2</sub> emission reduction targets



We, LOTTE CO., LTD., aim to reduce Scope 1 and 2 energy-related CO<sub>2</sub> emissions, our primary producer of greenhouse gases, for at least 23% by FY2028 compared to levels in FY2019. In May 2022, we received the SBTi\* certification for our targets to be achieved by FY2028.

\* SBTi: Science-Based Targets initiatives  
 The SBTi certifies companies that have set targets to reduce greenhouse house gas emissions in alignment with the Paris agreement goals.



## ◆ Sustainability Activities

### Basic Approach

In line with the LOTTE Group Philosophy, LOTTE CO., LTD., has continued to grow by providing new value to customers and society through innovations. Xylitol gum launched in 1997 was one of such examples in a way that went against a conventional image of confectionery believed to cause cavity. We provided new value that chewing gums can help us maintain strong and healthy teeth while addressing the importance of promoting “cavity-free teeth” as a social issue. This example aligns with our slogan referred to as CSV (Creating Shared Value), aiming to solve social issues while creating economic value simultaneously. We will contribute to solving issues of our society, including climate change and human rights, by realizing CSV in line with the LOTTE Group Philosophy. In 2018, we established the Policy on Sustainability, which clarifies our approaches to realize sustainable management.

The LOTTE Group Philosophy is defined upon three important LOTTE values we have upheld as the basis for all of our corporate activities since our founding to achieve the mission. Three LOTTE values consisting of “User Oriented,” “Originality,” and “Quality” are the driving force behind innovations to realize CSV goals.

▶ LOTTE Group Philosophy

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

▶ LOTTE Policy on Sustainability

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

### Promotion System

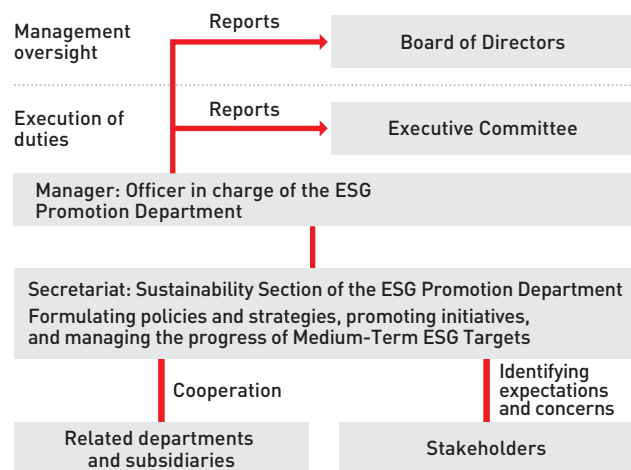
Acting in collaboration with related departments and subsidiaries, the officer in charge of LOTTE CO., LTD.’s ESG Promotion Department acts as a manager, and the ESG Promotion Department’s Sustainability Section serves as the secretariat. The Sustainability Section also formulates sustainability-related policies and strategies, monitors progress toward meeting the Medium-Term ESG Targets, and cooperates with related departments to promote the activities. 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. Also, the secretariat serves as a

liaison to promote communication with society and understand the stakeholders’ expectations and concerns to be reflected in the sustainable management activities. Through regular dialogues with outside experts (page 14), we try to bring in feedback from outside the company. The Risk Management Committee takes the lead and manages sustainability-related risks that may have a significant impact on our business (page 17 for climate change-related risks, page 24 for human rights) under the risk management structure (page 43).

In addition, the Sustainability Section is responsible for disclosing information; it references GRI\*1 and SASB\*2 while also working to expand the breadth of information disclosed and contribute to the dialogues with all of our stakeholders.

\*1 GRI stands for Global Reporting Initiative. It is a non-profit organization that establishes sustainability-related international standards.

\*2 SASB stands for Sustainability Accounting Standards Board. Founded in 2011, this non-profit organization based in San Francisco, U.S., provides industry-specific disclosure standards on ESG factors for companies that are expected to have a significant financial impact in the future.



### Employee Education

To promote sustainable management, we believe that employees who play an integral role in this process have a full understanding of the concept. We employ various methods to ensure that employees receive the information and training they need. 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, such as training for new hires, and newly appointed managers and assistant managers.

We also invite experts from outside the company to give lectures on materiality-related topics in our employee seminars. To make this program more accessible to employees, we started offering online streaming and made video archives available in fiscal 2020.

#### → Lectures Held

FY2019	Oral frailty *1 (Relevant materiality theme: Food and Health)
	Palm oil (Relevant materiality theme: Sustainable Procurement)
	Food safety (Relevant materiality theme: Food Safety and Reliability)
FY2020	The “ikuboss” *2 (Relevant materiality theme: Demonstrating Employees’ Abilities)
	Food education (Relevant materiality theme: Food and Health)
FY2021	KAMUKOTO (chewing) (Relevant materiality theme: Food and Health)
	Renewable energy (Relevant materiality theme: Environment)
	Global warming (Relevant materiality theme: Environment)

\*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.

## Participation in Initiatives

### →→ Global Initiatives

United Nations Global Compact (UNGC)

Roundtable on Sustainable Palm Oil (RSPO)

World Cocoa Foundation (WCF)

Science-Based Targets initiatives (SBTi)

Task Force on Climate-related Financial Disclosures (TCFD)

Task Force on Nature-related Financial Disclosures (TNFD) Forum

### →→ Initiatives in Japan

The Consumer Goods Forum's Japan Sustainability Local Group (JSLG)

TCFD Consortium

Japan Clean Ocean Material Alliance (CLOMA)

United Nations Food Systems Summit (FSS)

GX League Basic Concept

10x20x30 Food Loss and Waste Initiative-Japan Project

xSDG Consortium

Platform for Sustainable Cocoa in Developing Countries

### Participation in the UN Global Compact

The UN Global Compact is a voluntary initiative in which companies and organizations act as good members of society and taking part in creating a global framework for sustainable growth by demonstrating responsible and creative leadership. LOTTE CO., LTD. joined the UN Global Compact in April 2021, showing our commitment to the Ten Principles including human rights protection, elimination of unfair labor practices, environmental responsibility, and anti-corruption.



## Promoting Sustainability-Related Activities

The spread of the novel coronavirus continues to affect us today, and it has changed our social environment and even the way we live. More events and festivals carried out like before since Spring 2022, and this is a sign that things are returning to normal in terms of social events and economic activities. However, our daily life is not completely the same as before, and it seems like we need to move on with our new life by accepting the risks of infection.

The word SDGs (Sustainable Development Goals) became increasingly popular in Japan, and most people probably see this word daily. With only seven years remaining until the year set for the Agenda 2030, now is the time to step up the pace of our action, for both corporations and individuals, in achieving the goals.

There were major movements related to SDGs and sustainability in 2021. As part of the efforts to mitigate climate change, the 26th United Nations Climate Change conference, referred to as COP26, was held in Glasgow, United Kingdom, starting from October 31, 2021. The COP26 concluded that we must further speed up the reduction rate of CO<sub>2</sub> emissions to meet the climate change goals. This year's highlights in the human rights area were human rights issues in the supply chain. In November 2021, the METI released the results from the questionnaire survey on the status of efforts on human rights in the supply chains of Japanese companies, which was jointly conducted by the Ministry of Foreign Affairs, demonstrating the importance that companies must respect human rights throughout their supply chains.

LOTTE CO., LTD. organized priority issues in our business activities into five materiality themes: "Food Safety and Reliability," "Food and Health," "Environment," "Sustainable Procurement," and "Demonstrating Employees' Abilities," aiming to contribute to realizing a sustainable society and environment. In 2018, we defined Medium-Term ESG Targets as indicators to measure the attainment of our materiality themes. We examine and revise our Medium-Term ESG Targets from time to time,

reflecting changes in social situations and other factors.

For the Medium-Term ESG Targets pertaining to the environment, we set a new goal to reduce energy-derived CO<sub>2</sub> (Scope 1 and 2) by 23% in 2028 compared to the volume of FY2019, and plan to achieve carbon neutrality by 2050. The efforts to achieve these goals include efficient use of energy at manufacturing plants and adoption of renewable energy in more locations.

For the Medium-Term ESG Targets on the sustainable procurement, we revised the Fair Cacao usage ratio of cacao beans, one of the primary raw materials, to 100% for cacao beans made in Ghana by 2025, and achieve 100% for all the cacao beans by 2028. Our activities under the FAIR CACAO PROJECT seek to eliminate child labor, which is one of the serious issues among cacao bean producers. We use the monitoring to discover and counteract child labor, and reveal issues that differ from region to region, to give support suited to the regions.

As a member of society, we will continue to fulfill our social responsibilities toward achieving a sustainable society. These efforts aim at realizing the LOTTE Group's philosophy expressed as "enriching people's lives" around the globe. By allocating more resources and working together with our stakeholders, we hope to make a difference for years to come.

**Makoto Sato**

General Manager  
ESG Promotion  
Department  
LOTTE CO., LTD.





## ◆ DIALOGUES WITH EXPERTS

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 2021, our 2022 dialogue was again conducted online as part of COVID-19 prevention measures.

**I suggest you place more emphasis on your enthusiasm for food safety.**

Food safety and reliability is what underpins your business sustainability. You have devoted considerable resources in the form of money, staff, time and energy, into LOTTE ADVANCE, which is a more stringent standard. In particular, your dedicated employees on the frontline of manufacturing and procurement are working hard every day to supply safe food, so you should place more emphasis on their commitment and enthusiasm.

Your activities to make xylitol and *KAMUKOTO* (chewing) a part of daily life have been commended and you received the Consumer-Oriented Management Excellent Case Award. Food and health is central to your business, so it would be a good idea to evaluate the weight of priority among the five material issues identified. *KAMUKOTO* (chewing) and xylitol are common values and strengths that cut across the company and you are strongly advised to place more emphasis on them. The issue of aging population is affecting the developing countries as well as developed counties. Your products bring beneficial effects on health and will have a powerful market appeal.

Reducing food loss is a pressing issue, and I would definitely urge you to communicate your commitment to pursue recycling methods that bring higher value. Sharing the story about how you use milk from cows that eat animal feed using food waste when you manufacture confectionary would be effective. One of the themes in procurement around the world is ensuring a living wage for all the people throughout the supply chain and their families LOTTE has been promoting sustainable procurement, including the purchase of Fair Cacao and certified palm oil, so I am looking forward to future developments. I believe learning the know-how of Dari K is an excellent management decision.

**I would like to see constant updating of your initiatives in line with social change.**

I would like to see constant updating of your initiatives in line with social change. Looking at your seventy-year history and the report, I felt that LOTTE has come to the stage of shifting from quantity to quality. Focusing on and nurturing mainstay products rather than producing many new ones with short life cycles is a positive approach.

I think the use of Sedex to manage supplier information on human rights and the environment efficiently has advantages for both LOTTE and suppliers, and is a very positive initiative for managing the supply chain on a global basis.

The Act on Promotion of Resource Circulation for Plastics came into force this April. In conjunction with this, it is necessary to include numerical targets such as those for reductions in the use of disposable plastics in the report. Updating materialities and initiatives with changes in society will lead to sustainability for LOTTE and society.

To reduce food loss and waste, it is important to appropriately extend the distribution period for food as a product. Although you have been extending expiration dates and moving to display expiration dates by year/month, there are still products with labels that display day/month/year, so I would like to see more progress here. Ties dyed with the unused parts of cacao is an endeavor that is very characteristic of LOTTE.

As I also mentioned last year, I think you could utilize product packaging to communicate more with customers. Product functionality is well labeled, so I would like to see presentation of your history or sustainability initiatives.



**Makiko Akabane**

Director Japan, CSR Asia

Ms. Akabane majored in political science and biology at Waseda University. 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 has led CSR Asia Japan since 2010.



**Rumi Ide**

Journalist in the Problem of Food Loss and Waste  
Winner of the FY2020 Consumer Affairs Agency Commissioner's Award,  
Food Loss and Waste Reduction Grand Prize

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 during the 3.11 crisis. Worked on public relations for Japan's first food bank, creating the impetus for establishment of the Food Loss Reduction Promotion Act in 2016. Publications include Shoumi Kigen no Uso (The Myth of Best-Before Dates), Shokuryo Kiki (Food Crisis), Aru Mono de Makanau Seikatsu (Life with What You Have), Sutenai Panya no Chousen (The Zero Waste Bakery Challenge) (assigned book for the 68th National Youth Book Report Competition) or others.

## ◆ DIALOGUES WITH EXPERTS

### I recommend communicating with the younger generation who are very interested in ethical consumption.

Congratulations on winning the Special Category Prize in the Good Practices of Consumer-Oriented Management Awards. The LOTTE Group Philosophy is exactly an embodiment of the consumer-first approach. A philosophy that is shared internally will become the corporate culture. I hope to see you evolving the things you have done so far even further.

I heard of consumer inquiries about child labor in cacao producing regions in Africa. I would like to see internal dissemination of your approach to human rights and continual promotion of initiatives in the future. Consumers are becoming aware of the importance of achieving the SDGs and a sustainable society, and ethical consumption is also becoming more widespread little by little. It is important to communicate with the younger generation who are very interested in these issues.

As a result of COVID-19, telecommuting has become more common, and I believe that achieving a work-life balance has led to job satisfaction for employees. The use of chat to facilitate communication even when working remotely is also a positive.

I think that factory visits that enable learning through experience are an effective way of informing consumers about your food safety and reliability initiatives. In terms of food and health, you have the goal of increasing the number of people who are aware of and practice *KAMUKOTO* (chewing), but I think consumers would be more receptive to the idea if you make it fun. LOTTE's sustainability initiatives are really excellent, so I would urge you to be proactive in communicating them.

### Working to share values with consumers will lead to resolution of social issues and achievement of the SDGs.

Overall, I think LOTTE is moving forward in a very positive direction. The company received the Special Category Prize in the Good Practices of Consumer-Oriented Management Award in recognition of food and health initiatives in cooperation with local governments. The consumer first approach places importance on initiatives for the benefit of the future and the next generation, so it has an affinity with the SDGs and sustainability. Working to share values with consumers through communication will lead to the resolution of social issues and the achievement of the SDGs. It is important to present such recognition and the company approach clearly in the report. In addition, presenting a narrative that describes not only the facts and the results of initiatives but also the background and the difficulties involved in them would show the world what LOTTE's goals are.

I believe you have some excellent industry-leading initiatives in the area of food safety and reliability under the Medium-Term ESG Targets. These include Global Food Safety (GFS) commitment and certification and LOTTE ADVANCE, your original quality assurance system. I also commend you on conducting climate change-related risk and opportunity analysis and your commitment to Science Based Targets (SBT). In the future, I would like to see you expand your initiatives into biodiversity and supply chain management as well.

I am looking forward to the new possibilities that will open up due to the addition to the Group of Dari K, which has been addressing the issue of cacao bean sustainability.



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 Commission of Japan, and the Consumer Affairs Agency.

\* A nationwide liaison for consumer organizations that participates in various councils and submits public comments to disseminate opinions on behalf of the consumer regarding various life-related topics



Norichika Kanie

Professor Graduate School of Media and Governance, Keio University

He represents the Keio Research Institute at SFC xSDG Laboratory. 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. He has been selected by the UN Secretary General as one of the 15 independent group of scientists to write the 2023 Global Sustainable Development Report. His areas of expertise are international relations, sustainability, and earth system governance. He is a leader in SDGs research, combining both theory and practice. Ph.D. (Media and Governance)



## DIALOGUES WITH EXPERTS

**It's excellent to set high targets.  
I would like to see you leveraging your product development  
capabilities to lead market transformation.**

Sustainability Report 2021 was designed so that even ordinary people would want to read it, displaying the emphasis on communication that is typical of LOTTE. Setting high targets and making company-wide efforts is an excellent approach. Future progress on that front will also attract attention. Making these efforts while contributing to the sustainability of the industry as a whole using external platforms such as RSPO certification and Sedex is commendable. I evaluate the level of human rights due diligence at LOTTE as advanced for the industry in Japan. However, I would recommend checks from an outside perspective, including NGOs, and the establishment of a whistleblowing point-of-contact for suppliers to further promote action on human rights issues such as child labor and forced labor. In future, I also hope LOTTE will work on initiatives to resolve the wide-ranging social issues in cacao producing regions, including the low incomes of farmers, which is also the cause of child labor, and deforestation.

I had some concern that it is difficult to find any unique points in the five materialities. In a future review, you should make areas such as food and health, which are focal points for LOTTE, and procurement of cacao beans, more concrete. In terms of diversity, it is excellent that the rate of eligible employees who took childcare leave among men has jumped up to 50%. I look forward to the future acceleration of other initiatives as well.

LOTTE has changed consumer awareness and behavior by showcasing the benefits of products containing xylitol. Product development capabilities are also one of LOTTE's strengths. I am looking forward to the development of wonderful ethical chocolate and other products that will change consumer awareness.



**Maiko Shiozaki**

CEO, Fairtrade Label Japan

After working for Deloitte Tohmatsu Consulting LLC, she served as a manager at Owls Consulting Group, Inc. As a consultant, she has been responsible for a number of areas including human rights due diligence, sustainability strategy, policy development. She wrote Child Labor White Paper 2020 — Business and Child Labor —. She obtained B.A. of Economics and Master of Development Economics from Hitotsubashi University. She has completed Auditor Training for SA8000, the international standard for human rights and labor.

### Responding to the Experts

**We will incorporate the external opinions  
and advice into the evolution of our sustainability  
activities and information disclosure.**

The dialogue with external experts is a very valuable opportunity for us to receive objective evaluations and advice, and we have incorporated opinions received into our sustainability activities and information disclosure. For example, with regards to contributing to the 169 targets of the SDGs on which we received advice in last year's dialogue, we have clearly shown the relationships between our Medium-Term ESG Targets and the SDGs targets in this Data Book (page 8). We also received an observation about reducing the use of disposable plastic, and we have been promoting reductions in plastic usage for containers and packaging, mainly for the Xylitol brand. We also referred to the advice in updating our ESG Medium-Term Targets, and we upwardly revised our targets on the sustainable procurement of cacao beans this year. I felt there are great expectations of LOTTE with regards to this theme, in part because it coincided with when Dari K Co., Ltd. joined as a subsidiary company. We will continue to promote initiatives to ensure we do not fail to live up to these expectations. We will continue to incorporate the external opinions and advice into the evolution of our sustainability activities and information disclosure, so I hope you will be looking forward to it.



**Toshihiro Sato**

Managing Executive Officer  
LOTTE CO., LTD.

# 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.

- ◆ Responses to Climate Change
- ◆ Reducing Greenhouse Gas Emissions
- ◆ Contribution to Resource Circulation
- ◆ Consideration for Biodiversity
- ◆ Water Resources
- ◆ Environmental Management

## ◆ Responses to Climate Change

### Basic Approach

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. We are strengthening resilience and promoting the disclosure of information through analysis of risks and opportunities based on the TCFD recommendations.



\*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.

### Governance

All business-related risks are managed by a risk management system that is led by the Risk Management Committee (page 43), and the same applied to the risks and opportunities related to climate change. Important matters related to sustainability are deliberated on and incorporated into management by the Executive Committee under the supervision of the Board of Directors.

As one of our Medium-Term ESG Targets, we are also working to reduce Scope 1 and 2\* energy-related CO<sub>2</sub> emissions, our primary producer of greenhouse gases, and the Sustainability Section in the ESG Promotion Department coordinates progress in this area. The Executive Committee and the Board of Directors receive progress reports from the Executive Officer in charge of the ESG Promotion Department.

\* Scope of emissions calculations based on GHG Protocol  
 Scope 1: Direct emissions by the business entity;  
 Scope 2: Indirect emissions associated with use of electricity, heat, and steam supplied by other companies;  
 Scope 3: Indirect emissions other than Scopes 1 and 2 related to the supply chain.

### Strategy

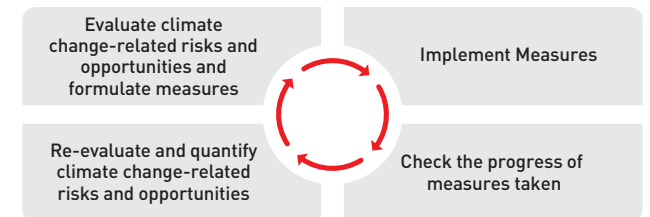
In FY2021, we conducted the climate change scenario analysis recommended by the TCFD for our main business in Japan. We conducted a qualitative evaluation of the medium and long term impacts of climate change-related risks and opportunities and considered measures to address them. Referring to published information, including IPCC\*1 and IEA\*2, we set the 4°C Scenario, when the physical impacts will be apparent, and the less than 2°C Scenario, when the transitional impacts will be apparent as our scenarios. After analyzing the impact of climate change in around 2030 and in 2050, we considered measures to address the impact. LOTTE CO., LTD. aims to achieve carbon neutrality in 2050, and we envision the period around 2030 to be a milestone. In the future, we plan to conduct further review with examination of more specific measures to be based on a quantitative evaluation of the impacts.

\*1 IPCC: An acronym for Intergovernmental Panel on Climate Change. The IPCC is an intergovernmental organization established in 1988 by the Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP). It provides evaluations of the latest scientific knowledge about climate change.  
 \*2 IEA: An acronym for International Energy Agency. The IEA is an international organization established within the framework of the Organization for Economic Co-operation and Development in 1974. It reports on the global energy outlook based on multiple scenarios.

### Risk Management

Our risk management team, led by the Risk Management Committee, is prepared to take action for risks that may have a significant impact on our business (page 43). Among these, climate change is considered as the most critical management risk.

The Sustainability Section of the ESG Promotion Department is assigned to handle climate change-related risks. Together with the related departments and subsidiaries, it identifies risks and actions, and then reports the progress to the Risk Management Committee at least once a year. The Risk Management Committee examines business risks and countermeasures based on these reports and then escalates them to the Executive Committee and the Board of Directors for decisions.



→ Risks and Opportunities in the 4°C Scenario

Social changes and business impact		Impact	Specific impacts	Measures
Intensification of natural disasters (transient)	Own plants and operations	↓ ↓	Interruption of production and damage to equipment due to natural disasters	<ul style="list-style-type: none"> <li>Consideration of mitigation measures based on quantitative forecasts of impact</li> </ul>
	Supply chain	↓	Shortages in raw material procurement and rising prices of raw materials due to abnormal weather and natural disasters	<ul style="list-style-type: none"> <li>Diversification of production regions for raw materials procurement</li> <li>Stabilization of procurement through stronger relationships with suppliers</li> </ul>
	Supply chain	↓ ↓ ↓	Instability in raw material procurement and rising prices of raw materials due to increase in temperatures and changes in weather patterns	<ul style="list-style-type: none"> <li>Consideration of further mitigation measures based on quantitative forecasts of impact</li> </ul>
Changes in weather patterns (chronic)	Own plants and operations	↓ ↓	Rising electricity consumption and higher costs due to increase in temperatures	<ul style="list-style-type: none"> <li>Introduction of energy-saving activities and highly energy efficient equipment</li> </ul>
		↓	Interruptions to production due to increase in seasonal rainfall	<ul style="list-style-type: none"> <li>Consideration of further mitigation measures based on quantitative forecasts of impact</li> </ul>
	Changes in demand	↑ ↑	Rise in demand for products due to increase in temperatures	<ul style="list-style-type: none"> <li>Development of products that meet consumer needs and review of product lineup</li> <li>Optimization of production system</li> <li>Enhancement of demand forecasting accuracy</li> </ul>
		↓	Greater difficulty in demand forecasting	

→ Risks and Opportunities in the Less than 2°C Scenario

Social changes and business impact		Impact	Specific impacts	Measures
Transition to decarbonized society	Government policies and regulations	↓ ↓	Higher cost of operations due to introduction and increase of carbon price	<ul style="list-style-type: none"> <li>Utilization of power sourced from renewable energy</li> <li>Introduction of energy-saving activities and highly energy efficient equipment</li> <li>Promotion of decarbonization through collaboration with supply chain</li> </ul>
		↓ ↓ ↓	Higher cost of raw materials due to introduction and increase of carbon price	<ul style="list-style-type: none"> <li>Procurement and use in products of low carbon raw materials</li> <li>Consideration of further mitigation measures based on quantitative forecasts of impact</li> </ul>
	Changes in demand	↑ ↑	Expansion in ethical consumption demand	<ul style="list-style-type: none"> <li>Development of products that meet consumer needs and review of product lineup</li> <li>Consideration of adoption of carbon footprint</li> </ul>

Impact: ↓ means risk and ↑ means opportunity The number of arrows indicate the size of the impact.

Indicators and Targets

Our business relies on the gifts provided by the Earth’s environment. As such, we believe that contributing to the realization of sustainable global environment is one of our most important duties. As climate change has a particularly big impact on our business, we recognize it as an important issue for management. We aim to reduce Scope 1 and 2 energy-related CO<sub>2</sub> emissions, our primary producer of greenhouse gases as part of our Medium-Term ESG Targets. We also set targets for Scope 3 in 2022. These are the TCFD recommended disclosures and correspond to measures to address risks in the less than 2°C scenario.

In the future, we will conduct further scenario analysis and consider indicators and targets aligned with such measures.

→ Greenhouse Gas Emission Reduction Targets

● Scope 1 and 2: Energy-related CO<sub>2</sub> emissions (Medium-Term ESG Targets)

2028 Target ▶ 23% or more reduction compared with FY2019 (certified by SBTi\*1 in May 2022)

2050 Target ▶ Carbon neutrality

● Scope3: Category<sup>2</sup> 1, 2, 4

2027 Target ▶ Supplier engagement (certified by SBT\*1 in May 2022)

● Scope3: Category<sup>2</sup> 3

2028 Target ▶ 23% or more reduction compared with FY2019 (certified by SBT\*1 in May 2022)

\*1 SBTi: An acronym for Science-Based Targets initiative The SBTi (Science-Based Targets initiative) certifies companies that have set targets to reduce greenhouse house gas emissions in alignment with the Paris agreement goals.

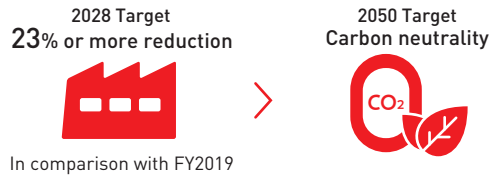


\*2 Classification of Scope 3 based on GHG Protocol (page 19)

# Reducing Greenhouse Gas Emissions

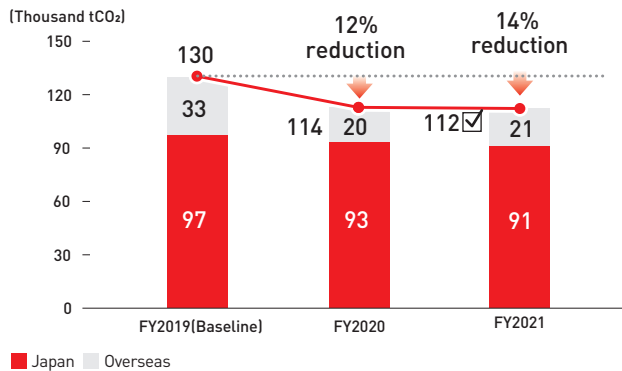
## Scope 1 and 2 Results

We aim to reduce Scope 1 and 2 energy-related CO<sub>2</sub> 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. In May 2022, we received the SBTi certification for our targets to be achieved by FY2028.



We succeeded in reducing Scope 1 and 2 energy-related CO<sub>2</sub> emissions in FY2021 by 14% compared with the baseline year of FY2019. This 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 CO<sub>2</sub> Emissions (comparison with FY2019)



Data indicated with  have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd. (Please see page 47).

#### 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

Scope1: CO<sub>2</sub> Emissions = Σ (Fuel consumption x emission factors)  
 Scope2: CO<sub>2</sub> Emissions = Σ (Volume of purchased electricity, etc. x emission factors)

#### Emission Factors

- Japan** The emission factors for Scope1 emissions are based on the Act on Promotion of Global Warming Countermeasures, while for Scope2 emissions the adjusted emission factors determined separately by individual power companies based on the same Act are used.
- Overseas** The emission factors for Scope1 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 2021. 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 Results

Greenhouse Gas Emissions (Thousand tCO<sub>2</sub>)

Category	FY2020	FY2021
1. Purchased goods and services	631	655
2. Capital goods	28	22
3. Fuel-and energy-related activities (not included in Scope 1 or 2)	21	21
4. Upstream transportation and distribution	70	70
5. Waste generated in operations	1	1
6. Business travel	1	1
7. Employee commuting	4	4
8. Upstream leased assets	—*	—*
9. Downstream transportation and distribution	50	49
10. Processing of sold products	—*	—*
11. Use of sold products	—*	—*
12. End-of-life treatment of sold products	106	106
13. Downstream leased assets	—*	—*
14. Franchises	—*	—*
15. Investments	—*	—*
<b>Total</b>	<b>912</b>	<b>927</b> <input checked="" type="checkbox"/>

\* 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 47).

#### 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

- 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 × emissions intensity, etc. [2])
- Category 3: GHG Emissions = Σ (Energy consumption × emissions intensity, etc. [1] or [2])
- Category 4: GHG Emissions = Σ (Ton-km of transportation × emissions intensity, etc. [1]) + Σ (Ton-km of transportation × fuel consumption per ton-km of transportation × emissions intensity, etc. [2]) + Σ (Transportation distance/average fuel efficiency × emissions intensity, etc. [3]) + Σ (Electricity consumption for cargo handling & storage × emissions intensity, etc. [4]). Scenarios are employed for transportation relating to consigners that are not Specified Consignors 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 × emissions intensity, etc. [1] or [2])
- Category 6: GHG Emissions = Σ (No. of employees × emissions intensity, etc. [2])
- Category 7: GHG Emissions = Σ (No. of operating days × 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\* × emissions intensity, etc. [1])  
 \* Weight of purchased packaging materials is used as an amount of waste emissions

#### Emissions Intensity, etc.

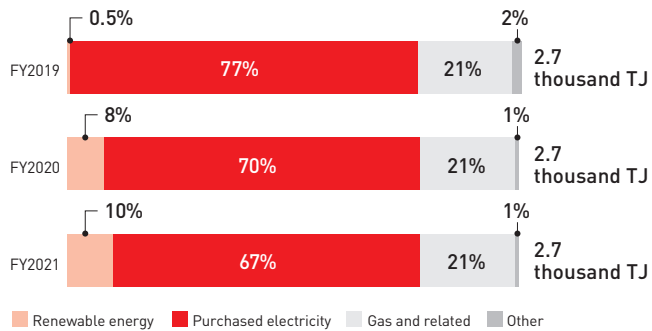
- [1] IEA Ver. 2.3 (the greenhouse gas emissions database of the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry)
- [2] Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.2) of the Ministry of the Environment and the Ministry of Economy, Trade and Industry
- [3] Emission factors used for the reporting system targeting Specified Consignors 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

## 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 CO<sub>2</sub> 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 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.



**Volume of Energy Input**



**Scope of Tabulation**  
Same as Scope 1 and 2 energy-related CO<sub>2</sub> emissions

**Energy Saving Initiatives**

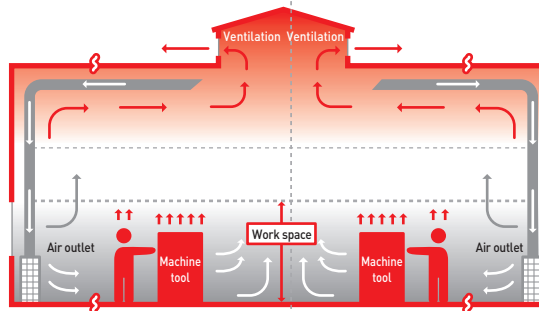
Our factories account for more than half of our energy-related CO<sub>2</sub> emissions. In addition to daily energy saving activities at each factory, we are promoting capital investment to achieve dramatic energy savings by combining our knowledge and ingenuity with the latest technology. In FY2021, we updated six once-through boilers at the Urawa Factory, and achieved an annual reduction in CO<sub>2</sub> emissions of approximately 130 t.



Once-through boilers at the Urawa Factory

**Innovation in Air Conditioning**

In FY2020, we installed a new air conditioning system in the chocolate processing process at the Urawa Factory. Whereas the previous system supplied cool air from the ceiling and cooled the entire air conditioned area, the new system supplies cool air from the floor, efficiently air conditioning the work space (about 2 meters from the floor) only. Cool air is also supplied to the interior of the control panel to maintain positive pressure inside the panel and keep it at a constant temperature, which has the advantage of making the control components much less likely to malfunction. Such innovations in air conditioning have simultaneously achieved energy savings, improvement of the working environment, and decreased malfunctioning of control components.



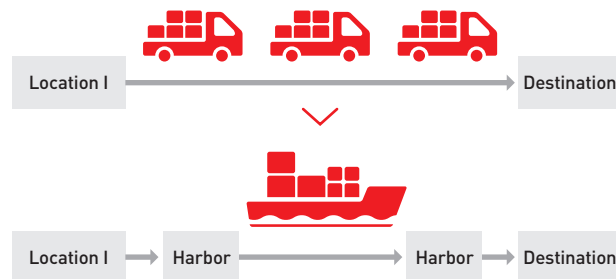
**Logistics Initiatives**

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 CO<sub>2</sub> emissions by promoting cooperative distribution<sup>\*1</sup> and modal shifts<sup>\*2</sup>.

<sup>\*1</sup> 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 CO<sub>2</sub> emissions.



<sup>\*2</sup> 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 CO<sub>2</sub> emissions by utilizing marine transport from Kyushu to Osaka and from Tokyo to Hokkaido.



**Management of 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 while switching systematically to CFC substitutes and natural refrigerants with low global warming potential (GWP) at the same time. The Urawa Factory installed an ice cream freezer using the natural refrigerant CO<sub>2</sub> in 2019, leading the world in doing so. Furthermore, in 2020, the factory installed a new water chiller freezer that uses a CFC substitute with a GWP of 1 (low GWP refrigerant HFO-1233zd (E)). The freezer also features low-pressure turbo, which makes leakage of refrigerants much less likely.



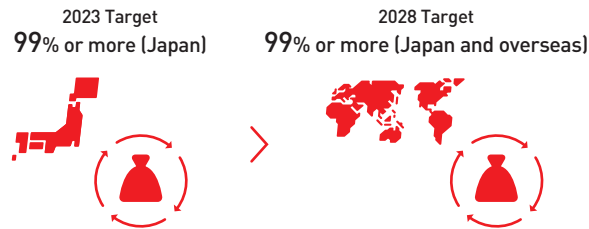
Water chiller freezer at the Urawa Factory



## Contribution to Resource Circulation

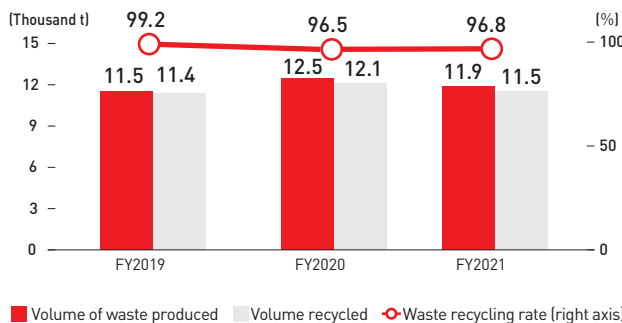
### Waste Reduction and Recycling

For waste generated by production processes at domestic factories, LOTTE CO., LTD.'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 FY2021, waste generated by major operating sites in Japan amounted to 12.1 thousand tons. Of that total, 11.9 thousand tons of waste were generated by production processes, of which 96.8% 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) –

LOTTE CO., LTD. have set 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.



#### 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)
FY2021	FLW produced: 2.8 thousand tons Per-unit volume: 0.011 (14% reduction compared with baseline)

#### Scope of Tabulation

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

#### Calculation Methods

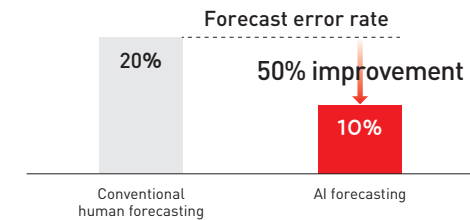
FLW produced = Volume of food and inedible parts discarded at our own factories + Volume of pre-shipment and returned products discarded  
Per-unit volume = FLW produced / (Sales volume + FLW produced)  
Volumes are measured with reference to the WRI Food Loss & Waste Protocol. Of the destinations, those 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.

In order to achieve this target, we practice the 3Rs (Reduce, Reuse, Recycle) and work to reduce the FLW generated by our business activities.

### Reduce

The most important factor in reducing FLW is to prevent the generation of FLW. To achieve this, LOTTE CO., LTD. has launched verification to realize demand forecasting utilizing AI. As we have succeeded in reducing the error rate in summer ice cream sales forecasting, we will continue to expand the scope of application. By minimizing the difference between demand and supply, we are working to reduce FLW generated by excess inventory and returns. We are also extending and displaying expiration dates by year/month, and reducing losses in the production process.

### Results of Sales Forecasting Verification for Existing Ice Cream Products



### Reuse

To reduce FLW, we are also striving for effective use of food. 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.

### Recycle

We make effective use of waste generated at the highest possible value. Converting waste into animal feed is a high-value use. However, in the case of excess inventory and returned products, containers and packaging have been an issue which makes it difficult to convert them into animal feed. In FY2021, we began working with a facility that has equipment capable of accepting packaged products to convert them into animal feed.

● Cooperation to Reduce FLW

LOTTE CO., LTD. is participating in the Japanese project under the 10x20x30 Food Loss and Waste Reduction Initiative. We are working toward the goal of halving FLW by making reductions in cooperation with the entire supply chain while exchanging information with a variety of companies.

\* 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.



Raw Materials Procurement Volume

→ Procurement Volume of Product Ingredients (Thousand t)

	FY2019	FY2020	FY2021
Total raw materials	275	270	271
Ingredients	206	202	204
Packaging materials	69	68	68
Paper	49	50	49
Plastic	15	14	14
Other	5	4	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.

● 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).

In 2021, we reduced the volume of plastic in the plastic bottle containers used for our leading bottled gum products, including *Xylitol Gum*.<sup>\*1</sup> We reduced the weight of the plastic in the body by 21.8%, which is expected to reduce the volume of plastic used by approximately 103.7 t<sup>\*2</sup> annually. Going forward, we will continue our measures to reduce the volume of plastic used and seek out and consider environmentally-friendly packaging materials.



\*1: Introduced gradually starting with products produced in March 2021. Some bottle containers from before the reduction may remain in distribution temporarily due to production reasons.  
\*2: Estimated based on FY2019 sales results.

In addition, we have been participating in Loop since 2021 as part of our resource circulation efforts, and have been selling *Xylitol Gum* in reusable containers that can be used repeatedly. Loop is a recycling-oriented shopping platform that sells food and everyday items, which were previously sold in disposable containers, in reusable containers. Loop Japan LLC, a social enterprise with the mission to "dispose of the concept of throwing away," operates the Loop platform. Through the Loop platform, Loop Japan not only aims to reduce disposable plastic but also to break away from the throw-away culture. Loop has already expanded to four countries around the world (the U.S., Germany, the U.K., and Canada), and launched services in Japan in 2021.



● 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.

● Smile Eco Mark

Since 2022, LOTTE CO., LTD. has been gradually labelling products that pass unique environmental criteria with *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 *Smile Eco Mark* uses a leaf motif to express consideration for the global environment, and the Smile Eco copy and mark were created to incorporate LOTTE's desire to make people smile with its products.

▶ Smile Eco Mark

<https://lotte-land.jp/publisher/smileeco/>



## ◆ Consideration for Biodiversity

### Assessment of Biodiversity Risks at Production Sites

We surveyed the area within a 10km radius of the production sites of LOTTE CO., LTD. and its subsidiaries (8 sites in Japan and 4 sites overseas) (World Heritage, Ramsar Convention wetlands, UNESCO MAB<sup>\*1</sup>, IUCN Categories I-V<sup>\*2</sup>, KBA<sup>\*3</sup>, IUCN Red List<sup>\*4</sup>) using IBAT<sup>\*5</sup> to assess biodiversity risk. Although there are some sites located close to KBAs and other similar areas, no cases have been confirmed in which our business activities directly harm biodiversity at present (as of March 31, 2022). We will continue to give consideration to biodiversity based on the environment of the regions where our production sites are located.

<sup>\*1</sup> UNESCO MAB: An acronym for UNESCO's Man and the Biosphere Programme, which has established biosphere reserves.  
<sup>\*2</sup> IUCN categories: The six categories for protected area management based on International Union for Conservation of Nature's (IUCN) definitions of protected areas and protection targets.  
 Category Ia: Strict nature reserve  
 Category Ib: Wilderness preservation area  
 Category II: National park  
 Category III: Natural monument or feature  
 Category IV: Habitat or species management area  
 Category V: Protected landscape or seascape  
 Category VI: Protected area with sustainable use of natural resources  
<sup>\*3</sup> KBA: An acronym for Key Biodiversity Area  
<sup>\*4</sup> IUCN Red List: Covers sites with at least one species classed as "VU (Vulnerable)"  
<sup>\*5</sup> IBAT: An acronym for Integrated Biodiversity Assessment Tool.

### → Biodiversity Risk Assessment

As of March 31, 2022

	Sites in Japan	Sites overseas	Total
World Heritage	0	0	0
Ramsar Convention wetlands	2	0	2
UNESCO MAB	0	0	0
Ia	0	0	0
Ib	0	0	0
IUCN categories			
II	0	0	0
III	0	0	0
IV	8	1	9
V	5	1	6
KBA	3	1	4
IUCN Red List	3	0	3

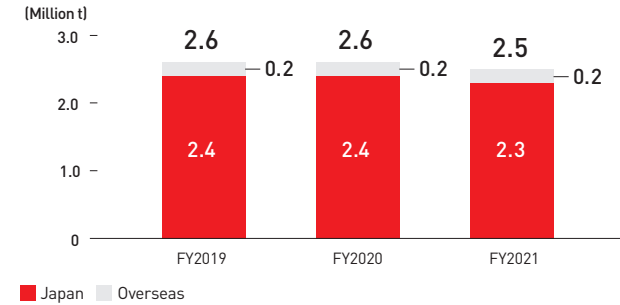
#### Scope of Tabulation

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

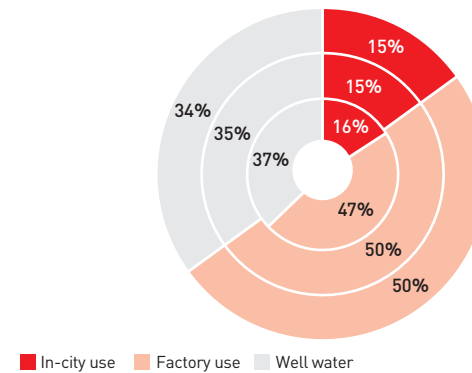
## ◆ Water Resources

### Water Usage

#### Volume of Water Used



#### Water Usage Ratio (Inner: FY2019, Middle: FY2020, and Outer: FY2021)



#### 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 risk. As a result, we have confirmed that there are no "extremely high" level risks at the locations of any factories owned by LOTTE CO., LTD. and its subsidiaries as of March 31, 2022. We will continue to collect local information and monitor water consumption while looking into measures to mitigate related risks.

## ◆ 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 Technology Development Section in the Production Strategy Department meet regularly to share information regarding the environment and improve the Company's response.

### 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 FY2021, there were no serious environmental accidents or compliance violations.



# Social



Our mission is to enrich people’s lives by providing superior products and services that our customers love and trust. We are working to realize our CSV goals by delivering products and services that will improve people’s lives while minimizing the negative impact on diverse stakeholders through our business activities.

- ◆ Human Rights
- ◆ Food and Health
- ◆ Food Education
- ◆ Food Safety and Reliability
- ◆ Sustainable Procurement
- ◆ Animal Welfare
- ◆ Demonstrating Employees’ Abilities
- ◆ Occupational Health and Safety
- ◆ Support Activities
- ◆ Initiatives at Subsidiaries

## ◆ Human Rights

### Basic Approach

At LOTTE CO., LTD. and its subsidiaries, 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. In 2018, we developed the Policy on Human Rights and defined our approach to respecting human rights.

▶ **LOTTE Policy on Human Rights**

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

### 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. In FY2019, we identified priority risks associated with human rights through risk assessments and surveys on human rights. 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 verify current risks related to the potential human rights issues determined for LOTTE CO., LTD., its subsidiaries, suppliers, and other relevant companies. In FY2020, we started to disclose the progress of measures we have taken. (See “Progress in Addressing Human Rights Risks” on page 25.) Another human rights risk assessment is scheduled in the second half of FY2022 or later.

\*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 Management System

Our risk management team, led by the Risk Management Committee, is ready to respond to risks that may have a significant impact on our business (page 43). The human rights issues are considered as the most critical management risks of all.

The Sustainability Section of the ESG Promotion Department handles human rights-related risks, with the officer in charge of the ESG Promotion Department acting as a director. Together with the related departments and subsidiaries, they identify risks and actions, and then report the progress to the Risk Management Committee at least once a year. The Risk Management Committee examines business risks and countermeasures based on these reports and then escalates them to the Executive Committee and the Board of Directors for decisions.

### Employee Education

In 2021, LOTTE CO., LTD. and its subsidiaries in Japan started offering e-learning courses on human rights to all 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 distribute the leaflets to our subsidiaries outside Japan to promote awareness and understanding of our human rights policy.

LOTTE CO., LTD. provides harassment prevention training for all its employees as well. 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. Our employees are informed of the procedure to report any harassment case they encountered. Managers learn about the action flow in case the hotline receives such inquiries. New employees will also receive the harassment-related briefing including how to access the hotline.

### Whistleblowing Point-of-Contact

LOTTE CO., LTD. and its subsidiaries opened the “Clean Line” (see “Whistleblowing System” on page 44) inside and outside the company, as a contact window for employees to seek advice or report cases.

→ Progress in Addressing Human Rights Risks

	Human rights risks identified	Specific concerns	Action	Progress	Action Plan	Relevant Page
In our own operation (Japan)	Discrimination and harassment	Insufficient human rights education for employees	Provide training on human rights	In FY2021, we provided e-learning for all the employees of LOTTE CO., LTD. and its subsidiaries inside and outside Japan.	Continue to provide the training once a year	P24
		Insufficient support for minorities including the LGBTQ community and people with disabilities	Provide training to promote awareness and plan actions	We provided training to promote awareness of LGBTQ and people with disabilities.	Extend the benefit plan to include LGBTQ employees, hire more people with disability and ensure accessibility in our workplace	P35
In our own operation (Overseas)	Discrimination and harassment	Insufficient grasp of human rights risks	Identify human rights risks in Southeast Asia	We distributed the human rights leaflets and conducted an anonymous survey on employees.	Extract agenda based on the anonymous survey on employees and plan actions	-
Supply chain	Discrimination and harassment	Insufficient supply chain management capacity	Use Sedex* for supplier management	We completed the system data linking for 53% of suppliers based on the raw material transaction amount (as of June 2022).	Encourage our suppliers to join Sedex and keep track of them	P31
	Forced and child labor	Child labor in regions producing cacao beans	Promote monitoring through Fair Cacao procurement to prohibit child labor and ensure fair practice	Fair Cacao procurement ratio: 19% (FY2021)	Promote activities to achieve the goals	P32
	Lack of respect for rights of indigenous people or local residents	Forced and child labor in regions producing palm oil	Support producers through procurement of RSPO-certified oil	RSPO-certified oil procurement ratio: 18% (FY2021, in Japan)	Promote activities to achieve the goals	P33

\* 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.

◆ Food and Health

Basic Approach

Leveraging the knowledge and technology accumulated to date since the founding, LOTTE CO., LTD. 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 research and development of products that are beneficial not only for physical health but also for mental health, and help solve social issues by providing health-oriented value through delicious food we take pride in. In 2018, we developed the Policy on Sustainability and defined our approach to this matter.

▶ LOTTE Policy on Sustainability

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

Spreading KAMUKOTO (chewing) Awareness—

Founded as a chewing gum company during the postwar era, LOTTE CO., LTD. has a long history of research on *KAMUKOTO*, which means chewing in Japanese. 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*.

Our goal is to increase the percentage of people in Japan who consciously practice *KAMUKOTO* to at least 35% by FY2023, and to 50% by FY2028.

2023 Target  
35% or more

2028 Target  
50% or more



July 2020 survey	21%
May 2021 survey	20%
May 2022 survey	20%

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

To achieve these targets, we established the *KAMUKOTO* Research Laboratory, which specializes in the research on chewing and shares the outcome 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.



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

### KAMUKOTO and the overall health

Many years of *KAMUKOTO* research conducted by LOTTE CO., LTD. revealed that *KAMUKOTO* is closely associated with the health of the entire body. Here are some of the research findings on health benefits associated with *KAMUKOTO*.

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

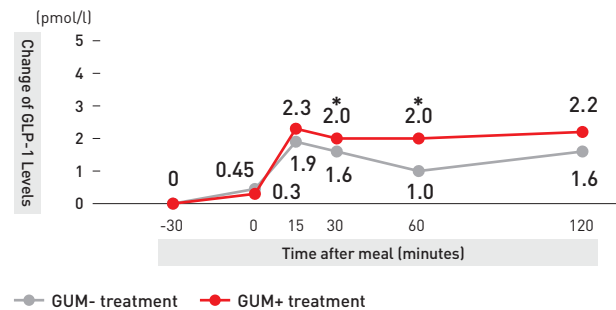
After intaking the meal, the carbohydrates (sugars) contained in foods cause an increase of blood glucose levels, and the mechanism of glycemic response regulates blood glucose to be a normal level. It is said that if the mechanism is burdened by taking high-sugar diet constantly, it will lead to lifestyle-related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



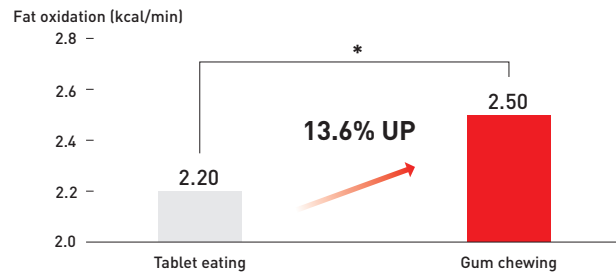
\* Shows a statistically significant difference [P<0.05]  
Source: Takahara M, Fukuda M, Matsuzawa Y, and Shimomura I. "Effect of tasteless calorie-free gum chewing before meal on postprandial plasma glucose, insulin, glucagon, and gastrointestinal hormones in Japanese men without diagnosed glucose metabolism 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 during walking exercise while chewing gum or eating tablets. The study revealed that fat oxidation was significantly higher in the gum-chewing group than in those who ate tablets. It was also observed that the energy expenditure increased in the gum-chewing trial.

#### 📊 Comparison of Fat Oxidation While Walking for Exercise



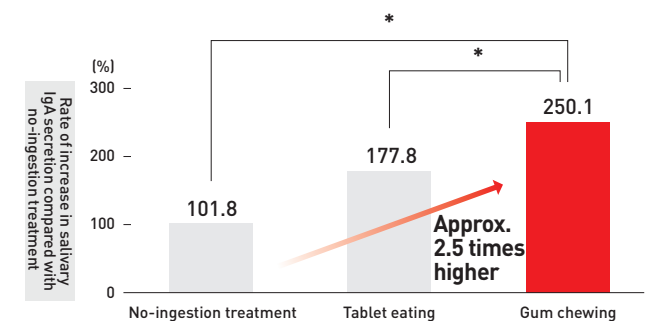
\* Shows a statistically significant difference [P<0.05]  
Source: Kanno S, Shimo K, Ando T, Hamada Y, Miyashita Y and Osawa K. "Gum chewing while walking increases fat oxidation and energy expenditure." *J Phys Ther Sci*. 2019; 31(5): 435-439.

#### ● 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



\* Shows a statistically significant difference [P<0.05]  
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

### Dental and Oral Health

Starting out as a chewing gum company, LOTTE CO., LTD. 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. In 1997, when xylitol was approved as a food additive in Japan, we were the first company to commercialize xylitol and made it available to the public, and our approach helped address the importance of having cavity-free teeth. We intend to continue enriching people's lives by researching and spreading awareness of the beneficial effects of xylitol on dental and oral health.

Our goal is to increase the percentage of people in Japan who take xylitol daily to improve dental and oral health to at least 50% by FY2028.



July 2020 survey	32%
May 2021 survey	32%
May 2022 survey	28%

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

To achieve this goal, 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 toothbrushing, fluoride, and xylitol, supplemented by regular dental checkups.

**Project Xylitol: Your Own Teeth for 100 Years**

**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 and soft candies to educational institutions such as kindergartens and nursery schools

As the first step, we delivered 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. We will encourage children to have good oral care habits from the early age, and plan to be involved in activities based on the cavity ratio of children by working together with the city’s dental associations.



### Xylitol Explained

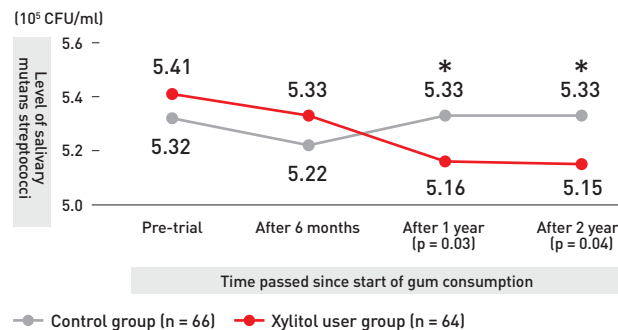
Xylitol is a type of sugar alcohol that does not create the acid that causes cavities; it is made from trees such as white birch and oak. It is roughly as sweet as sugar, but has fewer calories at around 3 kcal/g, compared with sugar’s around 4 kcal/g. Xylitol’s key distinguishing feature is the smooth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

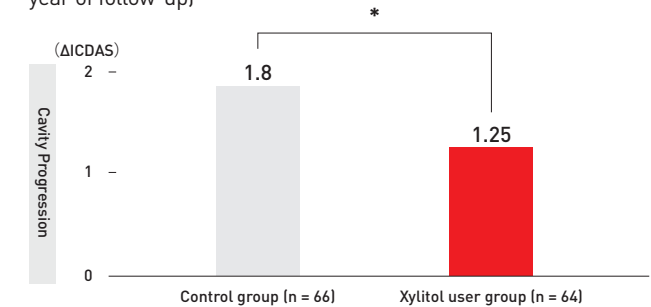
In research that targeted adults with high levels of mutans streptococci, a group of individuals consumed chewing gum containing xylitol for one year, then underwent follow-up observation during the following year, when they did not consume any gum. The results showed that, compared with a control group, 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



#### 📊 Effects of Xylitol Consumption on Cavity Progression

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



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

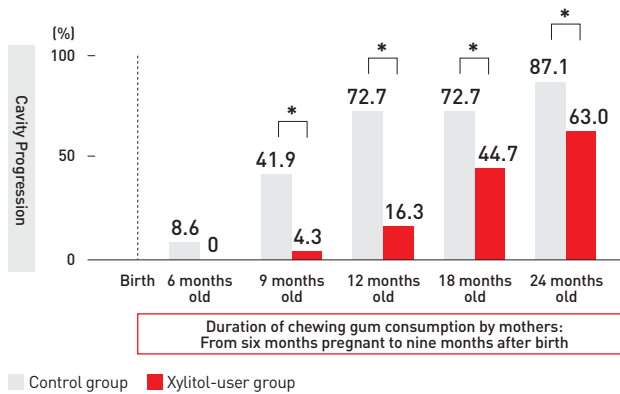
Every day for a year the xylitol user group consumed six tablets of chewing gum containing 30% xylitol, equating to 2.5 grams of xylitol per day. During the following year, when they did not consume any gum, they underwent follow-up observation. The control group consumed chewing gum that contained no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

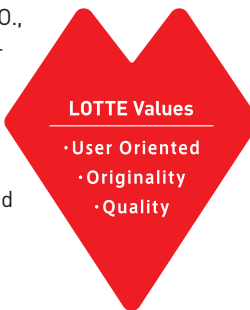
**Xylitol Consumption among Mothers and Mutans Streptococci Detection Rate among Babies**



\* Shows a statistically significant difference  
 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.

**Consumer-Oriented Management**

Ever since the founding of LOTTE CO., LTD., our "User Oriented" (Consumer-Oriented) approach has been the key driver of the three LOTTE values in doing businesses. In 2021, we made a voluntary declaration of consumer-oriented management and defined our approach.



▶ LOTTE Customer-Oriented Declaration

<https://www.lotte.co.jp/corporate/sustainability/ourapproach/customerfirst.html>  
 (Japanese only)

**Consumer-Oriented Management Excellence Award**

In the Consumer-Oriented Management Excellence Award hosted by the Consumer Affairs Agency (CAA), LOTTE CO., LTD. received the CAA Secretary-General Prize (special category) in 2021. This CAA-sponsored award recognizes companies that have declared their consumer-oriented approach and made outstanding efforts in line with the voluntary declaration. This award was given in recognition of our research and promotion activities on xylitol and chewing.



**Reasons for Selection (announced by the Consumer Affairs Agency)**

Together with the dental associations and local governments, the company promotes dental health through xylitol-containing chewing gum that prevents cavities, making people change their mind about the conventional image of gum. They are also working to improve oral functions by KAMUKOTO (chewing) using chewing gum, which is believed to prevent aging-related physical and cognitive issues requiring nursing care and to extend a healthy life span.

**Food Education**

**Concept and Goals**

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. 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**

FY2019	63 thousand people (Factory visit attendees: 36 thousand people)
FY2020	41 thousand people (Factory visit attendees: 0)
FY2021	46 thousand people (Factory visit attendees: 0)

Scope of Tabulation

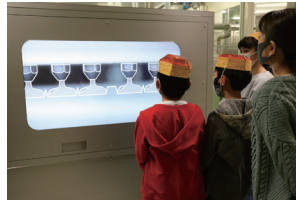
LOTTE CO., LTD.

**Factory visit**

The Urawa Factory operated by LOTTE CO., LTD. is open to factory tour visitors\*. During a factory tour, visitors can see the actual manufacturing process and learn about our efforts to realize sustainable development goals. We temporarily halted the factory tour amid the spread of the novel coronavirus between February 2020 and April 2022, and during this period, we completely renovated the tour facilities to provide visitors with more exciting and enjoyable experiences. Come visit our renovated OKASHI SCHOOL at the Urawa Factory.

\* Note that the factory tour may be canceled depending on the spread of COVID-19.





▶ LOTTE Factory Tour Website

<https://www.lotte.co.jp/kengaku/>  
[Japanese only]

LOTTE CO., LTD. also offers online seminars on chocolate, allowing our customers to participate from a remote location. The seminar introduces our unique methods of production and considerations for the ingredients. Through real-time and interactive communication including trivia questions, participants can discover fun facts about chocolate. We also offer virtual factory tours on our website that visitors can access anytime and see pictures and videos to learn about the entire process, from material procurement, processing to completion.



▶ Website for Chocolate Seminar Online

<https://www.lotte.co.jp/kengaku/remote-seminar/>  
[Japanese only]



▶ Website for Virtual Factory Tours

<https://www.lotte.co.jp/entertainment/factory/>  
[Japanese only]

## School visits

LOTTE CO., LTD. offers food education classes by visiting elementary schools.\* 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.



## Teaching Materials

LOTTE CO., LTD. provides dietary education materials to be used in elementary school classes. This LOTTE's original educational content on chewing and health helps students learn about dietary education through fun exercises.



## Food Safety and Reliability

### Basic Approach

"Quality" is one of the three LOTTE Values that LOTTE CO., LTD. has been trying to convey since the founding. While pursuing the highest quality, we've made sure our food is safe and reliable. 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 2018, we developed the Policy on Quality and the Policy on Food Safety, and defined our approach to these matters.

▶ LOTTE Policy on Quality / Policy on Food Safety

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

### LOTTE ADVANCE, Our New Quality Assurance System

All factories of LOTTE CO., LTD., Mary Chocolate Co., Ltd., and their subsidiaries outside Japan, have been certified under the GFSI\*1 scheme (FSSC22000\*2/BRC\*3), which is the benchmark of international food safety standards, and we will conduct our operations properly as specified in this certification.

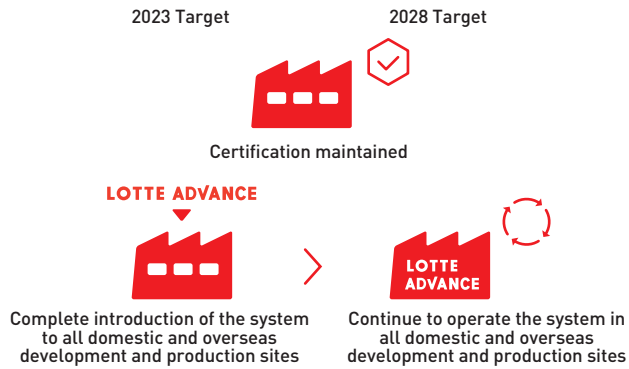
To further improve quality and ensure a high level of safety in the future, we are developing LOTTE ADVANCE, a new proprietary quality assurance system to be deployed at all Japanese and overseas development and production sites by FY2023.

\*1 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

\*3 BRC stands for British Retail Consortium. BRC provides third-party certification to ensure food safety.

We are currently working on developing LOTTE ADVANCE, a new 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

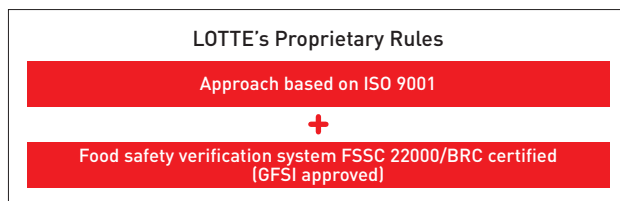


management systems, as well as the Company's own proprietary rules for high quality and safety. Focusing primarily on products sold in Japan, we will adopt this new system with the capacity to assess food safety-related risk from the product design and development stage to reduce risk throughout the 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 and specifications containing specific rules applicable to 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.

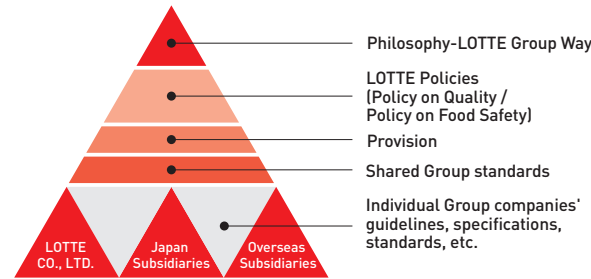
\* ISO 9001: The International Organization for Standardization's international standard for quality management systems aimed at enhancing customer satisfaction by supplying products and services of consistent quality

→→ LOTTE ADVANCE Framework

**LOTTE ADVANCE**



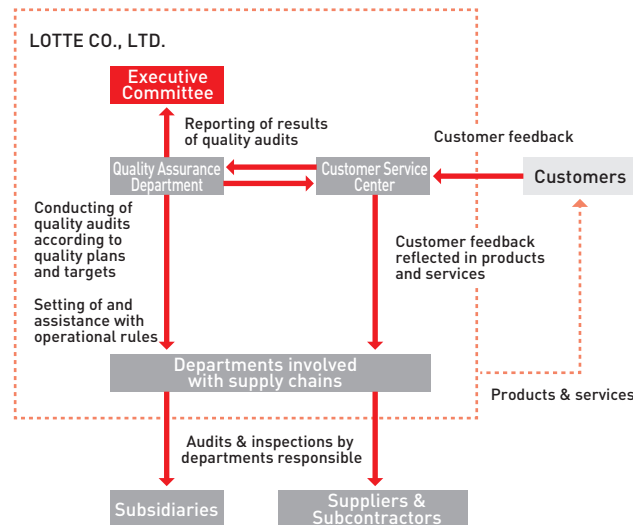
→→ LOTTE ADVANCE-Related Documentation



**Quality Assurance Promotion System**

LOTTE CO., LTD.'s Quality Assurance Department takes the lead in quality assurance throughout the entire supply chain of LOTTE CO., LTD., and its subsidiaries, 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.

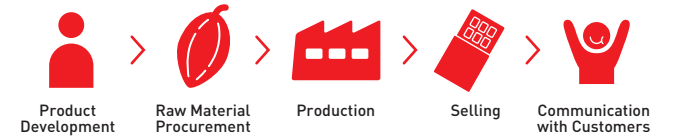
→→ Quality Assurance Promotion System



**Quality Assurance in the Supply Chain**

LOTTE CO., LTD. and its subsidiaries are committed to ensuring quality at every stage of the supply chain as defined in the Policy on Quality and the Policy on Food Safety.

→→ 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

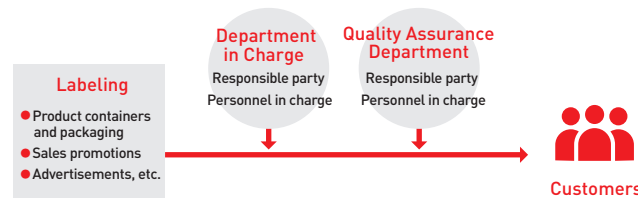
Measures to protect against contamination from foreign substances are implemented at factories belonging to LOTTE CO., LTD. with great care. Those entering a production site must wash their hands and use an alcohol disinfectant as a standard measure, and must undergo an additional three-step process 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.

● 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.

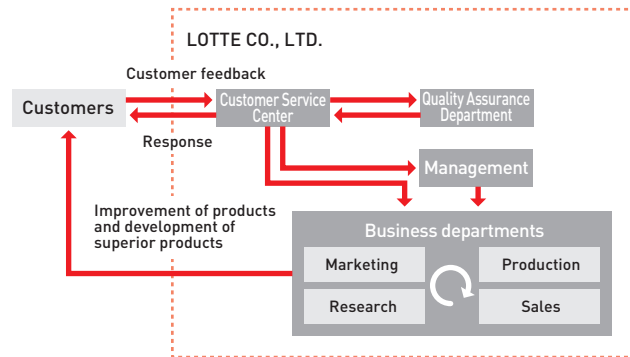
We also defined the human rights guidelines for expressions that may lead to harmful stereotyping, discrimination, or negative influence on minors, ensuring that our materials do not include such expressions.

→→ LOTTE CO., LTD.'s Label Checking System



● Communication with Customers

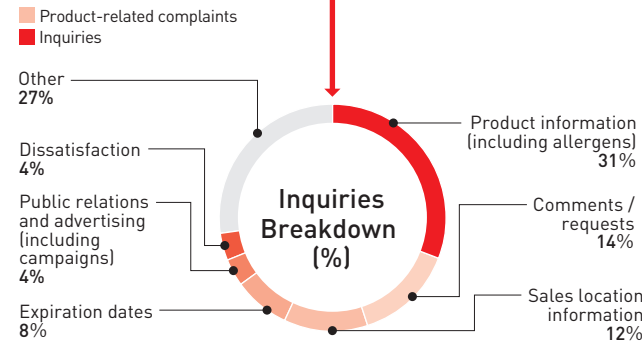
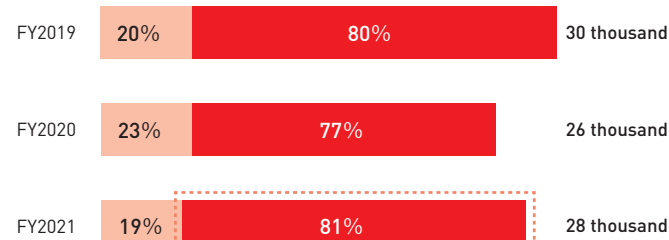
LOTTE CO., LTD. has established a Customer Service Center as a means to handle customer inquiries and consultations, which is part of our commitment to providing sincere support and clear information so that customers can use our products and services with peace of mind. Customer feedback is shared with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



Number of Inquiries from Customers and Breakdown

In FY2021, LOTTE CO., LTD.'s Customer Service Center received roughly 28 thousand inquiries from customers.

→→ Number of Inquiries from Customers



Scope of Tabulation

LOTTE CO., LTD.

Recalls and Legal Violations

During the fiscal 2021, LOTTE CO., LTD. and its subsidiaries had no recalls attributable to violations of laws or regulations. 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.

◆ Sustainable Procurement

Basic Approach

While the role of safety and reliability in the stable provision of high-quality goods and services cannot be overstated, LOTTE CO., LTD. also believes 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 2018, we developed the Policy on Procurement and defined our approach to this matter.

▶ LOTTE Policy on Procurement

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

Building a Responsible Supply Chain

LOTTE CO., LTD. advocates for sustainable procurement based on our procurement policy. This policy outlines ethical business practices, quality and safety standards, as well as environment-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.

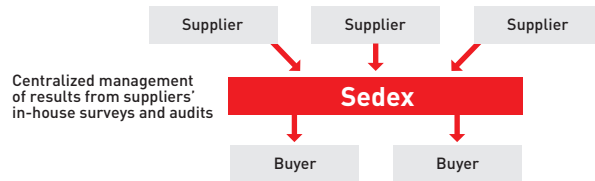
▶ LOTTE Supplier Guidelines

[https://www.lotte.co.jp/corporate/sustainability/pdf/supplier\\_guideline.pdf](https://www.lotte.co.jp/corporate/sustainability/pdf/supplier_guideline.pdf) (Japanese only)

In 2021, we joined Sedex\*, the world's largest platform for sharing sustainability-related data and other results from in-house surveys and audits. We will evaluate our suppliers and gather data by using Sedex while encouraging our primary suppliers to join Sedex and share information on this platform. As of June 30, 2022, 53% of our primary suppliers (based on the amount of raw materials transaction) use Sedex and share information with us.



\* 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.



### Primary Raw Materials

After a comprehensive assessment based on quantities used, dependence level, availability of alternative items, and environmental and social factors, we evaluate which of the ingredients will be considered our primary raw materials. We regularly review and update the primary raw materials to respond to the needs of society and changes to our business and global environment.

#### → Primary Raw Materials

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

### Cacao beans

The new goal of LOTTE CO., LTD. includes 100% procurement of FAIR CACAO from Ghana, our primary supplier, by fiscal 2025. Also, by fiscal 2028, we plan to increase the procurement ratio of FAIR CACAO to be 100% for all the cacao bean suppliers.



In FY2021, we procured 5.1 thousand tons of cacao beans total, of which 19% was Fair Cacao. We will continue to work with local partners and suppliers to increase the procurement ratio of Fair Cacao.

#### → Amount of Cacao Beans Procured

FY2019	7.5 thousand tons, Fair Cacao 4.0%
FY2020	8.3 thousand tons, Fair Cacao 11%
FY2021	5.1 thousand tons, Fair Cacao 19%

Weight of cacao procured in the form of beans

Scope of Tabulation

LOTTE CO., LTD.

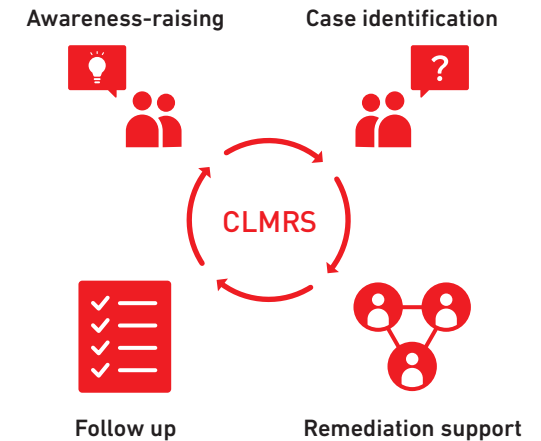
Cacao bean producing regions are affected by a range of issues including poverty among farmers, child labor, and deforestation. With chocolate being one of the core products for LOTTE CO., LTD., sustainable procurement of cacao beans is vital to the company. We provided a wide range of support through our procurement activities. Under the FAIR CACAO PROJECT, we promote sustainable development of the cacao industry.



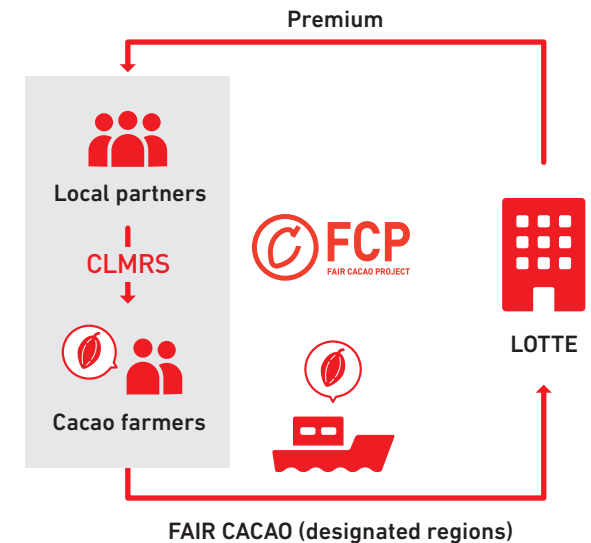
Among all the problems cacao producers have, the FAIR CACAO PROJECT aims to eradicate child labor more than anything else. In addition to the strategic procurement from designated regions, we adopted CLMRS\* to monitor child labor as part of a joint program with local partners. In this strategic procurement, a certain amount of premium is paid to cacao beans procured from designated regions. The premium will be invested in the CLMRS operation of the region. The CLMRS program allows us to take necessary action if any child labor is being used. Also, monitoring will help us identify region-specific problems and improve the situation continuously through a follow-up. Our Medium-Term ESG Targets include a plan to increase the procurement ratio of FAIR CACAO—cacao beans sourced under this project.

\* 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



#### → Fair Cacao Project



Cooperating with industry groups and NPOs in Japan and abroad, we also provide support for cacao bean producers. Our efforts to support local farmers and children will pave a way for sustainable procurement of cacao beans.

● World Cocoa Foundation

This international NPO was established in the United States in 2000 to support cacao farmers. The organization helps cacao farmers with technologies they need and works to eliminate forced child labor in society.



World Cocoa Foundation

● Japanese Organization for International Cooperation in Family Planning (JOICFP)

JOICFP is an international NGO established in Japan in 1968 to promote women's health and well-being. Through JOICFP, we have been supporting public health activities in the Republic of Ghana since 2007. Our activities include donations of refurbished bicycles for community health volunteers and midwives to use for health education visits, as well as construction aid for building wells to source safe and clean water. In recent years, we put emphasis on measures to prevent infectious diseases by improving the hygiene of public health-care facilities and providing training for healthcare staff.

女性。選択できる世界を。  
JOICFP

● UN WFP (Japan Association for the World Food Programme)

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.

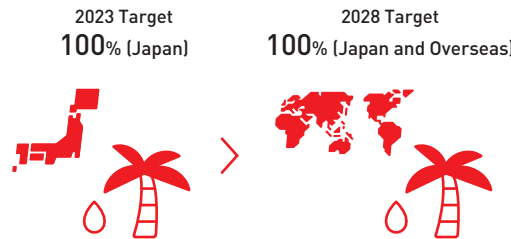


© WFP/Derrick Botchway

Palm oil

LOTTE CO., LTD. set a target for FY2023 to have 100% of palm oil procured for use by its group companies in Japan be certified by RSPO\* or equivalent third parties, with the additional target to be achieved by FY2028 that includes group companies overseas.

\* RSPO stands for Roundtable on Sustainable Palm Oil. It is an international NPO founded to promote the sustainable production and use of palm oil.



In FY2021, we procured 16.0 thousand tons of palm oil total, of which 18% was certified by the third parties, up 8 percentage points from the previous fiscal year. LOTTE CO., LTD. is a member of the RSPO, promoting sustainable procurement of palm oil. Through our association with the RSPO, we will contribute to the sustainable development of the palm oil industry by working in solidarity with member companies and organizations.

→ Amount of Palm Oil Procured

FY2019	15.4 thousand tons, third-party verified oil 0%
FY2020	16.0 thousand tons, third-party verified oil 10%
FY2021	16.0 thousand tons, third-party verified oil 18%

Weight of palm oil contained in oil and oil processed goods Figures for the previous fiscal year have been restated due to an error.

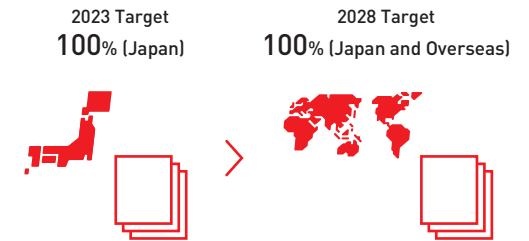
Scope of Tabulation

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

Paper

By FY2023, LOTTE CO., LTD. plans to switch 100% of the paper used for product containers and packaging procured in Japan to environmentally friendly paper that is certified by FSC\* or equivalent third parties. Including group companies in Japan and abroad, the company aims to achieve this group-wide goal by FY2028.

\* FSC stands for Forest Stewardship Council. It is an international NPO that gives forest management certification.



In FY2021, 41.2 thousand tons of paper was procured for product containers and packaging in Japan, of which 96% was environment friendly—a 2 percentage points 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)

FY2019	42.5 thousand tons, environment-friendly paper 93%
FY2020	42.7 thousand tons, environment-friendly paper 94%
FY2021	41.2 thousand tons, environment-friendly paper 96%

Scope of Tabulation

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

## Animal Welfare

### 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)

### Primary Raw Materials and Dialogues with Society

LOTTE CO., LTD. and its subsidiaries use eggs and milk (including dairy products) as the main ingredients derived from animals. Based on a comprehensive evaluation of factors, including usage volume and rearing conditions, eggs are the primary raw materials from the perspective of animal welfare. In order to catch up with the animal welfare trends in Japan and abroad and to fulfill the society's current requirements on eggs—our primary raw materials, we engage in dialogue with NPOs specializing in the field.

## Demonstrating Employees' Abilities

### Basic Approach

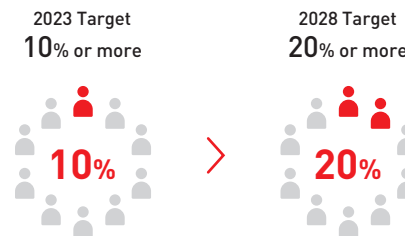
The most important pillar of support for a business is its human resources. LOTTE CO., LTD. aims to grow sustainably as a corporation by building a workplace environment where every employee can reach their full potential, perform at their best, and maintain a healthy body and mind. In 2018, we developed the Policy on Human Resources and defined our approach to this matter.

▶ [LOTTE Policy on Human Resources](#)

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

### Diversity & Inclusion

LOTTE CO., LTD. promotes diversity and inclusion because personnel with diverse background plays an important role in creating our innovation and competitiveness. As part of our efforts, we aim to increase the ratio of female managers at Japanese Group companies to at least 10% by FY2023. Looking further, we established a target to make it 20% or more by FY2028.



#### →→ Ratio of Female Managers in Japan

As of March 31, 2020	5.3% (3.9% in LOTTE CO., LTD.)
As of March 31, 2021	5.9% (4.5% in LOTTE CO., LTD.)
As of March 31, 2022	9.9% (4.8% in LOTTE CO., LTD.)

Scope of Tabulation

LOTTE CO., LTD. and its subsidiaries in Japan

### ● Formation of Corporate Culture

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.

We also provide diversity management training for all managers.



\* *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.

### ● Promoting Women's Success

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. This program turned out to be successful, allowing them to interact with other companies' female managers and exploring their own career path. The seminar provides an opportunity for participants to learn about various carrier paths and role models so that they can envision their own carrier in the medium-to-long-term. These efforts led to a steady increase of female leaders (section manager class) who pursue managerial positions. We also value women's success. Our target hiring ratio for women is 40% in new graduates. (Ratio of female employees at LOTTE CO., LTD. on page 39)

### ● 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. We also provided training to all the employees of LOTTE CO., LTD. to raise awareness of people with disabilities.

#### →→ 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%)
As of March 31, 2022	2.4% (legal requirement: 2.3%)

Scope of Tabulation

LOTTE CO., LTD. and its subsidiaries in Japan

● **Employing Retirees**

LOTTE CO., LTD. and its subsidiaries offer post-retirement reemployment 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**

FY2019	121 applicants; 100% re-employment ratio
FY2020	95 applicants; 100% re-employment ratio
FY2021	107 applicants; 100% re-employment ratio

Scope of Tabulation

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

● **Measures to Supporting the LGBTQ Community**

As part of the efforts to promote diversity & inclusion, LOTTE CO., LTD. supports the LGBTQ community to create a workplace environment where everyone can work 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. In 2022, we started the training courses to promote understanding of the LGBTQ agenda for all employees of LOTTE CO., LTD. and its subsidiaries. For hiring, we will also begin using an entry form with "Other" and "N/A" options added to the gender field.

**Life-Work Balance**

LOTTE CO., LTD. believes that having a good life-work balance is essential for our employees to maximize their potential and stay healthy physically and mentally. Our goal is to reduce the annual work hours per employee working at group companies in Japan to below 1,850 hours by FY2023, and below 1,800 hours by FY2028.



→ **Working Hours per Employee**

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%)
FY2021	Total working hours: 1,880 hours Total hours worked outside of work hours (excluding managerial staff): 129 hours Days of paid leave taken: 14.1 (Usage rate: 70.7%)

Scope of Tabulation

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

LOTTE CO., LTD. introduced an array of programs to promote a flexible work style and built an environment allowing a diverse range of personnel to pursue their goals 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 in March 2017. 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.

● **Telecommuting Program**

Using the ICT, LOTTE CO., LTD. introduced a telecommuting program to enable effective use of time and place, promote flexible work styles, and boost productivity. This program gives options for the employees to continue their career even when they face stressful life events, such as raising children and providing nursing care to their families.

● **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.

● **Hot Desking Office**

At the headquarters' building of LOTTE CO., LTD., some office areas adopted hot desking where employees can choose a seating suitable for the day. These offices offer different seating, such as those designated for meetings or quiet places allowing people to concentrate on tasks.



● **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 uses the Pregnancy and Parenting Related Meeting Sheet to verify the employee's health conditions and responsibilities to be transferred. All of our workplaces follow the protocol that facilitates smooth communication between pregnant employees and their supervisors.

● Support for Parenting

LOTTE CO., LTD. is working to ensure employees with small children can balance their work and childcare and continue their career. Our programs offer more benefits than those required by the laws and regulations. Urawa Factory and Sayama Factory both have their own on-site daycare center. We also host workshops for employees just returned from their maternity leave to join with their supervisors, a lunchtime get-together for employees who have children, and other networking events and gatherings to promote understanding. To encourage male employees to be a part of parenting, we do offer briefing and in-company training on the childcare leave programs.



→→ Use of Childcare Leave Scheme

FY2019	Number of employees who took childcare leave 43 (Male: 7 Female: 36) Ratio of eligible employees who took childcare leave 38% (Male: 9% Female: 100%) Ratio of employees who returned to work after childcare leave 98% (Male: 100% Female: 98%) Retention rate after childcare leave 100% (Male: 100% Female: 100%) Number of parents who worked shorter hours 124 (Male: 2 Female: 122)
FY2020	Number of employees who took childcare leave 55 (Male: 16 Female: 39) Ratio of eligible employees who took childcare leave 48% (Male: 21% Female: 100%) Ratio of employees who returned to work after childcare leave 100% (Male: 100% Female: 100%) Retention rate after childcare leave 100% (Male: 100% Female: 100%) Number of parents who worked shorter hours 139 (Male: 2 Female: 137)
FY2021	Number of employees who took childcare leave 78 (Male: 39 Female: 39) Ratio of eligible employees who took childcare leave 67% (Male: 50% Female: 100%) Ratio of employees who returned to work after childcare leave 99% (Male: 100% Female: 97%) Retention rate after childcare leave 99% (Male: 100% Female: 97%) Number of parents who worked shorter hours 160 (Male: 2 Female: 158)

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.

Employee Engagement

LOTTE CO., LTD. and its subsidiaries strive to create workplaces and foster a corporate culture to help our employees grow and feel engaged at work. 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. By FY2023, we plan to increase the percentage of employees with high job satisfaction to at least 80% for those working at LOTTE group companies in Japan, and keep the level above 80% through the end of FY2028.

2023・2028 Target  
80% or more



→→ Percentage of Employees with High Job Satisfaction (According to Employee Satisfaction Survey)

2019 survey	60.1%
2020 survey	62.7%
2021 survey	62.4%

Scope of Tabulation

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

Human Resource Cultivation

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.

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

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
FY2021	Training expenses: ¥45 million Average annual training hours per employee: 9 hours

Scope of Tabulation

LOTTE CO., LTD.

● Departmental Training Programs

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.



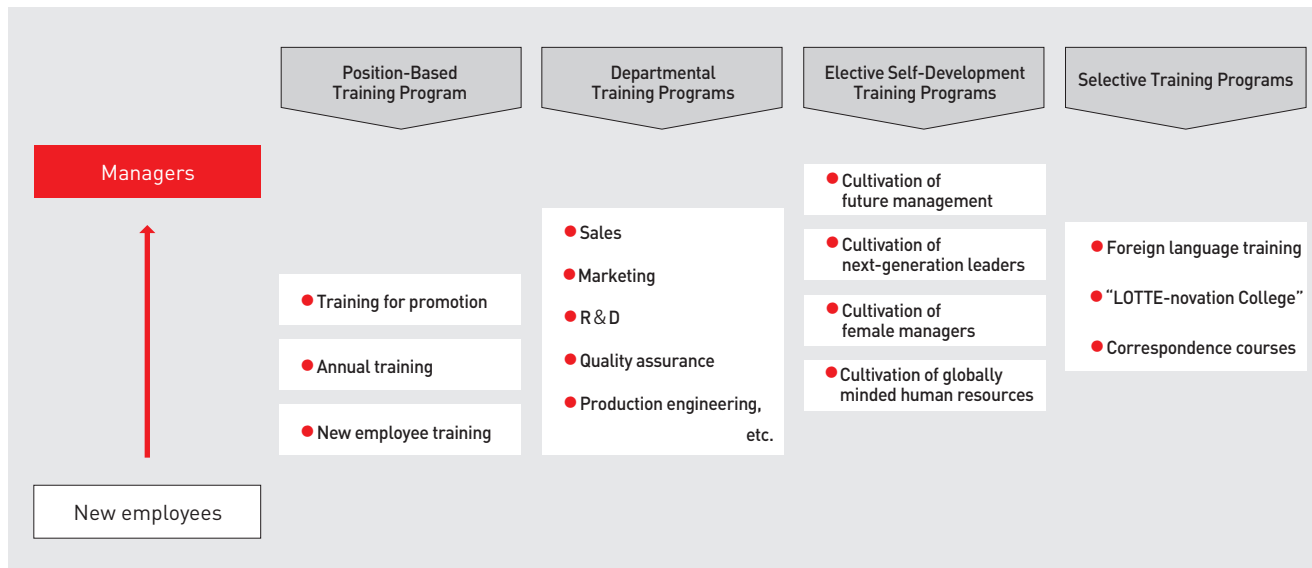
### ● Elective Self-Development Training Programs

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.

### ● Selective 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.

### → Structure of Human Resource Cultivation Programs



### Career Development Support

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. We also have a program to encourage employees in their 50s to have their second career path. 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.

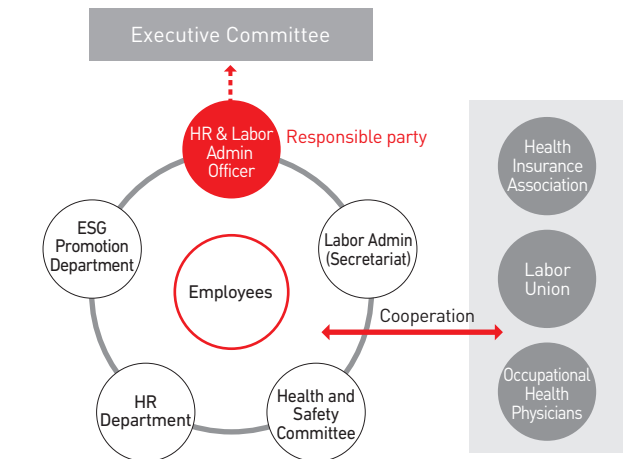
### Health Management

LOTTE CO., LTD. believes that our company's growth goes hand in hand with the health of our employees. 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.

#### ▶ LOTTE Health Management Declaration

<https://www.lotte.co.jp/corporate/sustainability/ourapproach/healthmanagement.html>  
(Japanese only)

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.



Our health management approaches are specified in the Health Management Strategy Map that shows the link between the managerial agenda to be resolved and corresponding measures. We monitor and update the key agenda and its assessment indicators we have defined and ensure the effectiveness of our approach.

LOTTE CO., LTD. was recognized as a corporation with excellent health management under the Certified H&PM Organization Recognition Program of METI for its efforts in promoting health management.



→→ Key agenda

Health monitoring and improvement	Periodic health checkups for all employees Follow-up on employees requested to take the second medical exam Counseling program to maintain mental and physical health
Support for Regular Exercise	Promotion of exercise habits through in-company walking events
Prevention of second-hand smoke and support for smoking cessation	Providing smoking areas apart from smoke-free areas and support for smoking cessation

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.

▶ LOTTE Health Management Strategy Map and Performance Index

<https://www.lotte.co.jp/corporate/sustainability/ourapproach/healthmanagement.pdf>  
(Japanese only)

→→ Primary measures

Primary measures				
Health management	Periodic health checkup	Specific health guidance	Short-stay health screening	Brain checkup with MRI
	Free dental checkup	Mail-in lab test	24-hour health counseling by phone	Online health consultation
	Influenza vaccination	Workplace vaccination program for COVID-19	Mental health Counseling	
Health support Life support	Household medicine purchasing service	Support for smoking cessation	Maternity healthcare financial aid	Infant healthcare financial aid
	Second opinion referral	Group health insurance plan (Healthcare/Specified diseases)	Outsourced employee benefits services	
Improvement of health literacy	Health portal	Distribution of health & wellness newsletters	Health promotion education	Health and safety committee
Support for Regular Exercise	Walking events	Sports gym/facility contracts	Extracurricular activities	
Survey	Employee Satisfaction Survey	Stress checks	SPQ (Single-Item Presenteeism Question)	

## Human Resources Data

### ● Employee Information

#### → Number of Employees (People)

Group	As of March 31, 2020			As of March 31, 2021			As of March 31, 2022		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Group	10,428	—	—	9,844	—	—	11,704	—	—
Full-time employees	6,609	—	—	6,668	—	—	7,356	—	—
Part-time employees	3,819	—	—	3,176	—	—	4,348	—	—
Japan	5,900	—	—	5,708	—	—	7,509	—	—
Full-time employees	3,099	1,952	1,147	3,165	1,982	1,183	3,766	2,354	1,412
Part-time employees	2,801	—	—	2,543	—	—	3,743	—	—
LOTTE CO., LTD.	4,628	—	—	4,618	—	—	4,496	—	—
Full-time employees	2,405	1,700	705	2,493	1,747	746	2,491	1,738	753
Part-time employees	2,223	—	—	2,125	—	—	2,005	—	—
Subsidiaries	1,272	—	—	1,090	—	—	3,013	—	—
Full-time employees	694	252	442	672	235	437	1,275	616	659
Part-time employees	578	—	—	418	—	—	1,738	—	—
Overseas	4,528	—	—	4,136	—	—	4,195	—	—
Full-time employees	3,510	—	—	3,503	—	—	3,590	—	—
Part-time employees	1,018	—	—	633	—	—	605	—	—
Asia	2,743	—	—	2,652	—	—	2,727	—	—
Full-time employees	2,529	—	—	2,456	—	—	2,500	—	—
Part-time employees	214	—	—	196	—	—	227	—	—
Europe and the United States	1,785	—	—	1,484	—	—	1,468	—	—
Full-time employees	981	—	—	1,047	—	—	1,090	—	—
Part-time employees	804	—	—	437	—	—	378	—	—

#### → Ratio of female employees at LOTTE CO., LTD.

	As of March 31, 2020	As of March 31, 2021	As of March 31, 2022
Ratio of female managers	3.9	4.5	4.8
Ratio of female supervisors (section manager class)	9.3	9.9	11.0
Ratio of female in new graduates	41.9	39.3	43.2

#### → Average Age of Employees (Age)

Group	As of March 31, 2020			As of March 31, 2021			As of March 31, 2022		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Japan	38.7	39.3	37.6	38.8	39.4	37.8	39.7	40.7	38.2
LOTTE CO., LTD.	38.5	39.0	37.1	38.5	39.1	37.0	38.9	39.5	37.5
Subsidiaries	39.5	41.3	38.5	40.0	41.5	39.2	41.4	44.0	39.0

#### → Average Length of Employment (Years)

Group	As of March 31, 2020			As of March 31, 2021			As of March 31, 2022		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Japan	15.0	15.8	13.7	15.2	15.9	14.0	16.6	17.5	15.0
LOTTE CO., LTD.	15.8	15.8	16.1	15.9	15.9	15.9	16.4	16.4	16.3
Subsidiaries	12.0	15.7	10.0	12.6	16.1	10.7	16.9	20.6	13.6

#### → Number of Managers (People)

Group	As of March 31, 2020			As of March 31, 2021			As of March 31, 2022		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Group	752	614	138	712	563	149	827	642	185
Ratio of female managers (%)	18.4%			20.9%			22.4%		
Japan	495	469	26	439	413	26	536	483	53
Ratio of female managers (%)	5.3%			5.9%			9.9%		
LOTTE CO., LTD.	384	369	15	337	322	15	332	316	16
New graduates	302	290	12	278	266	12	276	264	12
Mid-career	82	79	3	59	56	3	56	52	4
Subsidiaries	111	100	11	102	91	11	204	167	37
New graduates	93	83	10	86	76	10	173	140	33
Mid-career	18	17	1	16	15	1	31	27	4
Overseas	257	145	112	273	150	123	291	159	132
Ratio of female managers (%)	43.6%			45.1%			45.4%		

Note that the figures for the fiscal year ended March 31, 2022 include results of Dari K Co., Ltd. and Ginza Cozy Corner Co., Ltd (the information for Dari K Co., Ltd. and overseas subsidiaries is stated as of December 31, 2021 to match their accounting period).



## ● Hiring and Dismissal / Retirement

	FY2019			FY2020			FY2021		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Group	—	—	—	—	—	—	1,362	926	436
Japan	199	103	96	183	103	80	103	56	47
New graduates	169	92	77	170	97	73	88	50	38
Mid-career	30	11	19	13	6	7	15	6	9
LOTTE CO., LTD.	156	93	63	157	97	60	90	50	40
New graduates	148	86	62	150	91	59	81	46	35
Mid-career	8	7	1	7	6	1	9	4	5
Mary Chocolate Co., Ltd.	43	10	33	26	6	20	13	6	7
New graduates	21	6	15	20	6	14	7	4	3
Mid-career	22	4	18	6	0	6	6	2	4
Overseas	—	—	—	—	—	—	1,259	870	389

	FY2019			FY2020			FY2021		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Group	—	—	—	—	—	—	1,369	869	500
Retirement	—	—	—	—	—	—	51	26	25
Personal reasons	—	—	—	—	—	—	1,318	843	475
Japan	126	71	55	95	53	42	150	67	83
Retirement	28	27	1	20	17	3	36	22	14
Personal reasons	98	44	54	75	36	39	114	45	69
LOTTE CO., LTD.	70	51	19	50	34	16	88	52	36
Retirement	22	21	1	10	9	1	25	19	6
Personal reasons	48	30	18	40	25	15	63	33	30
Mary Chocolate Co., Ltd.	56	20	36	45	19	26	62	15	47
Retirement	6	6	0	10	8	2	11	3	8
Personal reasons	50	14	36	35	11	24	51	12	39
Overseas	—	—	—	—	—	—	1,219	802	417
Retirement	—	—	—	—	—	—	15	4	11
Personal reasons	—	—	—	—	—	—	1,204	798	406

## → Turnover Rate (%)

	FY2019			FY2020			FY2021		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
LOTTE CO., LTD.	1.9	1.7	2.5	1.6	1.4	2.1	2.5	1.8	4.0
Turnover rate within 3 years for new graduates	14.3	—	—	12.9	—	—	9.5	—	—

## Occupational Health and Safety

### Promotion 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
- Use of highly protective gear (gloves) to prevent caught-in/between accidents

### 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

FY2019	Accidents with absence: 50 (17 in Japan; 33 over-seas) Serious accidents: 0
FY2020	Accidents with absence: 38 (16 in Japan; 22 over-seas) Serious accidents: 0
FY2021	Accidents with absence: 50 (17 in Japan; 33 over-seas) Serious accidents: 0

#### Scope of Tabulation

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

#### → Number of Work-Related Fatalities

FY2019	0
FY2020	0
FY2021	0

#### Scope of Tabulation

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

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

FY2020	Frequency rate 1.53 Severity rate 0.042
FY2021	Frequency rate 1.68 Severity rate 0.0289

#### Scope of Tabulation

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

## Support Activities

### Donations to Healthcare Professionals

Amid the spread of the novel coronavirus, LOTTE 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 patients.

医療従事者を食で応援

WeSupport

\* WeSupport: A platform jointly launched by RCF (General Incorporated Association), Oisix ra daichi Inc., COCONET Inc. (Seino Holdings Group) on April 20, 2020, coordinates donations of food supplies for healthcare professionals engaging in the treatment and prevention of the novel coronavirus infection to protect our health and lives. 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 affected by the spread of the novel coronavirus, LOTTE CO., LTD. donated confectionery through the project of PIIF Save the Children Japan\*.



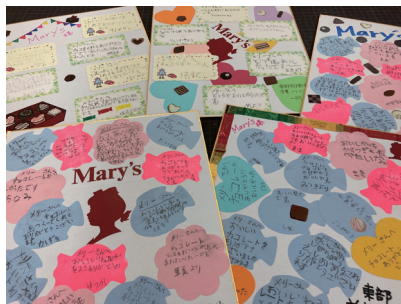
Save the Children  
セーブ・ザ・チルドレン

\* 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 was established in 1986 to tackle issues such as poverty among children. During the pandemic, they helped financially unstable families by donating food items and other goods to improve the dietary needs of children and provide a place for them to play.

## ◆ Initiatives at Subsidiaries

### Mary Chocolate Co., Ltd.

Mary Chocolate Co., Ltd. started the Mary's Cherry Blossom Project in 2009 and has been educating elementary school students throughout Japan about the environment by planting cherry trees together since then. The spread of the novel coronavirus made it difficult to plant new cherry trees, so in 2020, they started a conservation program by inspecting trees planted so far and replanted those damaged by natural disasters. During the fiscal 2021, they donated chocolate to healthcare and elderly care workers, children's facilities and cafeteria in Matsudo City, Funabashi City, and Ota Ward, where Mary's Chocolate factories are located. During Christmas, they also donated gifts to 67 orphanages in Tokyo, sharing their heart-warming thoughts even during the pandemic.



### LOTTE Wedel sp. z o.o. (Poland)

#### ● 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 CO<sub>2</sub> emissions for FY2021 by approximately 11,800 tons by utilizing renewable energy.

#### ● Procurement of Sustainable Palm Oil

We continue to work on switching to RSPO-certified palm oil, as we did in FY2020. Over 90% of the palm oil procured in FY2021 was RSPO-certified palm oil. To achieve our ultimate target of 100%, we will share our progress in Poland and increase the ratio of sustainable palm oil.

#### ● Opening a school in Ghana

We promote sustainable procurement of cacao beans, help children in Ghana get the education they need, and proactively support their development as a nation. The donation made over the three years through a local NGO helped them build a school in Tema in September 2021. Today, 40 children attend this school. There are plans to expand the education capabilities gradually. LOTTE Wedel sp. z o.o. will continue to support the program through donations and online workshops held by employees.



### LOTTE VIETNAM CO., LTD.

The members of LOTTE VIETNAM CO., LTD. visited 36 colleges total between March and May 2022. They hosted events featuring giveaways of xylitol products, games, and complementary dental checkups, to help students learn about the benefits of xylitol and improve their dental and oral health.



### PT. LOTTE INDONESIA

The members of PT. LOTTE INDONESIA visited local orphanages and donated confectionery and other items. They also celebrated the end of the Islamic fasting month together with orphans.



### THAI LOTTE CO., LTD.

The members of THAI LOTTE CO., LTD. visited the local facilities including child and family services, and donated confectionery.



# Governance



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.

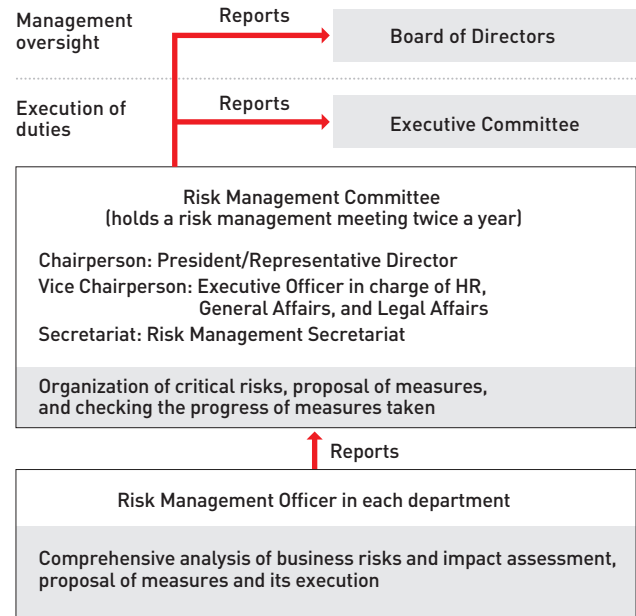
- ◆ Risk Management
- ◆ Compliance
- ◆ Information Security
- ◆ Corporate Governance

## ◆ 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.



## Compliance

### Our Behavior Charter, LOTTE Group Way

The LOTTE Group Way, established in 2008, is the policy to be understood by all directors and employees at LOTTE CO., LTD. and its subsidiaries in conducting their work in the Group. 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/#group\\_way](https://www.lotte.co.jp/english/charter/#group_way)

### Employee Education

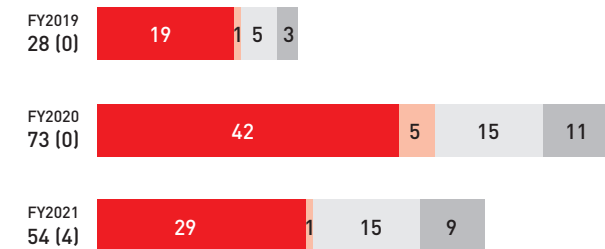
As another means to communicate our behavior charter and encourage ethical and honest business practices, we, LOTTE CO., LTD., provide compliance training to our employees. In FY2021, compliance was covered in annual training, as well as in training for new employees and those being promoted. We also distributed the Compliance Guidebook to all employees to raise awareness of compliance-related matters.



### Whistleblowing System

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. Internal regulations on whistleblowing include the whistleblower protection clause that prohibits all forms of prejudicial treatment for whistleblowers. Anonymous reporting is also accepted. 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



■ Harassment ■ Unfair practices ■ Management ■ Employment or labor-related

Figures in parentheses represent the number of consultations or reports that had not been fully dealt with by March 31, 2021.

#### Scope of Tabulation

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

### Compliance Violation

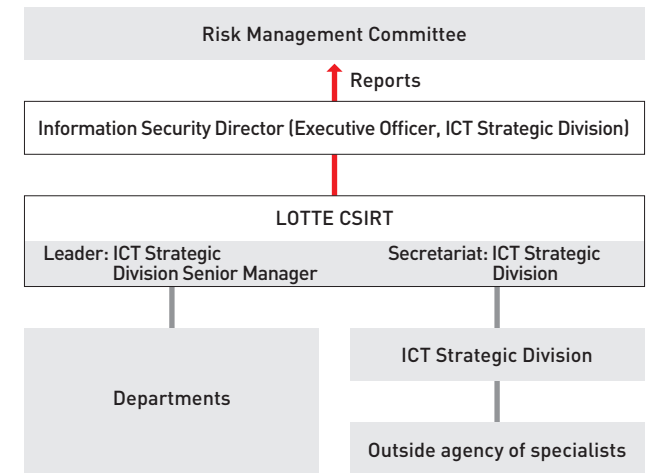
In FY2021, there were no serious compliance violations.

## 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 in the departments 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 (page 43).

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.

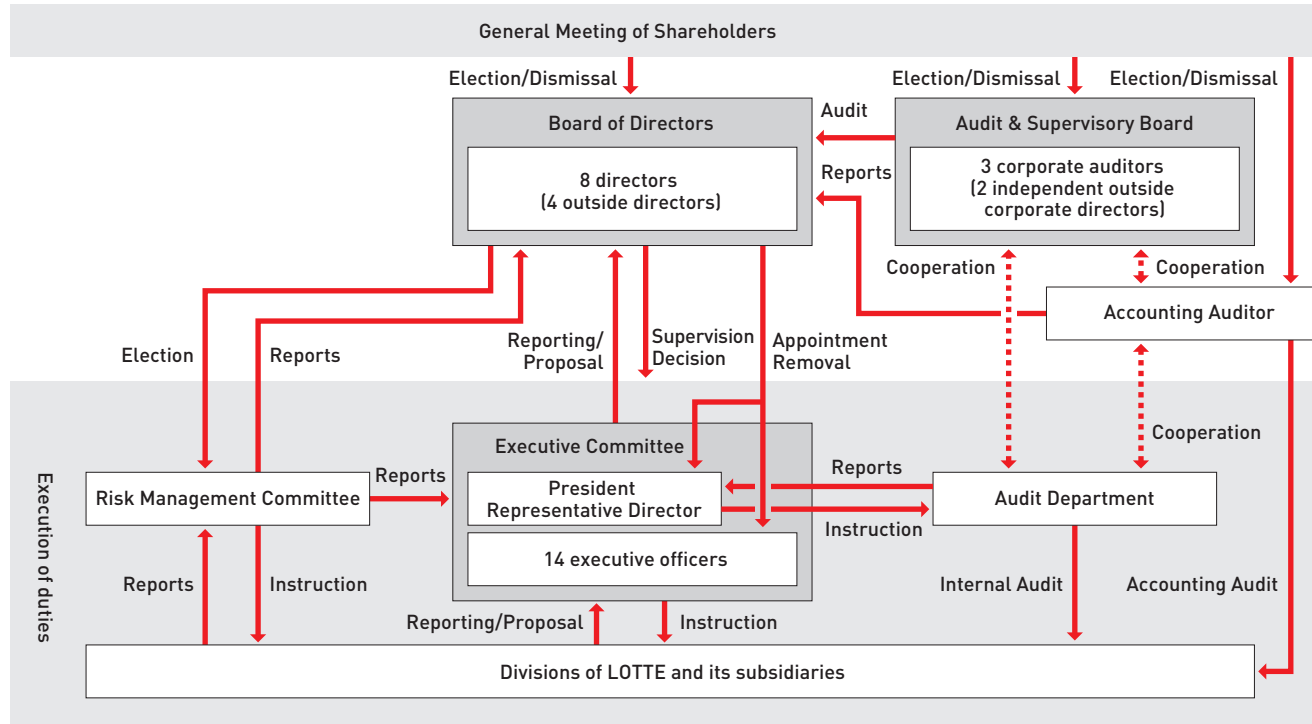


# Corporate Governance

As of July 1, 2022

Type of System	Company with Board of Corporate Auditors
Number of Directors	8 directors (4 outside directors, of whom 2 are women)
Number of Corporate Auditors	3 corporate auditors (2 outside corporate auditors)

Number of Executive Officers	14
Accounting Auditor	Deloitte Touche Tohmatsu LLC
Internal Audit Department	Audit Department



Organization & Meeting	Chairperson	Members				Number of Meetings Held in FY2021
		Total	Inside Director	Outside Director	Audit & Supervisory Board Member	
Board of Directors	Representative Director & President Executive Officer	11	4	4	3	16 times
Executive Committee	Representative Director & President Executive Officer	19*	4	—	2	13 times
Audit & Supervisory Board	Full-time Company Auditor	3	—	—	3	13 times

\* Including 14 executive officers and 3 department managers appointed by the chairperson



## ◆ Independent Practitioner's Assurance of Greenhouse Gas Emissions

Energy-related CO<sub>2</sub> emissions (Scope 1 and 2) and greenhouse gas emissions (Scope 3) for FY2021 indicated with  on page 19 in the Japanese version of the Databook, 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 29, 2022

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 CO<sub>2</sub> emissions (Scope 1 and Scope 2) and greenhouse gas emissions (Scope 3) indicated with  for the year ended March 31, 2022 (the "Greenhouse Gas Information") included in the "LOTTE CO., LTD. Sustainability Databook 2022" (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.

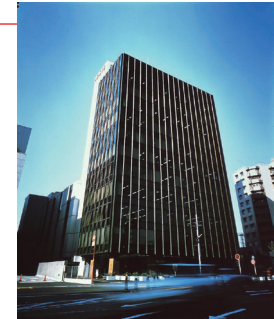
The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of  
Deloitte Touche Tohmatsu Limited

## ◆ Company Information

### Company Profile

Company Name	LOTTE CO., LTD.
Head Office	20-1, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo, Japan
Founding	June 1948
Capital	¥217,000,000
Closing Date	March 31
Full-time employees	2491 7,356 (Consolidated) <small>(As of March 31, 2022 / Data on overseas locations and Dari K is as of December 31, 2021)</small>



### Group Companies

#### Parent Company

LOTTE HOLDINGS CO., LTD.

#### Japan

Mary Chocolate Co., Ltd.

Dari K Co., Ltd.

Ginza Cozy Corner Co., Ltd.

#### Overseas

THAI LOTTE CO., LTD. (Thailand)

PT. LOTTE INDONESIA (Indonesia)

LOTTE VIETNAM CO., LTD. (Vietnam)

LOTTE TAIWAN CO., LTD. (Taiwan)

LOTTE Wedel sp. z o.o. (Poland)

### Disclosure of Non-Financial Information

Please visit our website for more information.

**Sustainability Page on LOTTE Corporate Website (Japanese only)**

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