LOTTE Sustainability Databook 2022
Our Philosophy

LOTTE Group Philosophy

Corporate Message

LOTTE Group Mission
We enrich people’s lives by providing superior products and services that our customers love and trust.

LOTTE Values
- User Oriented
- Originality
- Quality

LOTTE Group Way
- Safety
- Fair
- Communication
- Employees
- Environment
- Contribution to Society
- Local Communities

The Heart Symbol and LOTTE Group Philosophy

Our heart symbol, created on the occasion of our 70th anniversary, is a graphic representation of our corporate message. A heart shape, representing affection and happiness, is superimposed with the shape of a mouth. This symbol expresses our founding ambition of ensuring LOTTE CO., LTD. and the products it creates are loved by everyone—an ambition we have upheld to this day. Our Group Mission put this idea into words, and we have highlighted three important LOTTE Values to achieve the mission. These two elements of the LOTTE Group Philosophy are complemented by the LOTTE Group Way, which serves as our code of conduct.
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.

1957
Green Gum

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.

1981
Yukimi Daifuku

1983
Choco Pie

1984
Koala’s March

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.

2003
Coolish

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

1957
Green Gum

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

1974
Crunky Chocolate

1976
Biscuit manufacturing and sales

1979
Pie no Mi

1978
Head office and factory relocation to Nishi-Shinjuku, Shinjuku Ward of Tokyo

1981
Yukimi Daifuku

1983
Choco Pie

1984
Koala’s March

1988
THAI LOTTE CO., LTD.

1993
PT. LOTTE INDONESIA

1994
Toppo

1996
LOTTE VIETNAM CO., LTD.

1997
Xylitol Gum

1999
Soh

1999
Coolish

2002
LOTTE SNOW CO., LTD.

2003
Coolish

2008
Mary Chocolate Co., Ltd. joined as a subsidiary company

2010
LOTTE Wedel sp. z o.o. joined as a subsidiary company

2015
Nyusankin Chocolat

2018
70th anniversary of LOTTE CO., LTD.

2022
Dari K Co., Ltd. joined as a subsidiary company

2017
Ha Ni Tsukiniku Gum

<Kiokuryoku Wo Iji-suru Type>
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

Net Sales ¥239.5 billion

- Net Sales by Category (billions of yen)
  - Confectionery 173.8
  - Ice Cream 62.7
  - Other 2.9
  - Overseas 15.2

- Overseas Net Sales Ratio in Japan (%)
  - Japan 84.8
  - overseas 15.2

3. Value Creation Story

- Chewing Gum Manufacturer share
  - Japan market share (%)
    - No.1
  - Choco Pie
    - Japan market share No. 1*

- Ice Cream Manufacturer share
  - Japan market share (%)
  - No.1

- Chewing Gum Brand share
  - Xylitol
  - Choco Pie

- Biscuits Brand share
  - Choco Pie

*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 materials 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
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 Commission 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 CO₂ 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 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**

**INPUT**
- Financial capital
- Human capital
  - Number of Employees: 7,356 (consolidated)*1
  - Human resources with diverse skills and values
- Manufacturing capital
  - Production sites in Japan: 10
  - Production sites overseas: 4
  - Production system that delivers food safety and reliability
- Intellectual capital
  - Central Laboratory, LOTTE CO., LTD.
    - Number of Employees: 153*1
    - Basic oral-related research/flavor design
- Social capital
  - Net Sales ¥8 billion or higher
  - Number of brands: 8*2
  - Power of a brand chosen by consumers
- Natural capital

**Business activities**
- 5 materialities
  - Food Safety and Reliability
  - Research and Marketing
  - Sales and Marketing
  - Production
  - Logistics

**OUTCOME**
- Value creation LOTTE-novation
  - LOTTE Group Mission Achievement
    - We enrich people’s lives by providing superior products and services that our customers love and trust.

**Realization of sustainable society and environment**
- Social value
  - Customers
  - Environment
  - Employees
  - Suppliers
  - Communities
- Economic value

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*1 As of March 31, 2022 (as of December 31, 2021 for Dari K Co., Ltd. and overseas subsidiaries)
*2 FY2021 results
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.

**LOTTE’S APPROACH TO MATERIALITY**

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.


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.

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.

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.

1. **Food Safety and Reliability**
   - Diversity
   - Work-style reform
   - Employee Engagement

2. **Food and Health**
   - Health
   - Food education

3. **Environment**
   - Low-carbon society
   - Recycling-oriented society

4. **Sustainable Procurement**
   - Cacao beans
   - Palm oil
   - Paper

5. **Demonstrating Employees’ Abilities**
   - Diversity
   - Work-style reform
   - Employee Engagement

Annex 1:
Reflected in sustainability activities

2028
Medium-Term ESG Targets

**STEP3**

**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.

- Customer Service Center
- Website
- Food education events
- Regular communication
- Quality-related initiatives
- Supplier orientations
- Human resource cultivation
- Employee satisfaction surveys
- Company newsletter
- Whistleblowing system
- Consideration for residents living near factories
- Community event participation & sponsorship
- Disaster-relief donations

Created referencing the SDG Compass
## Materiality and Medium-Term ESG Targets

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Key Items</th>
<th>Indicators</th>
<th>2023 Targets</th>
<th>2028 Targets</th>
<th>Relevant SDGs Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Food Safety and Reliability</td>
<td>Further improvement of product quality</td>
<td>GFSI recognized certification schemes [FSSC 22000/BRC]</td>
<td>Maintain certification at all domestic and overseas factories</td>
<td>Complete introduction of the system to all domestic and overseas development and production sites</td>
<td>2.1, 2.4</td>
</tr>
<tr>
<td></td>
<td>Introduction of LOTTE ADVANCE, our new quality assurance system</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Food and Health</td>
<td>Percentage of people who practice KAMUKOTO (chewing) with proper awareness (Japan)</td>
<td>35% or more</td>
<td>50% or more</td>
<td>50% or more</td>
<td>3.4, 9.5</td>
</tr>
<tr>
<td></td>
<td>Percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health (Japan)</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Food education</td>
<td>Number of people attending our food education lectures</td>
<td>100 thousand people per year or more</td>
<td>150 thousand people per year or more</td>
<td></td>
</tr>
<tr>
<td>3 Environment</td>
<td>Reduction rate of energy-related CO2 emissions [Scope 1 and 2] (comparison with FY2019)</td>
<td>—</td>
<td>23% or more reduction (2050 Target: Carbon neutrality)</td>
<td>99% or more reduction</td>
<td>13.1</td>
</tr>
<tr>
<td></td>
<td>Reduction rate of food loss and waste (FLW) [Per-unit volume comparison with FY2019]</td>
<td>—</td>
<td>50% or more reduction</td>
<td>99% or more</td>
<td>12.3</td>
</tr>
<tr>
<td></td>
<td>Recycling rate of waste generated by production processes</td>
<td>99% or more (Japan)</td>
<td>99% or more</td>
<td>99% or more</td>
<td>12.5</td>
</tr>
<tr>
<td>4 Sustainable Procurement</td>
<td>Cacao beans</td>
<td>Usage rate of Fair Cacao</td>
<td>100% (2025 Target: 100% for Ghana beans)</td>
<td>100% (Japan and overseas)</td>
<td>8.7, 8.8, 12.7, 17.14, 17.17</td>
</tr>
<tr>
<td></td>
<td>Palm oil</td>
<td>Usage rate of third-party verified palm oil</td>
<td>100% (Japan)</td>
<td>100% (Japan and overseas)</td>
<td>8.7, 8.8, 12.7, 13.1, 17.14, 17.17</td>
</tr>
<tr>
<td></td>
<td>Paper</td>
<td>Usage rate of environment-friendly paper (for product containers and packaging)</td>
<td>100% (Japan)</td>
<td>100% (Japan and overseas)</td>
<td>8.4, 12.7, 13.1, 17.14, 17.17</td>
</tr>
<tr>
<td>5 Demonstrating Employees’ Abilities</td>
<td>Diversity</td>
<td>Ratio of female managers (Japan)</td>
<td>10% or more</td>
<td>20% or more</td>
<td>5.1, 5.5, 5.b, 8.5</td>
</tr>
<tr>
<td></td>
<td>Work-style reform</td>
<td>Annual total working hours per person (Japan)</td>
<td>1,850 hours or less</td>
<td>1,800 hours or less</td>
<td>5.4, 5.b, 8.1, 8.2</td>
</tr>
<tr>
<td></td>
<td>Employee engagement</td>
<td>Percentage of employees with high job satisfaction (Japan)</td>
<td>80% or more</td>
<td>At least 80%</td>
<td>8.1, 8.2</td>
</tr>
</tbody>
</table>
### Results Highlights

#### 1. Food Safety and Reliability

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2020</td>
<td>Certification maintained*</td>
</tr>
<tr>
<td>FY2021</td>
<td>Certification maintained*</td>
</tr>
<tr>
<td>2023</td>
<td>Maintain certification at all domestic and overseas factories</td>
</tr>
<tr>
<td>2028</td>
<td>Maintain certification at all domestic and overseas factories</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2020</td>
<td>Completed the outline of shared Group standards</td>
</tr>
<tr>
<td>FY2021</td>
<td>Completed the draft of shared Group standards applicable to Japan</td>
</tr>
<tr>
<td>2023</td>
<td>Complete introduction of the system to all domestic and overseas development and production sites</td>
</tr>
<tr>
<td>2028</td>
<td>Continue to operate the system in all domestic and overseas development and production sites</td>
</tr>
</tbody>
</table>

#### 2. Food and Health

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2020 Survey</th>
<th>2021 Survey</th>
<th>2022 Survey</th>
<th>2023 Target</th>
<th>2028 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>20</td>
<td>20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2020 Survey</th>
<th>2021 Survey</th>
<th>2022 Survey</th>
<th>2028 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32</td>
<td>32</td>
<td>28</td>
<td></td>
</tr>
</tbody>
</table>

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

**Number of people attending our food education lectures**

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2023 Target</th>
<th>2028 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.3</td>
<td>4.1</td>
<td>4.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Scope of Tabulation
LOTTE CO., LTD.
### Results Highlights

#### 3. Environment

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

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2019 (Baseline)</th>
<th>FY2020</th>
<th>FY2021</th>
<th>2028 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ (Thousand t)</td>
<td>130</td>
<td>114</td>
<td>112</td>
<td>90</td>
</tr>
<tr>
<td>Reduction (%)</td>
<td>12%</td>
<td>14%</td>
<td>23% or more</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2019 (Baseline)</th>
<th>FY2020</th>
<th>FY2021</th>
<th>2028 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (Million t)</td>
<td>4.0</td>
<td>3.1</td>
<td>2.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Reduction (%)</td>
<td>5.3%</td>
<td>14%</td>
<td>50% or more</td>
<td></td>
</tr>
</tbody>
</table>

**Recycling rate of waste generated by production processes**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2019 (Japan)</th>
<th>FY2020 (Japan)</th>
<th>FY2021 (Japan)</th>
<th>2023 Target (Japan)</th>
<th>2028 Target (Japan &amp; overseas)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate (%)</td>
<td>99.2</td>
<td>96.5</td>
<td>96.8</td>
<td>99% or more</td>
<td>99% or more</td>
</tr>
</tbody>
</table>

**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.)

#### 4. Sustainable Procurement

**Usage rate of Fair Cacao**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>2028 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>4.0</td>
<td>11</td>
<td>19</td>
<td>100</td>
</tr>
</tbody>
</table>

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

**Usage rate of third-party verified palm oil**

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2019 (Japan)</th>
<th>FY2020 (Japan)</th>
<th>FY2021 (Japan)</th>
<th>2023 Target (Japan)</th>
<th>2028 Target (Japan &amp; overseas)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>0.0</td>
<td>10</td>
<td>18</td>
<td>93</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2019 (Japan)</th>
<th>FY2020 (Japan)</th>
<th>FY2021 (Japan)</th>
<th>2023 Target (Japan)</th>
<th>2028 Target (Japan &amp; overseas)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>93</td>
<td>94</td>
<td>96</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

**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.
Our Commitment to ESG

Results Highlights

1. Demonstrating Employees’ Abilities

Ratio of female managers (Japan)

<table>
<thead>
<tr>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>15</td>
</tr>
<tr>
<td>20</td>
</tr>
<tr>
<td>25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of March 31, 2020</th>
<th>As of March 31, 2021</th>
<th>As of March 31, 2022</th>
<th>2023 Target</th>
<th>2028 Target</th>
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</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>(Hours)</th>
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<tbody>
<tr>
<td>0</td>
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<tr>
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<td>1,500</td>
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<th>2023 Target</th>
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</table>

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

Percentage of employees with high job satisfaction (Japan)

<table>
<thead>
<tr>
<th>(%)</th>
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<tbody>
<tr>
<td>0</td>
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</tbody>
</table>

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

Changes to the Fair Cacao usage target

2028 Target
100%

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 CO₂ emission reduction targets

2028 Target
23% or more reduction

We, LOTTE CO., LTD., aim to reduce Scope 1 and 2 energy-related CO₂ 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** and SASB** 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) |
| FY2020 | The “ikuboss”**2 (Relevant materiality theme: Demonstrating Employees’ Abilities) |
| FY2021 | KAMUKOTO (chewing) (Relevant materiality theme: Food and Health) |

**1 Oral frailty refers to deterioration in oral functions such as chewing, swallowing, or speaking, and constitutes a form of physical frailty.
**2 In Japan, hands-on fathers are referred to as “ikumen” [combining the Japanese word “iku,” meaning “parenting,” with the English word “men”). In the same vein, an “ikuboss” is a manager who supports his or her team members in achieving balance between their work, and home commitments such as parenting or caring.
Our Commitment to ESG

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

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 CO₂ 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 CO₂ (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.

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.

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**Our Commitment to ESG**

## 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.

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### 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.

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### 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 Commission’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 JCA, 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.
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.

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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.
Heartfelt thanks for your advice into the evolution of our sustainability activities and information disclosure. 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.

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.

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

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 TCFD¹ and joined the TCDF 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.

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.

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 CO₂ 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 3: Indirect emissions other than Scopes 1 and 2 related to the supply chain.

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 IPCC¹ and IEA², 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.

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.
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 CO₂ 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.

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

<table>
<thead>
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<th>Social changes and business impact</th>
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<td>Government policies and regulations</td>
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<td>Higher cost of operations due to introduction and increase of carbon price</td>
<td>Utilization of power sourced from renewable energy</td>
</tr>
<tr>
<td>Changes in demand</td>
<td>↓ ↓</td>
<td>Higher cost of raw materials due to introduction and increase of carbon price</td>
<td>Introduction of energy-saving activities and highly energy efficient equipment</td>
</tr>
</tbody>
</table>

### Greenhouse Gas Emission Reduction Targets

- **Scope 1 and 2: Energy-related CO₂ emissions (Medium-Term ESG Targets)**
  - 2028 Target: 23% or more reduction compared with FY2019 (certified by SBTi® in May 2022)
  - 2050 Target: Carbon neutrality

- **Scope 3: Category 2, 4**
  - 2027 Target: Supplier engagement (certified by SBTi® in May 2022)

- **Scope 3: Category 3**
  - 2028 Target: 23% or more reduction compared with FY2019 (certified by SBTi® in May 2022)

*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.

*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 CO₂ emissions, our primary producer of greenhouse gases, by 23% or more by FY2028 compared to levels in FY2019. Furthermore, we are targeting carbon neutrality by FY2050. 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 CO₂ emissions, in comparison with FY2019, by 14% compared to levels in 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 CO₂ Emissions (comparison with FY2019)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2019 Baseline</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>130 (120 reduction)</td>
<td>114 (10% reduction)</td>
<td>93 (14% reduction)</td>
</tr>
<tr>
<td>Overseas</td>
<td>97</td>
<td>21</td>
<td>91</td>
</tr>
</tbody>
</table>

Data indicated with ☑️ have received the independent practitioner’s assurance by Deloitte Tohmatsu Sustainability Co., Ltd. [Please see page 47].

### Calculation Methods

**Scope 1: CO₂ Emissions = Fuel consumption × emission factors**

**Scope 2: CO₂ Emissions = Volume of purchased electricity, etc. × emission factors**

### Emission Factors

**Overseas**

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

The emission factors for Scope 1 emissions have been determined according to the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, while the emission factors for Scope 2 emissions have been determined according to the International Energy Agency (IEA) Emission Factors 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 tCO₂)**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased goods and services</td>
<td>631</td>
<td>655</td>
</tr>
<tr>
<td>Capital goods</td>
<td>28</td>
<td>22</td>
</tr>
<tr>
<td>Fuel and energy-related activities (not included in Scope 1 or 2)</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Upstream transportation and distribution</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Waste generated in operations</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Business travel</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Employee commuting</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Upstream leased assets</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Downstream transportation and distribution</td>
<td>50</td>
<td>49</td>
</tr>
<tr>
<td>Processing of sold products</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Use of sold products</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>End-of-life treatment of sold products</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>Downstream leased assets</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Franchises</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Investments</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>912</td>
<td>927</td>
</tr>
</tbody>
</table>

* Excluded from calculation as there were no applicable emissions

### Emissions Intensity, etc.

(1) [IDEA Ver. 2.3] The greenhouse gas emissions database of the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry

(2) Database on Emissions Unit Values for Accounting of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.21) of the Ministry of the Environment and the Ministry of Economy, Trade and Industry

(3) Emission factors used for the reporting system targeting Specified Consigners as defined in the Act on the Rational Use of Energy

(4) Utilizing Renewable Energy

In April 2019, the head office of LOTTE CO., LTD., located in the Shinjuku ward of Tokyo, switched to the Aqua Premium program, which uses hydroelectric power. Aqua Premium is one of the programs offered by the TEPCO Group and is notable for utilizing renewable hydroelectric power and producing zero CO₂ emissions when generating electricity. We are also adopting renewable energy at our domestic factories in stages, and in February 2020, LOTTE Wedel sp. z o.o. in Poland 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.
LOTTE CO., LTD. is working to reduce the environmental impact associated with logistics. In addition to our efforts to improve loading efficiency through packaging, we are also working to reduce CO₂ emissions by promoting cooperative distribution¹ and modal shifts².

*¹ Cooperative distribution: We are engaged in joint product delivery in cooperation with other companies in the same industry as well as carriers and warehouses. This serves to lower the number of trucks necessary for deliveries, which in turn reduces CO₂ emissions.

*² Modal shift: Modal shift refers to a shift away from trucks toward sea and rail delivery, which have a lower environmental impact and support higher-volume delivery. LOTTE CO., LTD. is promoting marine transport as part of this shift and is currently working to reduce CO₂ emissions by utilizing marine transport from Kyushu to Osaka and from Tokyo to Hokkaido.

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 CO₂ 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 HF0-1233zd (E)). The freezer also features low-pressure turbo, which makes leakage of refrigerants much less likely.
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.

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.

In comparison with FY2019, FLW produced for existing ice cream products has decreased to 2.8 thousand tons in FY2021, achieving a per-unit volume of 0.011 (14% reduction compared with baseline). This is due to the improvement in forecasting accuracy through AI utilization.

Results of Sales Forecasting Verification for Existing Ice Cream Products

Conventional human forecasting has a forecast error rate of 20%, while AI forecasting demonstrates a 50% improvement. This highlights the effectiveness of AI in reducing forecast errors and optimizing sales processes.

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

FLW Produced and Per-Unit Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>FLW Produced (Thousand t)</th>
<th>Per-Unit Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>3.3</td>
<td>0.013</td>
</tr>
<tr>
<td>FY2020</td>
<td>3.1</td>
<td>0.012 (5.3% reduction compared with baseline)</td>
</tr>
<tr>
<td>FY2021</td>
<td>2.8</td>
<td>0.011 (14% reduction compared with baseline)</td>
</tr>
</tbody>
</table>

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.

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.

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.

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.

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.

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.

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.

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*, IUCN Categories I-V*, KBA*, IUCN Red List*] using IBAT™ 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.

* UNESCO MAB: An acronym for UNESCO’s Man and the Biosphere Programme, which has established biosphere reserves.
* 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
* KBA: An acronym for Key Biodiversity Area
* IUCN Red List: Covers sites with at least one species classed as “VU (Vulnerable)”
* IBAT: An acronym for Integrated Biodiversity Assessment Tool.

### Water Resources

#### Water Usage

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>2.6</td>
<td>0.2</td>
</tr>
<tr>
<td>FY2020</td>
<td>2.4</td>
<td>0.2</td>
</tr>
<tr>
<td>FY2021</td>
<td>2.5</td>
<td>0.2</td>
</tr>
</tbody>
</table>

#### Water Usage Ratio

<table>
<thead>
<tr>
<th>In-city use</th>
<th>Factory use</th>
<th>Well water</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019 34%</td>
<td>FY2020 37%</td>
<td>FY2021 50%</td>
</tr>
</tbody>
</table>

#### 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.
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 human rights risks resulting from business activities in accordance with international standards and guidelines 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.

Increase awareness and understanding of our human rights policy.

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.

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.

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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.
## 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 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.

### 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.

### Progress in Addressing Human Rights Risks

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

* 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.

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

- **2023 Target**: 35% or more
- **2028 Target**: 50% or more

- **July 2020 survey**: 21%
- **May 2021 survey**: 20%
- **May 2022 survey**: 20%
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 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)


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)

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 enricing 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.
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.

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)
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.

Xylitol Consumption among Mothers and Mutans Streptococci Detection Rate among Babies

<table>
<thead>
<tr>
<th>Duration of chewing gum consumption by mothers: From six months pregnant to nine months after birth</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
</tr>
<tr>
<td>Birth</td>
</tr>
<tr>
<td>Control group</td>
</tr>
<tr>
<td>8.6</td>
</tr>
</tbody>
</table>

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

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.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of People</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>63 thousand people (Factory visit attendees: 36 thousand people)</td>
</tr>
<tr>
<td>FY2020</td>
<td>41 thousand people (Factory visit attendees: 0)</td>
</tr>
<tr>
<td>FY2021</td>
<td>46 thousand people (Factory visit attendees: 0)</td>
</tr>
</tbody>
</table>

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 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.

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.

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.

“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 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.

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*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.
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 uniform 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.

LOTTE ADVANCE Framework

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.

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.

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 additional three-step process to remove any foreign hair or dust. In the manufacturing process, metal detectors, X-ray devices, and several other tools are employed to inspect for foreign objects and ensure safe products.
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. 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. Customer feedback is also shared with management and related departments to develop new products and improve existing products.

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Communication with Customers

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Number of Inquiries from Customers and Breakdown

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
<th>Number of Inquiries</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>20%</td>
<td>30 thousand</td>
</tr>
<tr>
<td>FY2020</td>
<td>23%</td>
<td>26 thousand</td>
</tr>
<tr>
<td>FY2021</td>
<td>19%</td>
<td>28 thousand</td>
</tr>
</tbody>
</table>

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.

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 CO., LTD. also believes in the importance of sustainable procurement of high-quality goods and services cannot be overstated, LOTTE CO., LTD. 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.

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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

<table>
<thead>
<tr>
<th>Ingredient</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cacao beans</td>
<td>Main ingredient in chocolate products</td>
</tr>
<tr>
<td>Palm oil</td>
<td>Oil used in a wide range of products and food additives</td>
</tr>
<tr>
<td>Paper</td>
<td>Packaging for a wide range of products</td>
</tr>
</tbody>
</table>

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 100% for all the cacao bean suppliers.

2028 Target

100%

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (thousand tons)</th>
<th>Fair Cacao (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>7.5</td>
<td>4.0%</td>
</tr>
<tr>
<td>FY2020</td>
<td>8.3</td>
<td>11%</td>
</tr>
<tr>
<td>FY2021</td>
<td>5.1</td>
<td>19%</td>
</tr>
</tbody>
</table>

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.
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.

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 healthcare facilities and providing training for healthcare staff.

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.

**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.

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.

**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, 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**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount of Palm Oil Procured</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>15.4 thousand tons, third-party verified oil 0%</td>
</tr>
<tr>
<td>FY2020</td>
<td>16.0 thousand tons, third-party verified oil 10%</td>
</tr>
<tr>
<td>FY2021</td>
<td>16.0 thousand tons, third-party verified oil 18%</td>
</tr>
</tbody>
</table>

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

**Amount of Paper Procured**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount of Paper Procured</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>42.5 thousand tons, environment-friendly paper 93%</td>
</tr>
<tr>
<td>FY2020</td>
<td>42.7 thousand tons, environment-friendly paper 94%</td>
</tr>
<tr>
<td>FY2021</td>
<td>41.2 thousand tons, environment-friendly paper 96%</td>
</tr>
</tbody>
</table>

**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.

#### 2023 Target

- 10% or more

#### 2028 Target

- 20% or more

#### Ratio of Female Managers in Japan

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2020</td>
<td>5.3% (3.9% in LOTTE CO., LTD.)</td>
</tr>
<tr>
<td>As of March 31, 2021</td>
<td>5.9% (4.5% in LOTTE CO., LTD.)</td>
</tr>
<tr>
<td>As of March 31, 2022</td>
<td>9.9% (4.8% in LOTTE CO., LTD.)</td>
</tr>
</tbody>
</table>

#### Percentage of Employees with Disabilities

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2020</td>
<td>2.2% (legal requirement: 2.2%)</td>
</tr>
<tr>
<td>As of March 31, 2021</td>
<td>2.4% (legal requirement: 2.3%)</td>
</tr>
<tr>
<td>As of March 31, 2022</td>
<td>2.4% (legal requirement: 2.3%)</td>
</tr>
</tbody>
</table>

### Promotion of 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.
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicants</th>
<th>Re-employment Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>121</td>
<td>100%</td>
</tr>
<tr>
<td>FY2020</td>
<td>95</td>
<td>100%</td>
</tr>
<tr>
<td>FY2021</td>
<td>107</td>
<td>100%</td>
</tr>
</tbody>
</table>

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 of LOTTE CO., LTD. and its subsidiaries.

Working Hours per Employee

<table>
<thead>
<tr>
<th>Year</th>
<th>Total working hours</th>
<th>Total hours worked outside of work hours (excluding managerial staff)</th>
<th>Days of paid leave taken</th>
<th>Usage rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>1,977 hours</td>
<td>194 hours</td>
<td>12.6</td>
<td>62.8%</td>
</tr>
<tr>
<td>FY2020</td>
<td>1,885 hours</td>
<td>131 hours</td>
<td>13.3</td>
<td>66.4%</td>
</tr>
<tr>
<td>FY2021</td>
<td>1,880 hours</td>
<td>129 hours</td>
<td>14.1</td>
<td>76.7%</td>
</tr>
</tbody>
</table>

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.

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 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.

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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Training expenses</th>
<th>Average annual training hours per employee</th>
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</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>¥89 million</td>
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<td>¥45 million</td>
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<tr>
<td>FY2021</td>
<td>¥45 million</td>
<td>9 hours</td>
</tr>
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</table>

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

LOTTE Health Management Strategy Map and Performance Index

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

### 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 |

### Primary measures

| Health management | Periodic health checkup  
| Free dental checkup  
| Influenza vaccination |
| Health support Life support | Household medicine purchasing service  
| Support for smoking cessation |
| Second opinion referral  
| Group health insurance plan (Healthcare/Specified diseases) |
| Improvement of health literacy | Health portal  
| Distribution of health & wellness newsletters |
| Support for Regular Exercise | Walking events  
| Sports gym/facility contracts |
| Survey | Employee Satisfaction Survey  
| Stress checks |

### 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.
## Human Resources Data

### Employee Information

#### Number of Employees (People)

<table>
<thead>
<tr>
<th>Group</th>
<th>As of March 31, 2020</th>
<th>As of March 31, 2021</th>
<th>As of March 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
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<tr>
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<tr>
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<tr>
<td></td>
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<table>
<thead>
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<th>As of March 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
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<td>Japan</td>
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</table>
| **Average Length of Employment (Years)**
<table>
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<tr>
<th>Group</th>
<th>As of March 31, 2020</th>
<th>As of March 31, 2021</th>
<th>As of March 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>15.0</td>
<td>15.8</td>
<td>13.7</td>
</tr>
<tr>
<td>LOTTE CO., LTD.</td>
<td>15.8</td>
<td>15.8</td>
<td>16.1</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>12.0</td>
<td>15.7</td>
<td>10.0</td>
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</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>As of March 31, 2020</th>
<th>As of March 31, 2021</th>
<th>As of March 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
</tbody>
</table>
| **Number of Managers (People)**
<table>
<thead>
<tr>
<th>Group</th>
<th>As of March 31, 2020</th>
<th>As of March 31, 2021</th>
<th>As of March 31, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td></td>
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</tr>
<tr>
<td>Japan</td>
<td>752</td>
<td>614</td>
<td>138</td>
</tr>
<tr>
<td></td>
<td>495</td>
<td>449</td>
<td>26</td>
</tr>
</tbody>
</table>
| **Ratio of female managers (%)**
| Japan                | 18.4  | 20.9 | 22.4   |
| LOTTE CO., LTD.     | 5.3%  | 5.9% | 9.9%   |
| **Ratio of female managers (%)**
| New graduates        | 302   | 290  | 12     | 278   | 266  | 12     | 276   | 244  | 12     |
| Mid-career           | 82    | 79   | 3      | 59    | 56   | 3      | 56    | 52   | 4      |
| Subsidiaries        | 111   | 100  | 11     | 102   | 91   | 11     | 204   | 146  | 37     |
| **Ratio of female managers (%)**
| 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 (%)**
| LOTTE CO., LTD.     | 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

#### Number of Employees Hired (People)

<table>
<thead>
<tr>
<th>Group</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FY2020</strong></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td><strong>FY2021</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New graduates</td>
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<td>92</td>
<td>77</td>
<td>170</td>
<td>97</td>
<td>73</td>
<td>88</td>
<td>50</td>
<td>38</td>
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<tr>
<td>Mid-career</td>
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<td>11</td>
<td>19</td>
<td>13</td>
<td>6</td>
<td>7</td>
<td>15</td>
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<td>9</td>
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<td><strong>Overseas</strong></td>
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<tr>
<td><strong>Total</strong></td>
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</tr>
</tbody>
</table>

#### Number of Employees Retired / Dismissed (People)

<table>
<thead>
<tr>
<th>Group</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
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<td><strong>FY2019</strong></td>
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<tr>
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<tr>
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<td>1,318</td>
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<td><strong>Mary Chocolate Co., Ltd.</strong></td>
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<td>63</td>
<td>33</td>
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<tr>
<td><strong>Total</strong></td>
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</tr>
</tbody>
</table>

#### Turnover Rate (%)

<table>
<thead>
<tr>
<th>Group</th>
<th>FY2019</th>
<th>Male</th>
<th>Female</th>
<th>FY2020</th>
<th>Male</th>
<th>Female</th>
<th>FY2021</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LOTTE CO., LTD.</strong></td>
<td>1.9</td>
<td>1.7</td>
<td>2.5</td>
<td>1.6</td>
<td>1.4</td>
<td>2.1</td>
<td>2.5</td>
<td>1.8</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Turnover rate within 3 years for new graduates</strong></td>
<td>14.3</td>
<td>—</td>
<td>—</td>
<td>12.9</td>
<td>—</td>
<td>—</td>
<td>9.5</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Lottery</strong></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Group</th>
<th>FY2019</th>
<th>Male</th>
<th>Female</th>
<th>FY2020</th>
<th>Male</th>
<th>Female</th>
<th>FY2021</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
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<tr>
<td><strong>Lottery</strong></td>
<td></td>
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</tr>
</tbody>
</table>
**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.

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**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

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**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

<table>
<thead>
<tr>
<th>Year</th>
<th>Accidents with absence</th>
<th>Serious accidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>Accidents with absence: 50 (17 in Japan; 33 overseas) Serious accidents: 0</td>
<td></td>
</tr>
<tr>
<td>FY2020</td>
<td>Accidents with absence: 38 (16 in Japan; 22 overseas) Serious accidents: 0</td>
<td></td>
</tr>
<tr>
<td>FY2021</td>
<td>Accidents with absence: 50 (17 in Japan; 33 overseas) Serious accidents: 0</td>
<td></td>
</tr>
</tbody>
</table>

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**Number of Work-Related Fatalities**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>0</td>
</tr>
<tr>
<td>FY2020</td>
<td>0</td>
</tr>
<tr>
<td>FY2021</td>
<td>0</td>
</tr>
</tbody>
</table>

---

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Frequency rate</th>
<th>Severity rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2020</td>
<td>1.53</td>
<td>0.042</td>
</tr>
<tr>
<td>FY2021</td>
<td>1.68</td>
<td>0.0289</td>
</tr>
</tbody>
</table>

---

**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.

**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 Japan**

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.

* 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.

* 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.

**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 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 CO₂ emissions for FY2021 by approximately 11,800 tons by utilizing renewable energy.

**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.

**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.
Corporate governance is one of the most important pillars of our management for the Group to grow sustainably for years to come. Recent years have witnessed rapid changes in the business environment brought by the pandemic, wars, and other events. We continue to strengthen our corporate governance to ensure sustainable enhancements in corporate value while responding to change.

Risk Management

Risk Management Structure

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

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

Risk Management Process

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

Plan

- Organization of risks identified in each department and proposal of measures

Do

- Implement Measures
  (Risk Management Officer in each department)

Action

- Reassessment of risks and re-evaluation of measures
  (Reporting from Risk Management Officers to Risk Management Committee)

Check

- Checking the progress of measures taken
  (Reporting from Risk Management Officers to 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.

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

<table>
<thead>
<tr>
<th>FY</th>
<th>Reports</th>
<th>Harassment</th>
<th>Unfair practices</th>
<th>Management</th>
<th>Employment or labor-related</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>28 (0)</td>
<td>19</td>
<td>1</td>
<td>3</td>
<td>24</td>
</tr>
<tr>
<td>2020</td>
<td>73 (0)</td>
<td>42</td>
<td>5</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td>2021</td>
<td>54 (4)</td>
<td>29</td>
<td>1</td>
<td>15</td>
<td>11</td>
</tr>
</tbody>
</table>

Scopes 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.

Scope of Tabulation

LOTTE CSIRT

<table>
<thead>
<tr>
<th>Leader: ICT Strategic Division Senior Manager</th>
<th>Secretariat: ICT Strategic Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT Strategic Division</td>
<td>Outside agency of specialists</td>
</tr>
<tr>
<td>Departments</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Type of System</th>
<th>Number of Directors</th>
<th>Number of Corporate Auditors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company with Board of Corporate Auditors</td>
<td>8 directors (4 outside directors, of whom 2 are women)</td>
<td>3 corporate auditors (2 outside corporate directors)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Executive Officers</th>
<th>Accounting Auditor</th>
<th>Internal Audit Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Deloitte Touche Tohmatsu LLC</td>
<td>Audit Department</td>
</tr>
</tbody>
</table>

General Meeting of Shareholders

**Board of Directors**
- 8 directors (4 outside directors)

**Audit & Supervisory Board**
- 3 corporate auditors (2 independent outside corporate directors)

**Executive Committee**
- 14 executive officers

**Audit Department**

**Risk Management Committee**

<table>
<thead>
<tr>
<th>Organization &amp; Meeting</th>
<th>Chairperson</th>
<th>Total</th>
<th>Inside Director</th>
<th>Outside Director</th>
<th>Audit &amp; Supervisory Board Member</th>
<th>Number of Meetings Held in FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>Representative Director &amp; President Executive Officer</td>
<td>11</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>16 times</td>
</tr>
<tr>
<td>Executive Committee</td>
<td>Representative Director &amp; President Executive Officer</td>
<td>19*</td>
<td>4</td>
<td>-</td>
<td>2</td>
<td>13 times</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td>Full-time Company Auditor</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>13 times</td>
</tr>
</tbody>
</table>

* Including 14 executive officers and 3 department managers appointed by the chairperson
## LOTTE’s Sustainability Initiatives

<table>
<thead>
<tr>
<th>ESG</th>
<th>Major Issues</th>
<th>Items in This Databook</th>
<th>Relationship with the 17 SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>E</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responses to Climate Change</td>
<td>Basic Approach, Governance, Strategies, Risk Management, Indicators and Goals</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Contribution to Resource Circulation</td>
<td>Waste Reduction and Recycling, Reduction Rate of Food Loss and Waste (FLW), Raw Materials Procurement Volume, Environment-Friendly Containers and Packaging</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Consideration for Biodiversity</td>
<td>Assessment of Biodiversity Risks at Production Sites</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Water Resources</td>
<td>Water Consumption, Water Risks</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td><strong>S</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Food and Health</td>
<td>Spreading “KAMUKOTO” (Chewing) Awareness, Chewing and General Health, Dental and Oral Health, Xylitol Explained, Consumer First Approach</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Food Education</td>
<td>Concept and Goals, Factory Tours, School Visits, Teaching Materials</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Food Safety and Reliability</td>
<td>LOTTE ADVANCE, Our New Quality Assurance System; Quality Assurance Promotion System, Quality Assurance in the Supply Chain, Number of Inquiries from Customers and Breakdown, Recalls and Legal Violations</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Sustainable Procurement</td>
<td>Building a Responsible Supply Chain, Primary Raw Materials, Cacao Beans, Palm Oil, Paper</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Animal Welfare</td>
<td>Animal Testing, Primary Raw Materials and Dialogues with Society</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Demonstrating Employees’ Abilities</td>
<td>Diversity &amp; Inclusion, Life-Work Balance, Balancing Life Events with Work, Employee Engagement, Human Resource Cultivation, Career Development Support, Health Management, Human Resources Data</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td>Promotion System, Occupation Health and Safety Education, Safety Audits and Inspections, Past Occupational Accidents</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Support Activities</td>
<td>Donations to Healthcare Professionals, Support for Families with Children</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Initiatives at Subsidiaries</td>
<td>Mary Chocolate Co., Ltd., LOTTE Wedel sp. z o.o. [Poland], LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, Thai LOTTE CO., LTD.</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td><strong>G</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Management</td>
<td>Risk Management System, Risk Management Process</td>
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<td>●</td>
</tr>
<tr>
<td>Compliance</td>
<td>Our Behavior Charter, the LOTTE Group Way, Employee Education, Whistleblowing System, Compliance Violation</td>
<td>○</td>
<td>●</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td></td>
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</tbody>
</table>
**Independent Practitioner’s Assurance of Greenhouse Gas Emissions**

Energy-related CO₂ emissions (Scope 1 and 2) and greenhouse gas emissions (Scope 3) for FY2021 indicated with a check on page 19 in the Japanese version of the Databook, have received the independent practitioner’s assurance by Deloitte Tohmatsu Sustainability Co., Ltd.

**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**: 2,491
  - 7,356 (Consolidated)

**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/