

DIALOGUES WITH EXPERTS

Since 2018, LOTTE CO., LTD. has invited external experts to engage with it in dialogues. These dialogues provide us with honest opinions and advice for the future regarding our sustainability initiatives, which we reflect in our activities. As in 2021, our 2022 dialogue was again conducted online as part of COVID-19 prevention measures.

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

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

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

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

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

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

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

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

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

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



Makiko Akabane

Director Japan, CSR Asia

Ms. Akabane majored in political science and biology at Waseda University. She spearheaded the launch of CSR sections for a number of companies including Starbucks Coffee Japan, Ltd., Salesforce.com, Inc., and Nikko Asset Management Co., Ltd. She has led CSR Asia Japan since 2010.



Rumi Ide

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

Ph.D. Kagawa Nutrition University (Nutritional Science), MSc University of Tokyo Graduate School of Agricultural and Life Sciences, BSc Nara Women's University. After working at Lion Corporation and then participating in JICA, held various positions at Kellogg (JAPAN) K.K. including section head in the PR department. Founded office3.11 due to the appalling food loss and waste of food during the 3.11 crisis. Worked on public relations for Japan's first food bank, creating the impetus for establishment of the Food Loss Reduction Promotion Act in 2016. Publications include *Shoumi Kigen no Uso* (The Myth of Best-Before Dates), *Shokuryo Kiki* (Food Crisis), *Aru Mono de Mikanau 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.

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

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

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

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

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

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

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

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

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



Yuki Urago

Secretary General, Consumers Japan*

Ms. Urago graduated from Kanagawa University. After seven years of working at a company, she became involved in co-op activities while raising children as a full-time housewife. After serving as a director of the cooperative UCOOP and the Japanese Consumers' Co-operative Union, she assumed her current position in May 2017. She serves as a council member of the Ministry of Health, Labour and Welfare, the Food Safety Commission of Japan, and the Consumer Affairs Agency.

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



Norichika Kanie

Professor Graduate School of Media and Governance, Keio University

He represents the Keio Research Institute at SFC xSDG Laboratory. Before joining Keio in 2015, he was an associate professor at the University of Kitakyushu and an associate professor in the Graduate School of Decision Science and Technology at the Tokyo Institute of Technology. He has been selected by the UN Secretary General as one of the 15 independent group of scientists to write the 2023 Global Sustainable Development Report. His areas of expertise are international relations, sustainability, and earth system governance. He is a leader in SDGs research, combining both theory and practice. Ph.D. (Media and Governance)

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

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

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

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



Maiko Shiozaki

CEO, Fairtrade Label Japan

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

Responding to the Experts

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

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



Toshihiro Sato

Managing Executive Officer
LOTTE CO., LTD.