

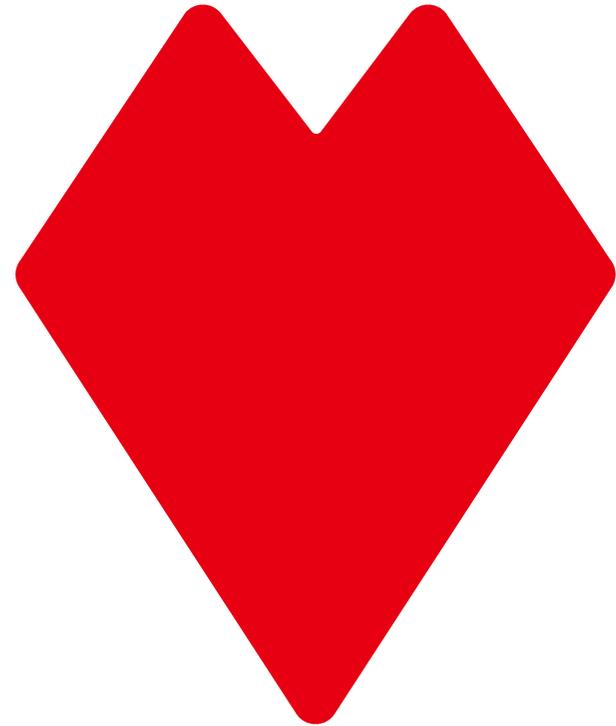
Everyday sweet life

LOTTE

LOTTE

Sustainability

Databook 2023



LOTTE Purpose



To create a happier future



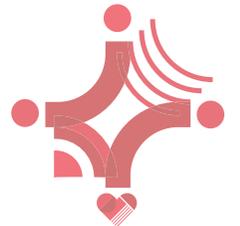
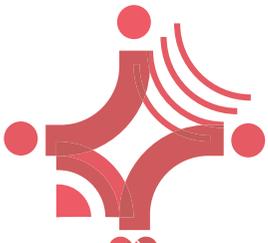
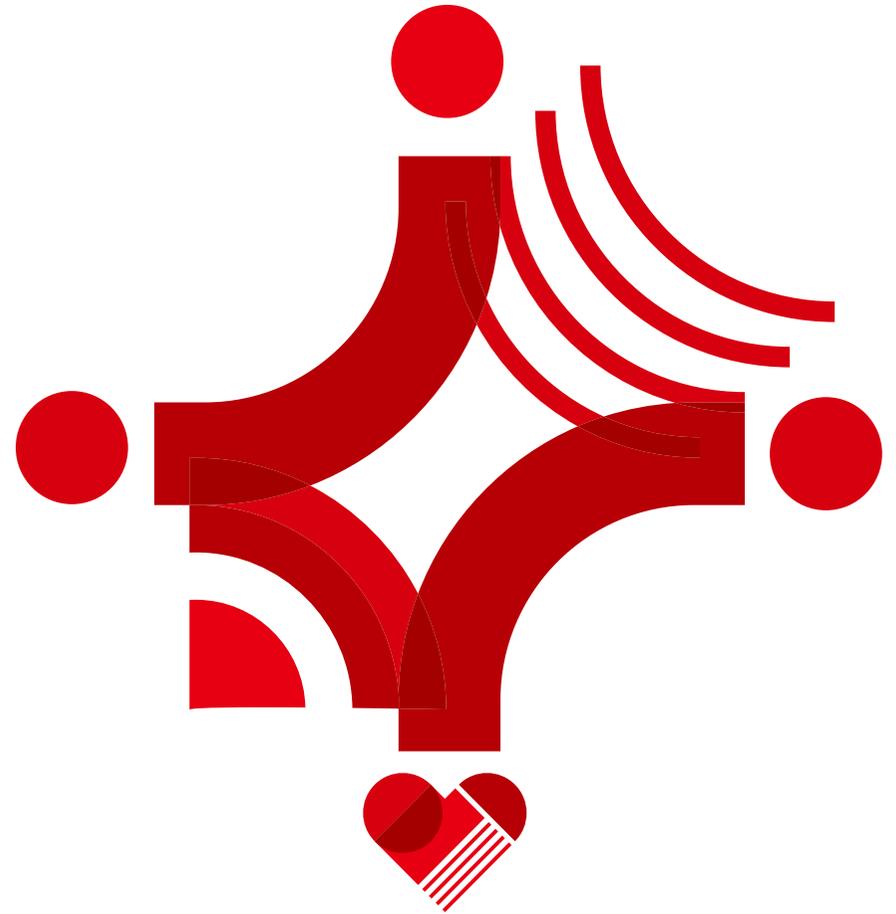
by connecting people



through original ideas



and uplifting experiences.



◆ Editorial Policy

Information Related to Report Contents

Editorial Policy	LOTTE CO., LTD. Sustainability Databook 2023 has been published in order to further understanding among all stakeholders as to our approach and initiatives related to sustainability, with particular focus given to activities conducted in FY2022. This report has been edited referencing the guidelines below. Some information for fiscal years before FY2022 has been amended using more appropriate calculation methods.
Reference Guidelines	GRI (Global Reporting Initiative) standards*, SASB (Sustainability Accounting Standards Board) standards *A table indicating sustainability report and website content corresponding to the GRI standards is available on pages 57 through 59.
Period of Reporting	FY2022 (April 1, 2022 - March 31, 2023) For some subsidiaries, FY2022 has been adjusted to match their accounting period, which is January 1–December 31, 2022. Furthermore, some of the content reported may include information from before or after the periods stated above.
Scope of Reporting	As a general rule, the scope of reporting is LOTTE CO., LTD. and its consolidated Group companies. Dari K Co., Ltd. and Ginza Cozy Corner Co., Ltd., which became consolidated Group companies during FY2021, are included in the scope of reporting starting from the results for FY2022. However, where there is a base year related to the setting of targets, historical information is reviewed and included in the scope of reporting retrospectively. In addition, in each instance where the information available is incomplete, the scope reported is clearly indicated. In addition, in each instance where the information available is incomplete, the scope reported is clearly indicated.
Date of Reporting	September 2023

◆ 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 yen
Closing Date	March 31
Full-time employees	2,459 7,375 (Consolidated) [As of March 31, 2023 / Data on overseas locations and Dari K is as of December 31, 2022]



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)

Sustainability Databook 2023



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Disclosure of Future Financial Information

Please visit our website for more information.

Sustainability Page on LOTTE Corporate Website (Japanese only)
<https://www.lotte.co.jp/corporate/sustainability/>

LOTTE CO., LTD. Sustainability Communication Book 2023
<https://www.lotte.co.jp/corporate/sustainability/report.html>

◆ Message from the President



“A happier future” as stated in our Purpose means that we will provide customers with the value of well-being and contribute to the realization of a sustainable society.

Eiichi Gochou

President / Representative Director
LOTTE CO., LTD.

Our Mission is, “We enrich people’s lives by providing superior products and services that our customers love and trust.” This precisely expresses our founder’s strong belief that creating better products is what would enrich people and society in a time when goods were scarce, and those that were available were of poor quality after the war. This belief of our founder has been handed down to the present day more than 70 years later in the form of the LOTTE Values of “User Oriented,” “Originality,” and “Quality.”

Today, the business environment is rapidly changing, and includes unfamiliar infectious diseases, war, and soaring prices of crude oil and raw materials, so we felt the need to more explicitly share the reason why LOTTE exists company-wide. Therefore, we held discussions with a variety of stakeholders, including employees, and newly expressed in words the reason why we exist as our Purpose, which is “To create a happier future by connecting people through original ideas and uplifting experiences.” “A happier future” as stated in our purpose means that LOTTE will provide customers with the value of well-being and contribute to the realization of a sustainable society. We will continue driving the transformation of our business model to enable realization of these goals.

Our Group has organized the various issues related to sustainability into five materialities (Food Safety and Reliability, Food and Health, Environment, Sustainable Procurement, and Employee Empowerment). We have also incorporated these materialities into management strategy by setting Medium-Term ESG Targets with deadlines and have been implementing initiatives while disclosing our progress on the targets. In FY2022, we took on the challenge of new sustainability initiatives in collaboration with external stakeholders, including demonstration testing of cacao beans traceability using blockchain and the release of a “Mastication Check Application” that enables accurate and easy evaluation of bite force, and these approaches are beginning to produce results. In 2023, we are supporting more new challenges with the theme of “Co-Creation.”

A long-term perspective is important for our approach to sustainability. At present, energy and raw material costs are soaring, and we have also been affected significantly. However, we mustn’t halt the progress of sustainability. From a short-term perspective, switching to renewable energy and respecting human rights in the supply chain are viewed as costs. However, from a long-term perspective, we can understand these measures are necessary investments in order to continue doing business into the

future. The same applies to human resource development. Viewing human resources as human capital changes the perspective on the expense required from a cost to an investment. Therefore, in order to adopt a long-term perspective and accelerate our sustainability initiatives, we plan to deepen our Medium-Term ESG Targets using a backcasting approach that targets the vision of where we want to be in 2048, the 100th anniversary of our founding, so you should look forward to that.

In order to achieve the transformation of our business model, it is important for each and every employee to have a correct understanding of sustainability based on a long-term perspective. To this end, we provide a variety of training on sustainability. We also encourage deep understanding through practice with the establishment of an ESG Prize as part of the LOTTE Award program to commend outstanding employee initiatives. In addition, a study into deepening the Medium-Term ESG Targets for the 100th anniversary of our founding is underway through a young employees’ project with the hope that sustainability will permeate throughout the company led by the project members.

There is still much to be accomplished in order to realize “a happier future” as stated in our Purpose, so we will keep a steady pace in driving the transformation of our business model. The rapidly-changing and challenging business environment is expected to persist. However, we regard this turmoil as an opportunity for transformation and will continue to set ourselves a variety of challenges to realize this transformation. Continue to be excited about the challenge for LOTTE-Novation.

◆ The History of “LOTTE-Novation”

Our history began in 1948, with the manufacturing and sales of chewing gum in Tokyo, and the Company welcomed its 75th anniversary in 2023.

Since our founding, we have maintained three important LOTTE Values, “User Oriented,” “Originality,” and “Quality.” Based on these values, we have taken on the task of “LOTTE-Novation,” constantly creating new value.

1948

Founding

During the postwar period, when goods were scarce and those that were available were of poor quality, Takeo Shigemitsu (Kyukho Shin) found LOTTE with hopes of providing better items to the people. This hope lives on in the LOTTE Group Philosophy.



1958

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

LOTTE took its place on this brand-new media (television) as a company sponsor for “LOTTE Uta no Album (LOTTE Album of Songs),” a music feature show. As a result of this program, our corporate message reached a wide audience.



1964

Ghana Milk Chocolate

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*.



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



Present

LOTTE-Novation

Utilizing the technology and expertise cultivated to date, and rooted in the three LOTTE Values infused with our founding spirit, we continue to take on the task of “LOTTE-Novation” to create new value that will enrich people's lives.

Corporate History

1948 LOTTE CO., LTD. founded in Ogikubo, Suginami Ward of Tokyo
1950 Head office and factory relocation to Hiyakunincho, Shinjuku Ward of Tokyo

1958 Broadcast of *LOTTE Uta no Album* (LOTTE Album of Songs)

1964 Chocolate manufacturing and sales
1970 Candy manufacturing and sales

1972 Ice cream manufacturing and sales
1976 Biscuit manufacturing and sales
1978 Head office and factory relocation to Nishi-Shinjuku, Shinjuku Ward of Tokyo
1988 THAI LOTTE CO., LTD.
1993 PT. LOTTE INDONESIA
1996 LOTTE VIETNAM CO., LTD.

2002 LOTTE SNOW CO., LTD.
2008 Mary Chocolate Co., Ltd. joined as a subsidiary company

2010 LOTTE Wedel sp. z o.o. joined as a subsidiary company
2022 Dari K Co., Ltd. and Ginza Cozy Corner Co., Ltd. joined as a subsidiary company

Product Launch History

1957 *Green Gum*

1964 *Ghana Milk Chocolate*

1974 *Crunky Chocolate*
1979 *Pie no Mi*
1981 *Yukimi Daifuku*
1983 *Choco Pie*
1984 *Koala's March*
1994 *Toppo*

1997 *Xylitol Gum*
1999 *Soh*
2003 *Coolish*

2017 *Ha Ni Tsukinikui Gum <Kiokuryoku Wo Iji-suru Type>*
2022 *DO Cacao chocolate*

◆ AT A GLANCE

1 Group

LOTTE CO., LTD.
LOTTE

Group companies in Japan

Mary Chocolate Co., Ltd. 

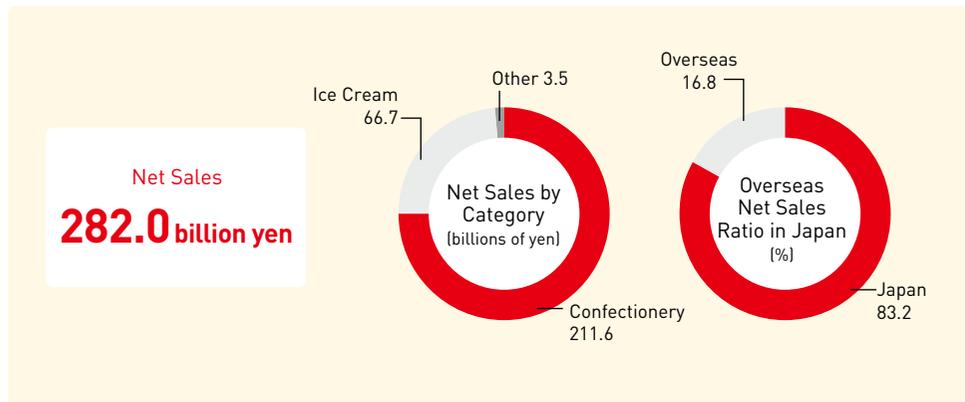
Ginza Cozy Corner Co., Ltd. 

Dari K Co., Ltd. 

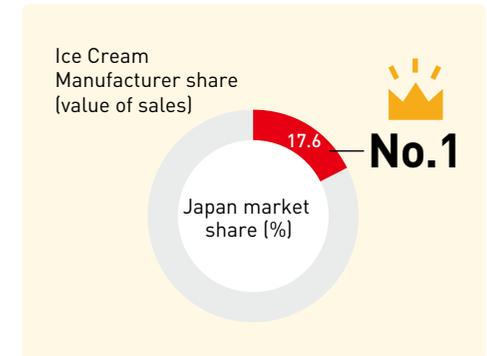
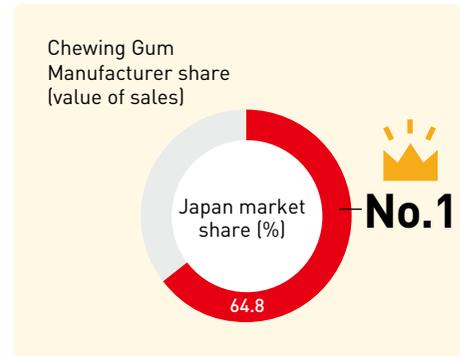
Overseas Countries and Regions

- Thailand
- Vietnam
- Taiwan
- Indonesia
- Poland

2 Performance Result for FY2022



3 Market Share



Source: INTAGE SRI+ data Value of sales from April 1, 2022 to March 31, 2023

◆ President × Outside Director Dialogue



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

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

Sonoda: As an unknown infectious disease was close by, I think

some people began to think about the meaning of their own existence and what value they could provide in life. As a company owner, I myself also reconsidered the meaning of the company’s existence. I feel it is very important to properly express what we are here for in words as our purpose and share it as LOTTE has done. A purpose is like a guiding star. There are various ways and routes for climbing up to the top of the mountain (the Vision), and I think it would be good for everyone to use the same guiding star as a marker while climbing up in various ways.

◆ President × Outside Director Dialogue

Through the process of promoting the company's Purpose, could you get all the employees to think about their own personal purpose? What are original ideas? What are uplifting experiences? What is a happier future? I would like everyone to discuss these questions and express them in words. First of all, I would like to hear about your own personal purpose, Mr. Gochou.

Gochou: My uplifting experience is making customers happy. When I see people buying our confectionary and ice creams at stores, or children enjoying eating them at resorts, I feel very happy. Therefore, I believe that my role is to shape organizations and people that will produce a succession of products and services that are loved by people.

I like the word "inspire" and I want to be a person



who conveys my own ideas to people and inspires them. We must become a company that enables employees to think and challenge themselves, stimulated by the way I myself take the initiative in taking on new challenges. My own personal purpose definitely lies in creating a "culture that enables us to rise to any challenge," an "environment that facilitates free and open discussion," and the "discovery of individual strengths" that I have been advocating for since I first became President.

—Aims of promoting sustainability management

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

Sonoda: When I received a request to serve as an Outside Director, I remember the concept of sustainability management that you just described resonated with me, so I accepted your offer. In



fact, my mother ran a candy store, so LOTTE's chocolates and ice creams are full of enjoyable memories for me. But from an external perspective, I had the impression that LOTTE did not disclose much information in the past, and I did not fully understand the company's sustainability initiatives to be honest. However, when I talked with the employees, I found they were making very serious and enthusiastic efforts. However, this seriousness may result in overly cautious dissemination of information. Since you are making the effort to take on the challenge of positive and progressive new initiatives, please disseminate information even when the initiatives are still a work in progress. Disseminating information will facilitate the involvement of many people from inside and outside the company, which will, result in initiatives with more impact.

◆ President × Outside Director Dialogue

—Progress and revision of the Medium-Term ESG Targets

Gochou: About the progress of the Medium-Term ESG Targets, we have made steady progress on the targets for reductions of energy-related CO₂ emissions and sustainable procurement of primary raw materials. On the other hand, there are some targets, such as those for food and health, that are difficult to reflect in initiatives. It has been five years since we established the targets in 2018, and we have discovered several issues. For example, it has been observed that the unique qualities of LOTTE are not very perceptible, and there is no target on reduction of petroleum-derived single-use plastics. We also think we should change to more appropriate indicators for the targets previously mentioned that are difficult to reflect in initiatives. In making revisions to these areas, we form a project led by young employees to promote discussion from the perspective of a vision for what LOTTE should be like in 2048, the 100th anniversary of our founding.

Sonoda: I completely agree with revising the targets by backcasting from the ideal vision for the 100th anniversary of the company's founding. As was agreed under the Paris Agreement, Japan has declared it will achieve carbon neutrality by 2050, and society is expected to change significantly. If we think about the future as a continuation of what we have done in the past, it may seem impossible to realize, but thinking about the future by backcasting broadens our per-

spective and also leads to new ideas that we did not have before. By setting and publicizing big targets, we can open up new pathways as people from outside the company also come forward with the desire to collaborate. I am looking forward to taking part in the workshops for discussing the ideal vision of LOTTE.

—Expectations of LOTTE for realizing sustainable growth

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

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

Sonoda: That is a wonderful commitment from top man-



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

Ayako Sonoda, Outside Director

Representative Director & Chairman, Cre-en Inc.

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

Materiality and Medium-Term ESG Targets

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

Materiality	Key Items	Indicators	2023 Target	2028 Target	Relevant SDGs Targets
1 Food Safety and Reliability	Further improvement of product quality	GFSI recognized certification schemes (FSSC 22000/BRC)	Certification maintained	Certification maintained	 2.1, 2.4
		Introduction of LOTTE ADVANCE, our new quality assurance system	Start roll out in development and production sites	Continue to operate the system in development and production sites	
2 Food and Health	Health	Percentage of people who practice KAMUKOTO* with proper awareness (Japan)	35% or more	50% or more	 3.4, 9.5 
		Percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health (Japan)	—	50% or more	
	Food Education	Number of people attending our Food Education	100 thousand persons per year or more	150 thousand persons per year or more	
3 Environment	Decarbonized society	Reduction rate of energy-related CO ₂ emissions (Scope 1 and 2) [comparison with FY2019]	—	23% or more reduction (2050 Target: Carbon neutrality)	 13.1  12.3
		Reduction rate of food loss and waste (FLW) (Per-unit volume comparison with FY2019)	—	50% or more reduction	
	Circular Economy	Recycling rate of waste generated by production processes	99% or more (Japan)	99% or more (Japan and overseas)	
4 Sustainable Procurement	Cacao beans	Usage rate of Fair Cacao	—	100% (2025 Target: 100% for Ghana beans)	 8.7, 8.8, 12.7, 17.16, 17.17   8.4, 12.7, 13.1, 17.16, 17.17 
	Palm oil	Usage rate of third-party verified palm oil	100% (Japan)	100% (Japan and Overseas)	
	Paper	Usage rate of environmentally friendly paper (for product containers and packaging)	100% (Japan)	100% (Japan and Overseas)	
5 Employee Empowerment	Diversity	Ratio of female managers (Japan)	10% or more	20% or more	 5.1, 5.5, 5.b, 8.5  5.4, 5.b, 8.1, 8.2
	Work-style reform	Annual total working hours per person (Japan)	1,850 hours or less	1,800 hours or less	
	Employee Engagement	Percentage of employees with high job satisfaction (Japan)	80% or more	At least 80%	

Results Highlights

安 1. Food Safety and Reliability

GFSI recognized certification schemes (FSSC 22000/BRC)

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

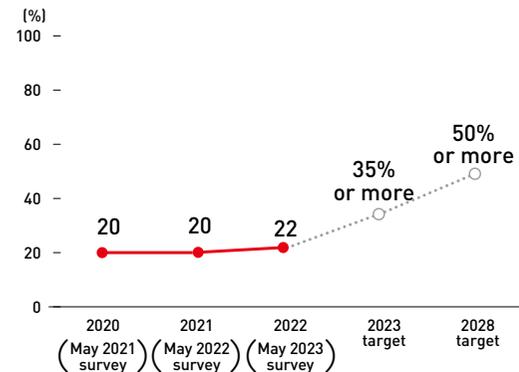
Applicable to LOTTE CO., LTD., Mary Chocolate Co., Ltd., Ginza Cozy Corner Co., Ltd. (Saitama Factory, Kawaguchi Factory) and production sites of Group companies overseas

Introduction of LOTTE ADVANCE, our new quality assurance system

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

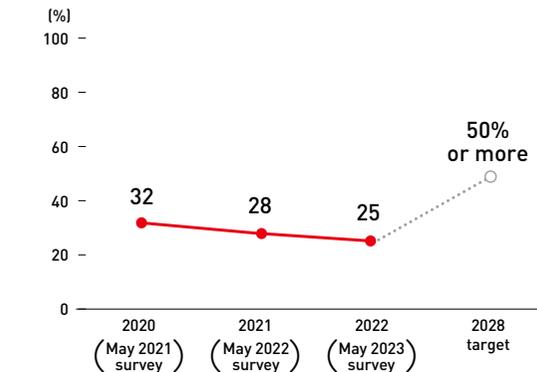
建 2. Food and Health

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



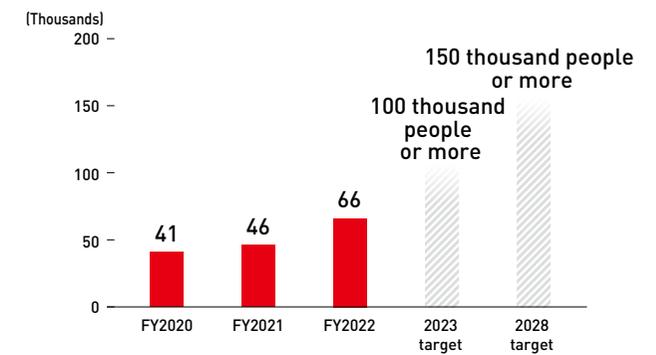
Results of an online survey of 3,000 people (conducted by LOTTE)

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



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

Number of people attending our Food Education

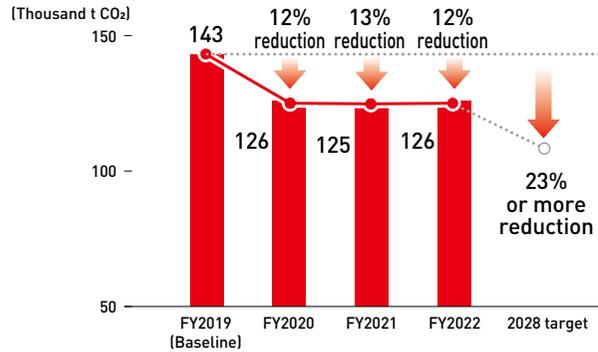


Scope of Tabulation
LOTTE CO., LTD.

Results Highlights

3. Environment

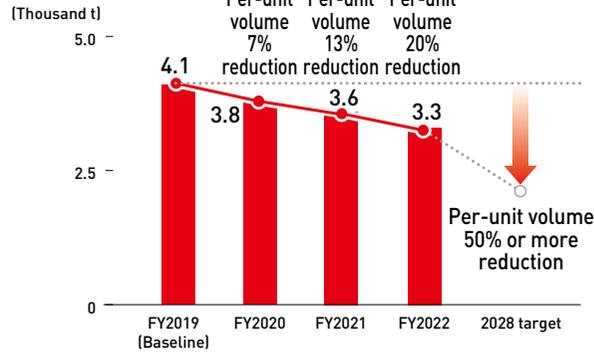
Reduction rate of energy-related CO₂ emissions (Scope 1 and 2) (comparison with FY2019)



Scope of Tabulation

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

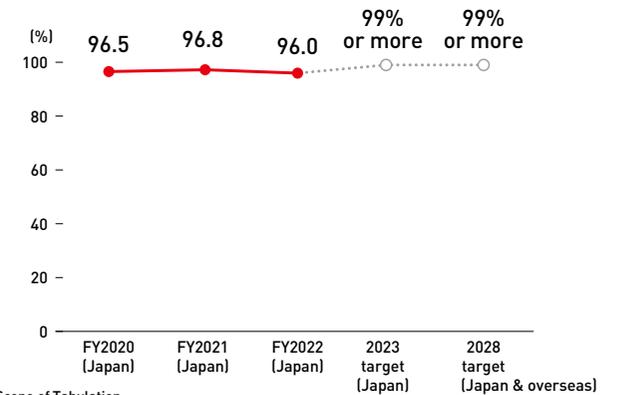
Reduction rate of food loss and waste (FLW) (Per-unit volume, comparison with FY2019)



Scope of Tabulation

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

Recycling rate of waste generated by production processes

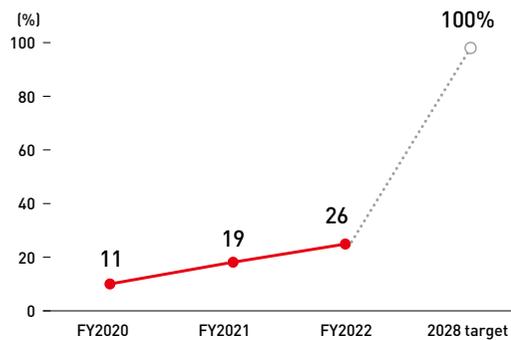


Scope of Tabulation

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

4. Sustainable Procurement

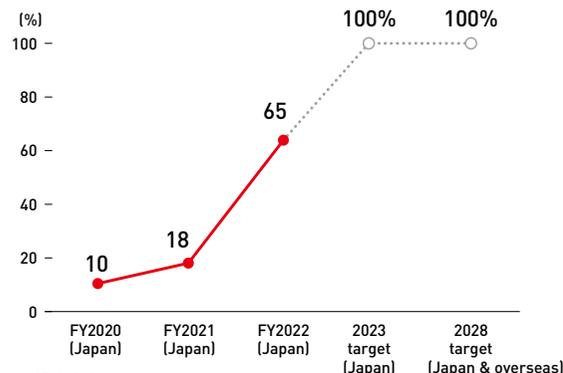
Usage rate of Fair Cacao



Scope of Tabulation

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

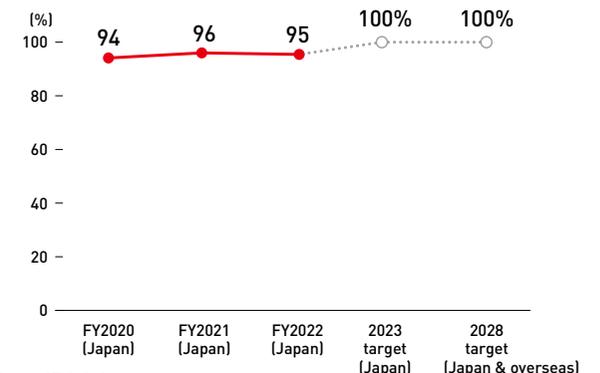
Usage rate of third-party verified palm oil



Scope of Tabulation

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

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



Scope of Tabulation

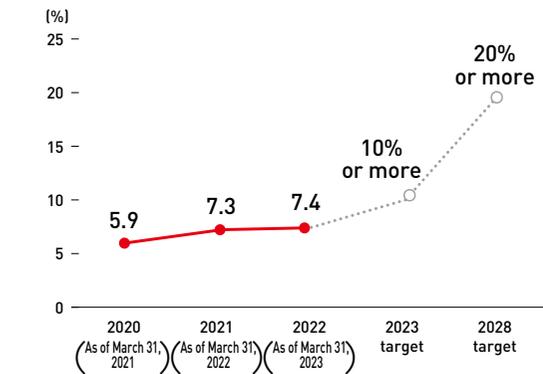
LOTTE CO., LTD. and its major Group companies in Japan

Results Highlights



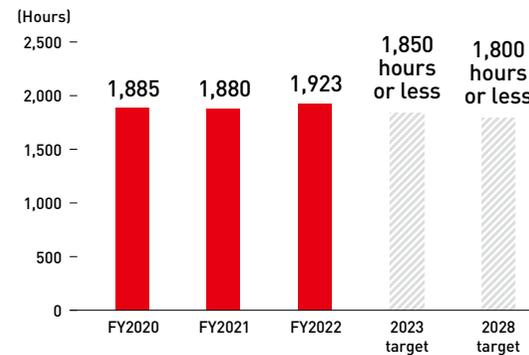
5. Employee Empowerment

Ratio of female managers (Japan)



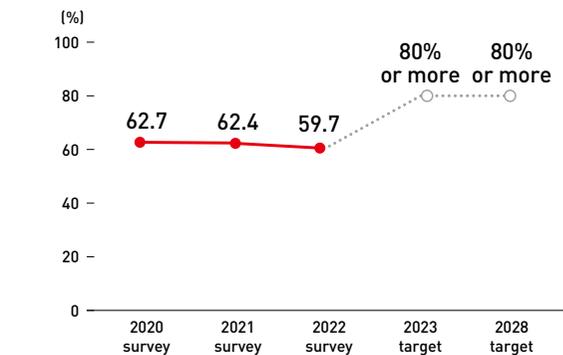
Scope of Tabulation
 LOTTE CO., LTD. and its Group companies in Japan
 Figures for the previous fiscal year have been restated due to an error.

Annual total working hours per person (Japan)



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

Percentage of employees with high job satisfaction (Japan)



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

Message from ESG Promotion Department Manager

— LOTTE's Sustainability Activities— Together with Shareholders

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.

Today, people's lifestyles and values are becoming increasingly diverse. The effects of climate change have become apparent, prompting changes in people's lifestyles. Especially among the young generation, there is a growing interest in ethical consumption.

In order to realize the LOTTE Group's mission expressed as "enriching people's lives around the globe," we are committed to building a sustainable society.

Our sustainability initiatives through brands and products cherished by our consumers, ranging from the promotion of *KAMUKOTO* that improves oral functions through chewing gum and

extends healthy lifespans to the upcycling of cacao husks to maximize the potential of cacao beans. By communicating sustainability initiatives as something that is easy to relate to and easy to incorporate into daily life, we promote our sustainability activities while involving many stakeholders. We believe these activities exemplify LOTTE's distinct approach to sustainability.

In addition, food education is one of our key activities. As part of this effort, we created a program to offer courses for children aimed at developing creative thinking using materials such as confectionery and ice cream products, our employees across Japan are providing Education Program. In 2023, we selected 21 employees who also had regular work to teach courses for children on-site. This initiative provided our instructors with a valuable opportunity to learn from children, prompting them to redefine their purposes of work and gain deeper insights into our business objectives.

Each of our employee's contribution is indispensable to our sustainability efforts. Innovation is derived from the synergy of various ideas and perspectives both within and outside the company,

facilitated by employees who possess diverse values. Together with stakeholders from within and outside the LOTTE Group to bring innovation into our sustainability activities. We appreciate your support as we continue to make progress with our sustainability goals.

Emiko Sugai

General Manager
 ESG Promotion Department
 LOTTE CO., LTD.



◆ LOTTE's Approach to Materiality

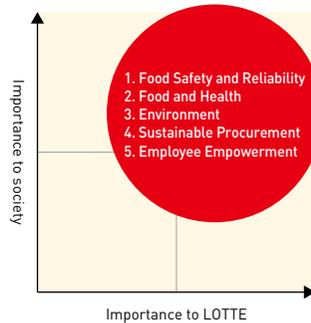
Since our founding, we have upheld the three LOTTE Values of "User Oriented," "Originality," and "Quality," as the basis for all of our corporate activities. Under the LOTTE Group Philosophy, on which these values are based, we have continued to grow by providing new value for customers, local communities,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

STEP1

Map and Organize Materiality

In order to help realize a sustainable society and environment, we defined the issues we should address through our business activities. First, we sought to gain an overall grasp of the issues according to the seven core subjects set out in ISO 26000* and shortlisted issues of importance to our business activities. Next, we exchanged opinions with external experts regarding the issues we might be expected to tackle, mapping and organizing five materiality themes.

* ISO 26000: The standard for social responsibility published by the International Organization for Standardization in November 2010.

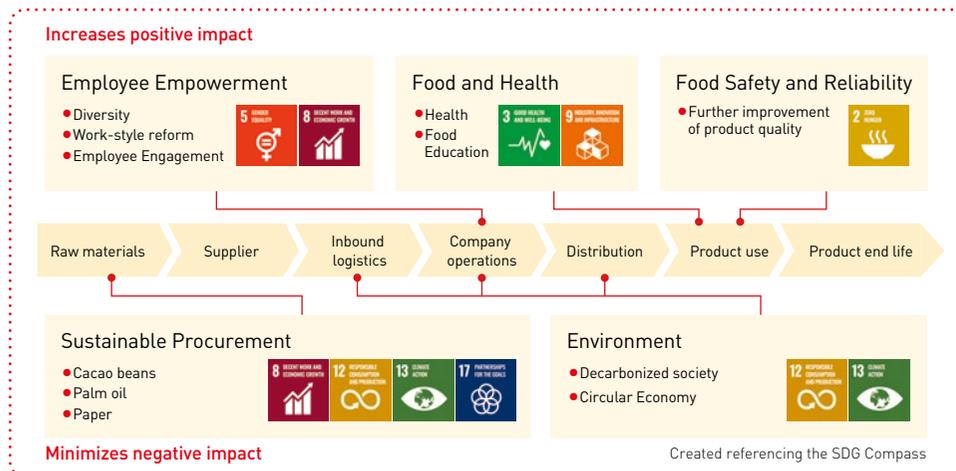


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Food Safety and Reliability
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Food and Health
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Environment
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Sustainable Procurement
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Employee Empowerment
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STEP2

Mapping Materiality in the Value Chain

The Sustainable Development Goals (SDGs) established by the United Nations in 2015 comprise an action plan that seeks broad cooperation from governments, communities, and companies around the world to achieve the prosperity of humankind and the planet. Aiming to help achieve the SDGs and build a better world, we identified whether each materiality theme "increases positive impact" or "minimizes negative impact" in the value chain.



STEP3

Formulate Medium-Term ESG Targets

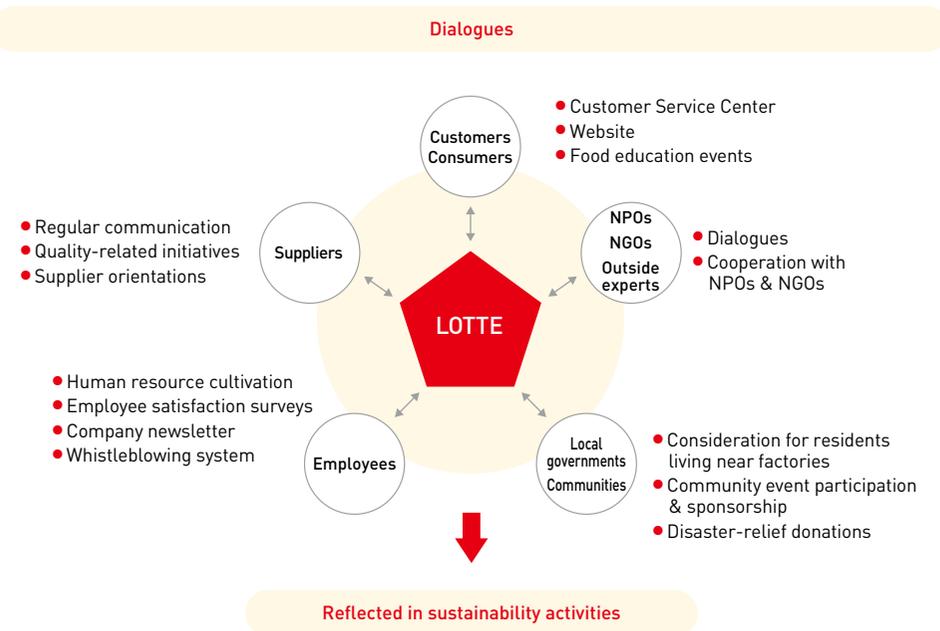
To properly address each materiality theme, we defined the Medium-Term ESG Targets. These were devised in light of contributions to the SDGs. For each materiality theme, we decided which of the 17 SDGs that we could contribute to, focusing our efforts on addressing those goals. To ensure that our targets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

2028
Medium-Term ESG Targets

STEP4

Dialogues with Stakeholders

We continuously engage in dialogues with stakeholders and reflect their opinions in our sustainability activities, including the revision of our materiality themes and Medium-Term ESG Targets and the improvement of our information disclosure.



Sustainability Activities

Basic Approach

In line with our corporate philosophy, we have 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.

Our corporate 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

In collaboration with the related departments and LOTTE Group companies, the officer in charge of our 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. In FY2022, it was reported four times (four subjects) in the Executive Committee and four times (five subjects)

in the Board of Directors’ meeting. 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 15), 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 20 for climate change-related risks, page 32 for human rights) under the risk management structure (page 54).

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

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

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



Employee Education

To promote sustainable management, we believe that employees who play an integral role in this process have a full understanding of the concept. We employ various methods to ensure that employees receive the information and training they need. Our 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 FY2020.

→ Lectures Held

FY2019	Oral frailty*¹: (Relevant materiality theme: Food and Health) Palm oil (Relevant materiality theme: Sustainable Procurement) Food safety (Relevant materiality theme: Food Safety and Reliability)
FY2020	The IKUBOSS*² (Relevant materiality theme: Employee Empowerment) Food education (Relevant materiality theme: Food and Health)
FY2021	KAMUKOTO (Relevant materiality theme: Food and Health) Renewable energy (Related materiality theme: Environment) Global warming (Relevant materiality theme: Environment)
FY2022	Plant-based food (PBF) (Relevant materiality theme: Food and Health, Sustainable Procurement) Dialogue about signing WEPs*³ (Relevant materiality theme: Employee Empowerment)

*1 Oral frailty: Deterioration in oral functions such as chewing, swallowing, or speaking, and constitutes a form of physical frailty.

*2 IKUBOSS: Bosses (executive or manager) who enjoys his or her own work and private life while supporting his or her team members in their careers and achieving balance between their work and home commitments, in addition to achieving results for his or her organization.

*3 WEPs: Action principles of a company’s voluntary efforts on women’s empowerment created jointly with the UN Global Compact and the UN Development Fund for Women (now UN Women)

◆ Dialogues with Experts

Since 2018, we have invited external experts to engage with us in dialogues. These dialogues provide us with honest opinions and advice for the future regarding our sustainability initiatives, which we reflect in our activities.

In 2023, we held the dialogue in a hybrid format using online and face-to-face discussion.

I hope that your initiatives to promote health will be further accelerated by the newly developed Mastication Check application.

LOTTE has been promoting *KAMUKOTO* Awareness for many years, and I hope that your initiatives will be further accelerated by the newly developed Mastication Check application. I tried it myself with my family, and we had a lot of fun measuring the force with which we chew. I think that knowing about your own chewing force increases awareness about *KAMUKOTO* and health. Scenes of athletes chewing gum during matches at international sports tournaments have also been attracting attention. I think it is a good opportunity to promote the sports-related benefits of *KAMUKOTO*, such as improving performance and concentration.

LOTTE's demonstration experiments related to cacao bean traceability are excellent as a major step toward reducing the risk of child labor. I was astonished to see that you have upwardly revised your 2028 target for Fair Cacao significantly from 50% to 100%. Although I think it may be difficult to balance social responsibility and cost, I was convinced after hearing the story of LOTTE's efforts and initiatives, so I recommend that you place more emphasis on them outside of the company. In the future, I think dialogue with local communities will be important, so I am looking forward to your report next year as there will also be an onsite visit in Ghana.

LOTTE has been reducing both food loss and disposal costs in cooperation with Meals on Wheels Japan, which is also an excellent initiative. The use of expenses generated from reducing disposal costs to support children's cafeterias and food banks is also a positive initiative, and I look forward to its expansion in the future.

It is also important to promote initiatives with an awareness of outcomes.

This is my sixth dialogue, and the content of LOTTE's initiatives has gradually improved. I feel there has been steady progress on the issues that need to be addressed, such as disclosing climate change-related risks and opportunities in line with the TCFD recommendations. Faced with declining gum consumption, LOTTE has been implementing initiatives to contribute to people's health by promoting *KAMUKOTO* Awareness. Xylitol Chewing Check Gum and the Mastication Check application are great tools for allowing people who do not chew much in their regular diet to easily measure how much their chewing force has declined. In addition, you have been working to promote Xylitol with reference to Finland, the country that pioneered it. Scandinavian countries would serve as a guide in other areas as well, such as cutting-edge measures for reducing food loss using apps. I hope you will develop activities that involve consumers using the affinity between Scandinavia and Xylitol to good effect, such as introducing people to sustainable Scandinavian lifestyles. It is also important to implement initiatives with an awareness of outcomes in promoting achievement of the Medium-Term ESG Targets. For example, the number of people attending LOTTE's food education lectures used as an indicator for food education is an output indicator. The kind of outcomes that come from providing food education are also important. It would be a good idea to carry out surveys on questions such as changes in favorability ratings for LOTTE as feedback from some of the people who experienced factory tours and school visits. I consider that incorporating an outcomes perspective would make the importance and direction of sustainability initiatives clearer, so I urge you to consider it when you revise the targets in the future.



Makiko Akabane

Director Japan, CSR Asia

Ms. Akabane majored in political science and biology at Waseda University. Ms. Akabane has a total of over ten years of experience taking charge of CSR initiatives for multi-national companies in a variety of industries and 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. Ms. Akabane 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 office 3.11 due to the appalling food loss and waste of food during the 3.11 crisis. Worked on public relations for Japan's first food bank, creating the impetus for establishment of the Food Loss Reduction Promotion Act in 2016. Publications include *Shoumi Kigen no Uso* (The Myth of Best-Before Dates), *Shokuryo Kiki* (Food Crisis), *Aru Mono de Makanau Seikatsu* (Life with What You Have), *Sutenai Panya no Chousen* (The Zero Waste Bakery Challenge) (assigned book for the 68th National Youth Book Report Competition) or others.

Dialogues with Experts

I recommend further promoting the fact that *KAMUKOTO* delivers various health benefits.

I have been continuously watching LOTTE's initiatives, and the tremendous evolution of the five listed materialities is excellent. I think that "health" is the most important keyword. I have also tried the Xylitol chewing check gum and the Mastication Check app. The results were easy to understand, and allowed me to renew my awareness of the importance of *KAMUKOTO* and dental and oral health. While dental and oral health is obviously important, I would like you to further promote the fact that *KAMUKOTO* delivers various physical health benefits to people in all generations.

LOTTE has also been focusing on initiatives related to food safety and reliability. In addition to the introduction of a more stringent standard under LOTTE ADVANCE, the "quality assurance by all employees" approach is excellent. Rather than leaving everything to the Quality Assurance Department, it is vital for employees in all departments to raise their awareness and work on quality assurance.

On the issue of reducing food loss, donations of surplus products that could not be shipped have been expanded in cooperation with Meals on Wheels Japan, which serves as a hub for food banks and children's cafeterias nationwide. I hear that donations of confectionary are greatly appreciated, and this is a very meaningful initiative both socially and environmentally being a very positive attempt to effectively utilize products without disposing of them.

It might be a good idea to appeal to the younger generation from the perspective of ethical consumption, as young people are engaging with activities in this area with much more interest than our generation who have lived through an era of mass production and consumption.

Incorporating a gender perspective will broaden LOTTE's outlook on social issues.

Using *KAMUKOTO* to support well-being in an era of 100-year lifespans is a very positive approach. Population decline, the low birthrate, and the aging population are major social issues. Extending healthy life expectancy for the elderly is very important in maintaining society in the future. In particular, the largest segment of the population will be elderly women. Rapid decrease in female hormones after menopause is said to increase health risks specific to women, such as decreased immunity, decreased saliva volume, and increased periodontal disease bacteria. If you add a gender perspective to your initiatives in *KAMUKOTO*, they might bring additional values and broaden social impact.

I think the high percentage of workers who took paternal leave is excellent. However, given the objective of the paternal leave is to establish a solid foundation for a father and his partner to share "care responsibilities", such as household chores and childcare, the "length" of the leave taken also matters. Increase in such workplaces will lead to the realization of a society where both mother and father can engage in "work and child-rearing," an environment the younger generation is calling for. I hope that relevant measures are taken according to the specific situations of different departments and locations so that male workers can take more time off for childcare.

Gender perspectives can help you better understand social issues. I would like to commend President Gochou's signing of the WEPs (Women's Empowerment Principles) and demonstration of his commitment. Promotion of Diversity, Equity, and Inclusion (DEI) and gender-responsive LOTTE-Novation will be the key to sustainable development. To meet this goal, I encourage you to utilize the WEPs framework.



Yuki Urago

Former 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. She served as Secretary General of Consumers Japan from May 2017 to May 2023 after working as a director at U CO-OP and Japan Consumers' Cooperative Union. She also served 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



Asako Osaki

Director, Gender Action Platform (GAP)
Visiting Professor, School of Policy Studies, Kwansei Gakuin University

Master of International Affairs (majoring in International Human Rights), Columbia University, United States. At the United Nations, she was in charge of promoting gender equality and women's empowerment and led numerous initiatives such as education, employment and entrepreneurship, and political participation. She currently works as an independent gender expert, who is in a unique position to connect global and local, as well as public and private sectors. She serves as a member of the Experts' Meeting on the Implementation and Monitoring of the National Action Plan for Gender Equality, the Cabinet Office, and as the Expert Japanese Representative for the ISO Gender Equality Guidelines International Working Group, as well as in other roles. She coordinated the production of the Japanese edition of a handbook on "Women's Empowerment Principles (WEPs)."

◆ Dialogues with Experts

I urge you to have fun promoting sustainability activities with anticipation for a new future.

I have been taking part continuously in the dialogues every year, and the gradual progress is very clear to see.

Sustainable procurement is a particularly important issue. Palm oil especially involves a variety of issues and demands proper action. Progress has been made in disclosing climate change risks and opportunities based on the TCFD recommendations, so I would like to see LOTTE envisage various scenarios other than climate change such as for biodiversity and human rights issues to examine future measures.

In addition, although I think it is difficult to increase the number of women managers quickly, it might be a good idea to increase the target a little. The company's strong performance on the childcare leave utilization rate for men leads the industry, which I think is excellent. I urge you to examine initiatives with a focus on the period of leave rather than just the leave utilization rate in the future. Over the past few years, it has become possible to balance childcare and work as part of flexible work styles such as telecommuting, so there is also scope for considering new indicators that can grasp these.

To explain initiatives related to food and health, it is effective to tell the story of how they contribute to people and society, rather than quantitative indicators alone. I think you can involve more stakeholders by explaining initiatives through a compelling narrative-style story. I would also like to see examination into making good use of the LOTTE Group's assets.

There is a tendency to think of corporate sustainability activities as a difficult task involving conflicts such as those related to costs and existing business. However, these initiatives are fundamentally future-oriented, so I urge you to have fun promoting sustainability activities with anticipation for a new future.

I think the demonstration experiments related to cacao bean traceability will be a major inspiration for the Japanese chocolate industry.

Clearly setting targets with deadlines and numerical values and disseminating them properly internally and externally is what leads to their steady achievement. I am looking forward to further promotion of initiatives in the future, including those related to respect for human rights.

In the area of sustainable procurement, I felt that the newly commenced demonstration tests related to traceability of cacao beans will serve as great inspiration for the Japanese chocolate industry. I think it is a unique approach, using technology to ensure traceability and visualize issues. The question of how any issues that are found can be solved is also an important one, so I am looking forward to the next step.

As efforts on issues in the supply chain such as a living wage and deforestation progress in the future, I think it will become more important for the entire company to be involved, including business divisions and procurement divisions. LOTTE can also consider creating an environment that encourages employees to address sustainable business activities by incorporating sustainability aspects into employee education and evaluation criteria.

I think it is excellent that you are implementing diverse social contribution initiatives that take advantage of the characteristics of LOTTE's business, such as the Mastication Check app and cooperation with Meals on Wheels Japan. You explained materiality in detail. However, I think more people will have a deeper understanding if you explain what kind of issues the indicators can solve and for who, together with the social impact for food and health specifically.



Norichika Kanie

Professor, Graduate School of Media and Governance, Keio University

He is the director of the xSDG Laboratory, Keio Research Institute at SFC. 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 was one of the 15 Independent Group of Scientists appointed by the UN Secretary-General to write the Global Sustainable Development Report 2023. 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)



Maiko Shiozaki

CEO, Fairtrade Label Japan

After working for Deloitte Tohmatsu Consulting LLC, she served as a manager at Owls Consulting Group. 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.

Our business depends on connections with a variety of stakeholders. We believe that building positive relationships and co-creating value with stakeholders are essential for achieving sustainable growth. Therefore, we have continued to hold dialogues with external experts to reflect the opinions of stakeholders in our sustainability reports and information disclosure. In the dialogue last year, much expectation was expressed about an approach to sustainability that is characteristic of LOTTE's, so we have deepened initiatives focused on our distinctive characteristics, including demonstration experiments on traceability of cacao beans using blockchain and the release of an app that measures chewing force.

We also received some advice on targets in this year's dialogue. In 2048, LOTTE will celebrate the 100th anniversary of its founding. We will discuss our vision of what LOTTE should be like for the 100th anniversary, as well as considering a pathway for reaching it using backcasting and preparing for the evolution of our targets, so I hope you look forward to that.

Toshihiro Sato

Managing Executive Officer
LOTTE CO., LTD.



Collaboration with External Initiatives

Main Industry Organizations in Which LOTTE Participates

All Nippon Kashi Association (ANKA)	(Vice Chairman)
Japan Food Industry Association	
Japan Food Industry Central Council	
Japan Chewing Gum Association	(Chairman, Executive Director)
Chocolate and Cacao Association of Japan	(Managing Director, Director)
Japan Biscuit Association	(Director)
National Candy Industry Association	(Honorary Advisor)
Japan Confectionary Better Business Association	(Vice Chairman)
Japan Ice Cream Association	(Vice Chairman)
Paper Packaging Recycling Council	(Director)
Plastic Packaging Recycling Council	(Auditor)
Japan Pocket Warmer Association	

Commitment to Initiatives

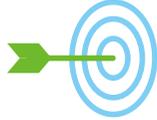
United Nations Global Compact (UNGC)
Roundtable on Sustainable Palm Oil (RSPO)
World Cocoa Foundation (WCF)
Science-Based Targets initiatives (SBTi)
Task Force on Climate-related Financial Disclosures (TCFD)
Task Force on Nature-related Financial Disclosures (TNFD) Forum
Women's Empowerment Principles (WEPs)
The Consumer Goods Forum Japan Sustainability Local Group (JSLG)
TCFD Consortium
Japan Clean Ocean Material Alliance (CLOMA)
United Nations Food Systems Summit (FSS)
GX League
10X20x30 Food Loss and Waste Initiative—Japan Project
xSDG Consortium
Platform for Sustainable Cocoa in Developing Countries
TOKYO ETHICAL ACTION PROJECT

External Recognition

Certified as White 500 company under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program
Obtained environmental management system standard ISO 14001 certification
Obtained GFSI Approval Scheme (FSSC22000/BRC) certification

Environment




**Environmental Policy
 and Promotion System**
 Page 20


**Responses to
 Climate Change**
 Page 20


**Reducing Greenhouse Gas
 Emissions**
 Page 23


Preventing Pollution
 Page 25


Circular Economy
 Page 25


**Consideration
 for Biodiversity**
 Page 27

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 responsibilities and are continuously working to lessen the environmental impact of our business activities.


Water Resources
 Page 27


Environmental Data
 Page 28

◆ Environmental Policy and Promotion System

Basic Approach

Global environmental conservation is the most important issue for our survival. Moreover, our business relies on the gifts provided by the earth's environment. As such, we believe that contributing to a sustainable global environment is one of our most important responsibilities. In particular, we are working on contributing to the realization of a "decarbonized society" and a "circular economy" as the priority issues to be addressed.

▶ Policy on Environment

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

Promotion System

The Sustainability Section of our ESG Promotion Department serves as a 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 already in place.

In addition, our factories in Urawa, Sayama, Kyusyu, and Shiga have acquired ISO 14001 certification, the International Organization for Standardization's standard for environmental management systems.

Environmental Audits

Our factories in Urawa, Sayama, Kyusyu, and Shiga receive annual internal audits on 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 the findings on the audit.

Environmental Education Programs

To properly address environmental issues, each of our factories offers Environmental Education Programs to all employees. In addition, an environmental education grading system has been introduced to increase the effectiveness of the environmental education program and 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 FY2022, there were no serious environmental accidents or compliance violations.

◆ Responses to Climate Change

Basic Approach

As the Group's business relies on the gifts provided by the Earth's environment, and climate change has a significant impact on our business activities, we recognize that responding to it is a key issue for management. In May 2021, we declared our support for the TCFD*1 and joined the TCFD Consortium,*2 a discussion forum for member companies and financial institutions. We are strengthening climate resilience and promoting the disclosure of information through analysis of risks and opportunities based on the TCFD recommendations.



*1 TCFD: Task Force on Climate-related Financial Disclosures. Established by the Financial Stability Board (FSB) in 2015 in response to a request from the G20. The task force compiled recommendations advising companies to disclose information relating to climate change-related risks and opportunities.

*2 TCFD Consortium: Established in 2019 as a forum for discussing the effective disclosure of information by companies, and measures to ensure that the disclosed information leads to appropriate investment decisions by financial institutions and other investors

Governance

All business-related risks are managed by a risk management system that is led by the Risk Management Committee (page 54), 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 sources 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: Classification of calculation boundaries based on GHG Protocol
 Scope 1: Direct emissions from a company's own business activities
 Scope 2: Indirect emissions associated with use of power, heat, and steam supplied by other companies
 Scope 3: Indirect emissions in the supply chain other than Scope 1 and 2

Strategy

The Group has conducted the climate change scenario analysis recommended by the TCFD for our main business in Japan. We conducted an evaluation of the medium and long term impacts of climate change-related risks and opportunities. Referencing published information, including IPCC*1 and IEA*2, we set 4°C scenario under which mainly physical impacts will be apparent and 1.5°C scenario under which mostly transition impacts will be apparent. Using the set scenarios, we analyzed both risks and opportunities related to the impact of climate change over the medium and long term (2030 and 2050) and estimated the potential financial impact (impact on operating profit).

*1 IPCC: An acronym for Intergovernmental Panel on Climate Change. The IPCC is an intergovernmental organization established in 1988 by the Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP). It provides evaluations of the latest scientific knowledge about climate change.

*2 IEA: An acronym for International Energy Agency. The IEA is an international organization established within the framework of the Organization for Economic Co-operation and Development in 1974. It reports on the global energy outlook based on multiple scenarios.

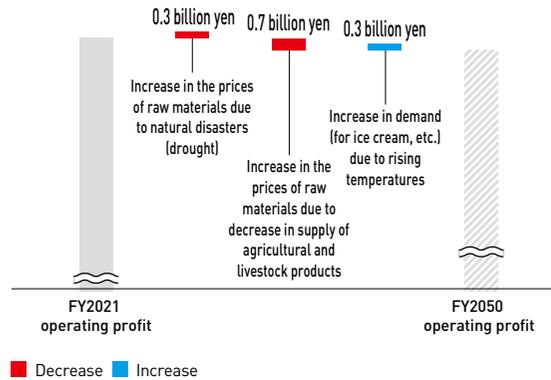
● Analysis Results

The main impacts with an annual impact amount of at least 100 million yen are analyzed and listed as follows.

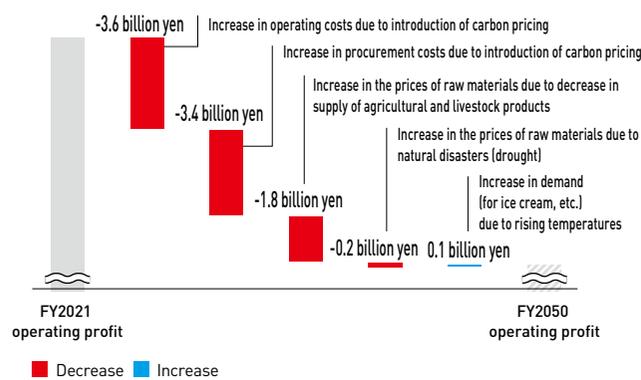
— Risks and Opportunities in the 4°C Scenario

	Changes in society and the environment	Impacts on business activities	Potential financial impact (annual impact on operating profit)	
			Specific impacts	
			2030	2050
Physical risks	Increasingly severe natural disasters	Increase in the prices of raw materials due to natural disasters (drought)	0.2 billion yen	0.3 billion yen
	Changes in weather patterns	Increase in the prices of raw materials due to decrease in supply of agricultural and livestock products	0.3 billion yen	0.7 billion yen
Opportunities	Changes in weather patterns	Increase in demand (for ice cream, etc.) due to rising temperatures	0.1 billion yen	0.3 billion yen

Potential Financial Impact in 2050 in the 4°C Scenario



Potential Financial Impact in 2050 in the 1.5°C Scenario



Risks and Opportunities in the 1.5°C Scenario

	Changes in society and the natural environment	Impacts on business activities		
		Specific impacts	Potential financial impact (annual impact on operating profit)	
			2030	2050
Transition risks	Strengthening of regulations	Increase in operating costs due to introduction of carbon pricing	1.9 billion yen	3.6 billion yen
		Increase in procurement costs due to introduction of carbon pricing	1.8 billion yen	3.4 billion yen
Transition risks/ Physical risks	Strengthening of regulations/ Changes in weather patterns	Increase in the prices of raw materials due to decrease in supply of agricultural and livestock products	0.9 billion yen	1.8 billion yen
Physical risks	Increasingly severe natural disasters	Increase in the prices of raw materials due to natural disasters (drought)	0.2 billion yen	0.2 billion yen
Opportunities	Changes in weather patterns	Increase in demand (for ice cream, etc.) due to rising temperatures	0.1 billion yen	0.1 billion yen

Increase in the Prices of Raw Materials Due to Natural Disasters (Drought)

The IPCC forecasts that natural disasters, such as heavy rain and drought caused by climate change, will be increasingly severe and frequent in the future. There is a risk that agricultural crop yields will decline, increasing transaction prices for raw materials due to natural disasters. Out of the Group’s primary raw materials, we conducted evaluations using the IPCC scenarios for sugar, palm oil, and wheat flour, for which drought risk is already apparent, and estimated the financial impact in 2030 and 2050.

Increase in the Prices of Raw Materials Due to Decrease in Supply of Agricultural and Livestock Products

There is a risk that transaction prices for raw materials will increase as yields of agricultural and livestock products are impacted by rising temperatures and other effects due to climate change. We referenced academic papers and other information to evaluate changes in production volume for sugar, palm oil, cacao beans, wheat flour, and dairy ingredients out of the main raw materials used by the Group as climate change progresses for each of the main areas (countries and regions) where we procure raw materials. As a result, it was forecasted that production volume of palm oil and wheat flour would decline due to a decrease in yields per area in the future, particularly for oil palms and wheat. Therefore, we estimated the price outlook for palm oil and wheat flour. For the price outlook, we analyzed the factors involved in past price fluctuations such as the balance of demand and supply between volumes of production and consumption and per capita GDP,

and derived a formula for price analysis. We entered the forecasts for future production and consumption volumes into the formula to estimate the future prices and the financial impact in 2030 and 2050. We factored in price increases due to certain controls being placed on the expansion of agricultural land in the 1.5°C scenario for palm oil.

In response to the increase in the prices of raw materials, it is conceivable we can reduce the risks by changing product compositions or considering alternative ingredients, exploring new regions for procurement, and strengthening engagement with suppliers. As the situation is different for each raw material, we will proceed to organize and examine specific countermeasures in the future.

Yield Forecasts for Each Scenario in 2050

Main agricultural and livestock-related raw materials		Main procurement areas	4°C scenario	1.5°C scenario
Sugar	Sugar beet	Japan (Hokkaido)	+11%	+7%
	Sugarcane	Australia	+2%	+1%
Palm oil	Oil palm	Thailand	-35%	-18%
		Malaysia	-16%	-8%
		Indonesia	±0%	±0%
Cacao beans		Ghana	+15%	+7%
Wheat flour	Wheat	Venezuela	-7%	-4%
		United States	-9%	-5%
		Australia	-8%	-4%
		Canada	+12%	+6%
Dairy ingredients	Milk	Japan	-1%	-1%
		New Zealand	-1%	±0%
		France	-1%	±0%

Increase in Demand (for Ice Cream, etc.) Due to Rising Temperatures

It is forecasted that demand for ice cream, etc. will increase as a result of rising temperatures and other effects due to climate change. Analyzing the correlation between past sales of ice cream and average temperatures suggested there is a significant correlation between the average temperature and ice cream sales. Using the results of this correlation analysis, we estimated the financial impact in 2030 and 2050.

To allow us to meet the increase in demand for ice cream, etc. as a result of rising temperatures, we will examine initiatives aimed at enhancing the product lineup and building flexible and efficient production and sales systems.

● **Increase in Operating Costs due to Introduction of Carbon Pricing**
 In the 1.5°C scenario, our operating costs will be forecasted to increase as governments introduce and strengthen regulations related to carbon emissions, such as carbon pricing. We calculated the financial impact in 2030 and 2050, assuming no progress in reducing energy-derived CO₂ emissions in our own operations (Scope 1 and 2) beyond the FY2021 results. The carbon prices used in the estimates are as shown in the table.

The Group has set Medium-Term ESG Targets and is working to reduced energy-derived CO₂ emissions (Scope 1 and 2). If these targets are achieved, the effect on curbing increases in our operating costs and the costs for achieving this effect are anticipated to be as shown below. With regard to the costs for achieving the Medium-Term ESG Targets, we estimated the amount of the impact assuming the procurement cost for renewable energy-derived electricity to be ¥4/kWh, the procurement cost for carbon credits to be ¥1,200/tCO₂, and that there will be no progress in reducing Scope 1 emissions until 2030.

In response to an increase in operating costs due to the introduction of carbon pricing, we expect the introduction of an internal carbon pricing system, in addition to the energy-saving activities and procurement of renewable energy-derived electricity currently being implemented. Through these initiatives, we will reduce energy-derived CO₂ emissions (Scope 1 and 2).

	2030	2050
Effect on curbing cost increases when Medium-Term ESG Targets are achieved	0.3 billion yen	3.6 billion yen
Costs for achieving Medium-Term ESG Targets	0.1 billion yen	0.8 billion yen

● **Increase in Procurement Costs due to Introduction of Carbon Pricing**
 In the 1.5°C scenario, it is forecasted that the operating costs of suppliers will increase and will be passed onto procurement costs as governments introduce and strengthen regulations related to carbon emissions, such as carbon pricing. We estimated the financial impact in 2030 and 2050, assuming no progress beyond the FY2021 results in reducing greenhouse gas emissions (part of Scope 3 Category 1 and 4) related to “procured raw materials (packaging)” and “transportation and delivery (upstream)” where the risk of increase in procurement costs is particularly high. The carbon prices used in the estimates are as shown in the table.

In response to the increase in procurement costs due to introduction of carbon pricing, we will reduce petroleum-based

plastic used in containers and packaging, in addition to the engagement with suppliers currently being implemented.

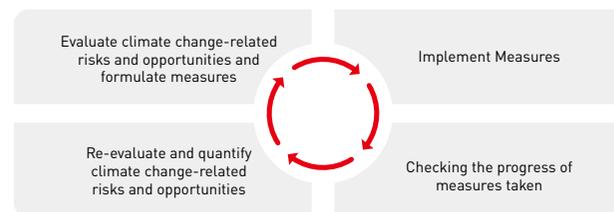
— **Carbon Prices Used in Estimating Impact on Operating and Procurement Costs**

	Carbon price (USD/tCO ₂)	
	2030	2050
Japan, Poland	140	250
Indonesia	90	200
Other	25	180

Based on scenario analysis, we were able to list and analyze the risks and opportunities for the Group, as well as the amount of impact and the countermeasures. Going forward, we will continue to promote measures such as energy saving and procurement of renewable energy, which we are already working on, in addition to examining further countermeasures, mainly based on the introduction of internal carbon pricing. Through these initiatives, we will work to minimize risks and maximize opportunities, while increasing the Group’s resilience.

Risk Management

Our risk management team, led by the Risk Management Committee (page 54), is prepared to take action for risks that may have a significant impact on our business. 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 Group companies, it evaluates risks and opportunities, and then reports the progress to the Risk Management Committee at least once a year. The Risk Management Committee evaluates business risks and opportunities and examines countermeasures based on these reports and then escalates them to the Executive Committee and the Board of Directors for decisions.



Metrics and Targets

The Group’s 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 responsibilities. 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. In 2022, we also set targets for Scope 3 and have been promoting initiatives.

— **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*1 in May 2022)

2050 Target ▶ Carbon neutrality

● **Scope3 : Category² 1, 2, 4**

2027 Target ▶ Engagement with suppliers (certified by SBTi*1 in May 2022)

● **Scope3 : Category² 3**

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

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



*2 Category: Classification of Scope 3 based on GHG Protocol (page 23)

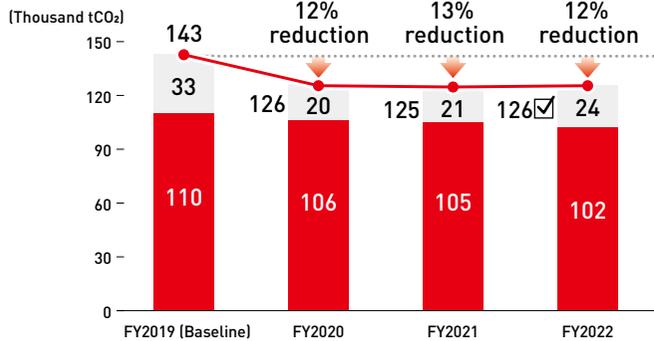
Reducing Greenhouse Gas Emissions

Scope 1 and 2 Results

We aim to reduce Scope 1 and 2 energy-related CO₂ emissions, our primary producer of greenhouse gases, for at least 23% 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.



Reduction Rate of Energy-Related CO₂ Emissions (Scope 1 and 2) (Comparison with FY2019)



■ Japan ■ Overseas

Data indicated with have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd. (Please see page 30).

Scope of Tabulation

Japan LOTTE CO., LTD. and its Group companies in Japan (Mary Chocolate Co., Ltd., Dari K Co., Ltd., Ginza Cozy Corner Co., Ltd.)

Overseas Major Group companies overseas (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

The previously provided information has been updated due to changes in Group companies.

Calculation Methods

Scope1: CO₂ Emissions = Σ (Fuel consumption x emission factors)

Scope2: CO₂ Emissions = Σ (Volume of purchased electricity, etc. x emission factors)

Emission Factors

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

Overseas The emission factors for Scope1 emissions have been determined according to the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, while the emission factors for Scope 2 emissions have been determined according to the International Energy Agency (IEA) Emission Factors 2022. 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.

Progress on SBT-Certified Targets

	FY2019 (Baseline)	FY2022
Energy-Related CO ₂ Emissions	130 thousand tCO ₂ *	126 thousand tCO ₂
Reduction rate	-	3% reduction

* Note that the SBT-certified baseline does not include Dari K Co., Ltd. and Ginza Cozy Corner Co., Ltd.

Scope 3 Result

Greenhouse Gas Emissions (Thousand tCO₂)

Category	FY2021	FY2022
1. Purchased goods and services	655	715
2. Capital goods	22	20
3. Fuel-and energy-related activities (not included in Scope 1 or 2)	21	23
4. Upstream transportation and distribution	75	78
5. Waste generated in operations	1	2
6. Business travel	1	1
7. Employee commuting	4	4
8. Upstream leased assets	-*	-*
9. Downstream transportation and distribution	49	58
10. Processing of sold products	-*	-*
11. Use of sold products	-*	-*
12. End-of-life treatment of sold products	106	113
13. Downstream leased assets	-*	-*
14. Franchises	-*	-*
15. Investments	-*	-*
Total	933	1,013 <input checked="" type="checkbox"/>

* Excluded from calculation as there were no applicable emissions

Data indicated with have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd. (Please see page 30).

The previously provided information has been updated due to an error.

Scope of Tabulation

Japan LOTTE CO., LTD., and its major Group companies in Japan (Mary Chocolate Co., Ltd., and Ginza Cozy Corner Co., Ltd.*)

Overseas Major Group companies overseas (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

* Ginza Cozy Corner Co., Ltd. is included in the scope of tabulation from the results for FY2022.

Calculation Methods

Category 1: GHG Emissions = Σ (Weight of raw materials purchased × emissions intensity, etc. [1]) + Σ (Value of purchased goods and services other than raw materials × emissions intensity, etc. [2])

Category 2: GHG Emissions = Σ (Value of capital goods × emissions intensity, etc. [2])

Category 3: GHG Emissions = Σ (Energy consumption × emissions intensity, etc. [1] or [2])

Category 4: GHG Emissions = Σ (Ton-km of transportation × emissions intensity, etc. [1]) + Σ (Ton-km of transportation × fuel consumption per ton-km of transportation × emissions intensity, etc. [2]) + Σ (Transportation distance/average fuel efficiency × emissions intensity, etc. [3]) + Σ (Electricity consumption for cargo handling & storage × emissions intensity, etc. [4]). Scenarios are employed for transportation relating to consigners that are not Specified Consignors as defined in Japan's Act on the Rational Use of Energy

Category 5: GHG Emissions = Σ (Amount of waste emissions according to type and disposal method × emissions intensity, etc. [1] or [2])

Category 6: GHG Emissions = Σ (No. of employees × emissions intensity, etc. [2])

Category 7: GHG Emissions = Σ (No. of employees × no. of operating days × emissions intensity, etc. [2])

Category 9: Same as Category 4

Category 12: GHG Emissions = Σ (Amount of waste emissions* according to type and disposal method × emissions intensity, etc. [1])

*Amount of waste emissions = calculated as the weight of purchased packaging materials

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. 3.3) of the Ministry of the Environment and the Ministry of Economy, Trade and Industry

[3] Emission factors used for the reporting system targeting Specified Consignors pursuant to the Act on the Rational Use of Energy

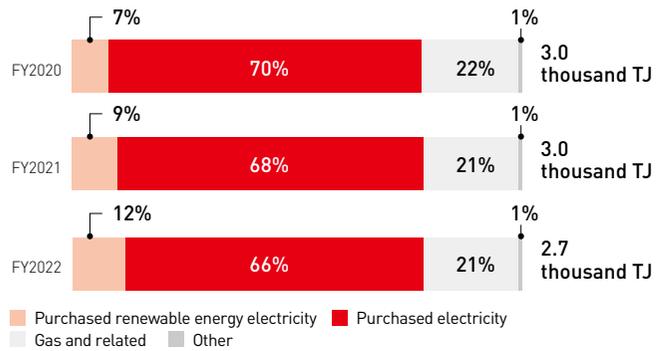
[4] Alternative emission factors determined separately by individual power companies based on the Act on Promotion of Global Warming Countermeasures

Utilizing Renewable Energy

In April 2019, our head office, 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 and some of business sites nationwide in stages, and in February 2020, LOTTE Wedel sp. z o.o. in Poland switched to power derived from wind power generation, another form of renewable energy. Moving forward, we will continue to constrain our greenhouse gas emissions by utilizing renewable energy, thereby contributing to the prevention of global warming.



Volume of Energy Input



Scope of Tabulation

Same as Scope 1 and 2 energy-related CO₂ emissions

Energy Saving Initiatives

Our factories account for more than half of our energy-related CO₂ emissions. In addition to daily energy saving activities at each factory, we are promoting capital investment for dramatic energy savings by combining our knowledge and ingenuity with the latest technology. In FY2022, we updated the hot water heat source equipment used for the chocolate tank at the Urawa Factory. We realized an annual reduction of approximately 115 t CO₂ emissions by switching from a steam and electric heater to an air-source heat pump.

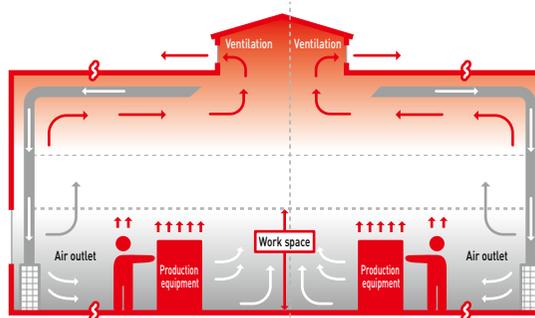
Moreover, at each of our factories, we are using equipment that visualizes air leaks to reduce leakage of air (compressed air), in addition to striving for facility management with no waste.



Heat pump

Ingenuity in Air Conditioning

In 2020, we installed a new air conditioning system in the chocolate processing process at the Urawa Factory. Whereas the previous system supplied cool air from the ceiling and cooled the entire air conditioned area, the new system supplies cool air from the floor, efficiently air conditioning the work space (about 2 meters from the floor) only. Cool air is also supplied to the interior of the control panel to maintain positive pressure inside the panel and keep it at a constant temperature, which has the advantage of making the control components much less likely to malfunction. Ingenuity in air conditioning has simultaneously achieved energy savings, improvement of the working environment, and decreased malfunctioning of control components.



Management of Refrigerants (CFCs)

Our 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 prevent leaks by regularly inspecting equipment to manage CFCs correctly while switching systematically to CFC substitutes with low global warming potential (GWP) and natural refrigerants at the same time.

The freezer installed for the product cooling tunnel on the new production line at the Urawa Factory in FY2022 uses the CO₂ refrigerant R744 (a natural refrigerant) with an ozone depletion potential of zero and low global warming potential giving consideration to protecting the ozone layer and curbing global warming.



Freezer

Calculated Leakage of CFCs

FY2020	1.2 thousand tCO ₂
FY2021	1.5 thousand tCO ₂
FY2022	1.9 thousand tCO ₂

Scope of Tabulation

LOTTE CO., LTD.

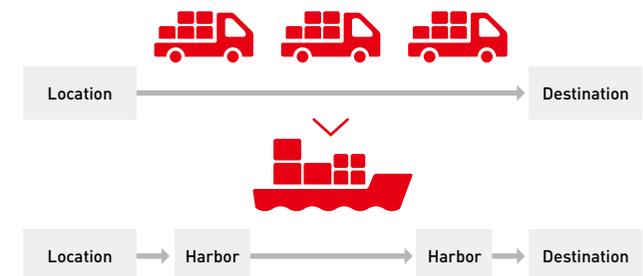
Logistics Initiatives

We are 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 distribution^{*1} and modal shifts^{*2}.

^{*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. We are 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.



Preventing Pollution

The products we handle are considered to pose less risk to environment related to raw materials than other industries. Nevertheless, it cannot be said there is no risk of environmental pollution caused by our business activities. Therefore, we strive to ensure compliance with environment-related laws and regulations and appropriate management.

Wastewater Quality and Air Pollutant Emissions

	FY2020	FY2021	FY2022
BOD pollution load*	-	2t	3t
COD pollution load*	-	13t	11t
Nox emissions	-	-	6t
Sox emissions	-	-	0t

* Estimated value of wastewater discharged into rivers

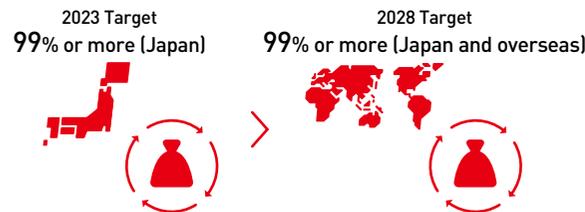
Scope of Tabulation

The factories of LOTTE CO., LTD.

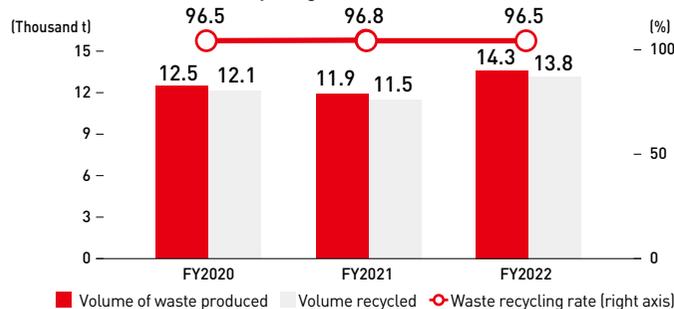
Circular Economy

Waste Reduction and Recycling

For waste generated by production processes at domestic factories, our 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.



Volume of Waste Generated by Production Processes and Waste Recycling Rate



Scope of Tabulation

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

Reduction Rate of Food Loss and Waste (FLW)

We have set the FY2028 target of reducing the volume of FLW produced per unit of sales volume in our core confectionery and ice cream businesses by 50% or more compared with FY2019.



FLW Produced and Per-Unit Volume

FY2019 (Baseline)	FLW produced: 4.1 thousand tons Per-unit volume: 0.015
FY2021	FLW produced: 3.6 thousand tons Per-unit volume: 0.013 (13% reduction compared with baseline)
FY2022	FLW produced: 3.3 thousand tons Per-unit volume: 0.012 (20% reduction compared with baseline)

Scope of Tabulation

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

Calculation Methods

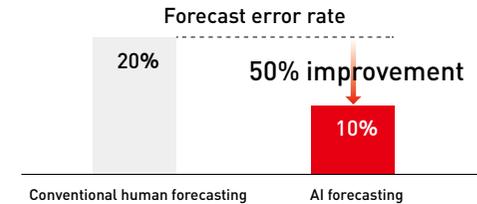
FLW produced = Volume of food and inedible parts discarded at our own factories + Volume of pre-shipment and returned products discarded
Per-unit volume = FLW produced / (Sales volume + FLW produced)
Volumes are measured with reference to the WRI Food Loss & Waste Protocol.
Of the destinations, those that use it for animal feed or bio-material/processing generate relatively high value compared with other destinations, so food waste sent to these destinations is excluded from the FLW to which the reduction target applies.

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

Reduce

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

Results of Sales Forecasting Verification for Existing Ice Cream Products



Reuse

We are working with food banks that provide free food to welfare facilities and those who may not have full access to food. We support this effort, and from FY2022 we have been donating our products nationwide in cooperation with MOWLS* in order to expand the scope of our activities. Through this cooperation, it is now possible to ship and donate to multiple sites where large donations can be accepted, and we expect to be able to reduce disposal of our unshipped*2 confectionery in FY2023. We believe that these efforts not only help spread deliciousness and the joy of food but also serve as a meaningful way to use food effectively. As such, we will continue to cooperate with food banks in the future.

*MOWLS: A project run by Meals for the Aged Liaison Committee in collaboration with 50 intermediary organizations. Storage spaces, including freezer and refrigeration equipment, have been established at sites all over the country to facilitate the acceptance of food donations from groups and local governments providing food assistance.



● Recycle

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

● Cooperation to Reduce FLW

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

* 10x20x30 Food Loss and Waste Reduction Initiative: An initiative to halve food waste throughout companies' entire supply chains. It is led by the World Resources Institute (WRI), a U.S. think tank that conducts policy research and develops technologies relating to the global environment and development. The meaning of "10x20x30" is that 10 companies, primarily comprising major international retailers, will each join forces with 20 of their suppliers to work toward halving the food waste produced by these key suppliers by 2030. Within the initiative's Japanese project, AEON Co., Ltd. is the major retailer that is spearheading efforts, and we are participating as its supplier.



Environmentally Friendly Containers and Packaging

We take the environment into consideration when designing its product containers and packaging. While still ensuring that the original function of preserving quality is fulfilled, we work to conserve resources by reducing the amount of materials used as much as possible and to develop containers and packaging that are easy to recycle. We also endeavor to increase barrier capabilities in order to extend expiration dates as a means of reducing FLW. Meanwhile, we design containers and packaging with the aim of enabling optimal product loading to improve logistics efficiency, thereby helping to reduce greenhouse gas emissions from transport.

● Plastic Containers and Packaging

Recent years have witnessed worldwide debate about plastics, particularly with regard to climate change and marine pollution resulting from plastic waste. Also in Japan, the Act on Promotion of Resource Circulation for Plastics came into effect on April 1, 2022. We have established the LOTTE Basic Policy on Plastics, and set targets in order to accelerate our initiatives. We will collaborate with our suppliers to reduce plastic emissions and recycle plastic and develop new technologies that can help enable their resource circulation.

LOTTE CO., LTD. Targets Related to Reducing Plastic Emissions and Recycling Plastic

Reducing Plastic Discharge

We will work to reduce plastic emissions in accordance with our Basic Policy on Plastics.

Promoting Recycling, etc.

- Factories
By 2025, we will list the issues related to recycling such as industrial waste from products using plastic and examine targets to promote recycling.
- Offices
We will change sorting rules so that industrial waste from products using plastics and other such waste previously processed with combustible garbage is sorted and discharged as plastic. We will chemically or materially recycle waste that can be recycled and switch to heat recovery for waste that is difficult to chemically or materially recycle.

Basic Policy on Plastics

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

In March 2021, we reduced the volume of plastic in the plastic bottle containers used for our leading bottled gum products, including *Xylitol Gum*. We reduced the weight of the plastic in the body by 21.8%, which reduced the volume of plastic used by approximately 90 t annually. Going forward, we will continue our measures to reduce the volume of plastic used and seek out and consider environmentally friendly packaging materials.



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 platform for reuse that sells food and everyday items, which were previously sold in disposable containers, in reusable containers. Loop Japan LLC, a social enterprise with the mission to "dispose of the concept of throwing away," operates the Loop platform. Through the Loop platform, Loop Japan not only aims to reduce disposable plastic but also to break away from the throw-away culture. Loop has already expanded to four countries around the world (the U.S., Germany, the U.K., and Canada), and launched services in Japan in 2021.



● Paper Containers and Packaging

We treat the paper used in containers and packaging in the same way as plastic, endeavoring to conserve resources by reducing the amount we use as much as possible. In addition, we are striving to use more environmentally 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, we have been gradually labelling products that pass unique environmental criteria with the *Smile Eco Mark* to inform customers about its environmental initiatives through a variety of containers and packaging in a way that is easy to understand.

The design of the *Smile Eco Mark* 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. In order to create a social movement that makes ethical consumption part of daily life and contribute to developing an environment that makes it easy to put into practice, we have expanded our initiatives, including participation in TOKYO ETHICAL Action Project.



Raw Materials Procurement Volume

Procurement Volume of Product Ingredients (Thousand t)

	FY2020	FY2021	FY2022
Total raw materials	270	271	292
Ingredients	202	204	219
Packaging materials	68	68	72
Paper	50	49	52
Plastic	14	14	15
Other	4	4	5

Scope of Tabulation

LOTTE CO., LTD., and its major Group companies

Consideration for Biodiversity

Assessment of Biodiversity Risks at Production Sites

We surveyed the area within a 10km radius of our production sites and those of Group companies (8 sites in Japan and 4 sites overseas) in FY2021 to assess biodiversity risk using IBAT^{*1} (World Heritage, Ramsar Convention wetlands, UNESCO MAB^{*2}, IUCN Categories I-V^{*3}, KBA^{*4}, IUCN Red List^{*5}). 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 as of FY2022. We will continue to give consideration to biodiversity based on the environment of the regions where our production sites are located.

*1 IBAT: An acronym for Integrated Biodiversity Assessment Tool.

*2 UNESCO MAB: An acronym for UNESCO's Man and the Biosphere Programme, which has established biosphere reserves.

*3 IUCN categories: The six categories for protected area management based on International Union for Conservation of Nature's (IUCN) definitions of protected areas and protection targets.

Category Ia: Strict nature reserve

Category Ib: Wilderness preservation area

Category II: National park

Category III: Natural monument or feature

Category IV: Habitat or species management area

Category V: Protected landscape or seascape

Category VI: Protected area with sustainable use of natural resources

*4 KBA: An acronym for Key Biodiversity Area

*5 IUCN Red List: Covers sites with at least one species classed as "VU (Vulnerable)"

Biodiversity Risk Assessment

As of FY2022

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

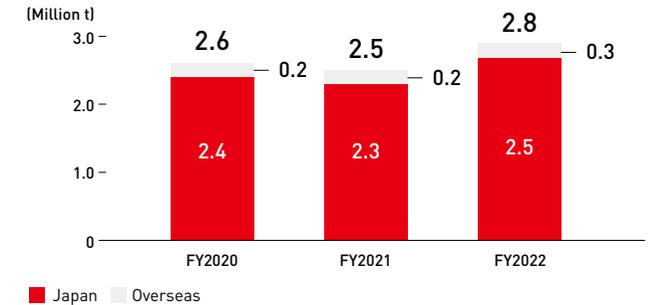
Scope of Tabulation

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

Water Resources

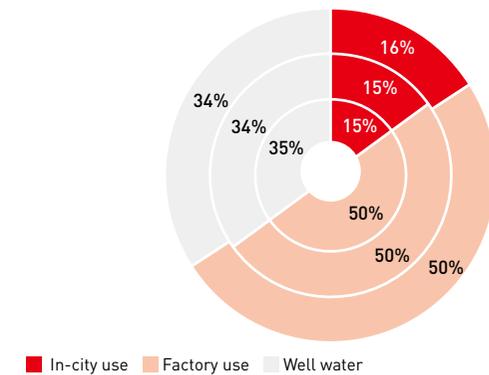
Water Usage

Volume of Water Used



Water Usage Ratio

(Inner: FY2020, Middle: FY2021, and Outer: FY2022)



Scope of Tabulation

Major bases operated by LOTTE CO., LTD. and its major Group companies

Water Risks

In FY2021, 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 us and our Group companies. We will continue to collect local information and monitor water consumption while looking into measures to mitigate related risks.

Environmental Data

Volume of Energy Input and Greenhouse Gas Emissions

		FY2019	FY2020	FY2021	FY2022	
Volume of Energy Input [Thousand TJ]	Japan and Overseas	3.0	3.0	3.0	2.7	
	Per unit of sales [TJ/hundred million yen]	—	—	—	0.96	
Scope 1 and 2 energy-related CO ₂ emissions [Scope 1 + 2] [Thousand tCO ₂]	Scope 1 + Scope 2	Japan and Overseas	143	126	125	126
		Japan	110	106	105	102
		Overseas	33	20	21	24
	Scope1	Japan and Overseas	32	32	33	33
		Japan	26	26	27	27
		Overseas	6	5	6	7
	Scope2	Japan and Overseas	111	95	92	93
		Japan	84	80	78	75
		Overseas	27	15	15	18
	Reduction rate [%]	Japan and Overseas	Baseline	-12	-13	-12
	Per unit of sales [tCO ₂ /hundred million yen]	Japan and Overseas	—	—	—	45
	Calculated leakage of CFCs [Thousand tCO ₂]	LOTTE CO., LTD.	2.6	1.2	1.5	1.9

Japan: LOTTE CO., LTD. and its Group companies in Japan (Mary Chocolate Co., Ltd., Dari K Co., Ltd., Ginza Cozy Corner Co., Ltd.)
Overseas: Major Group companies overseas (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

The previously provided information has been updated due to changes in Group companies.
Information on the method, etc. used for calculating energy-related CO₂ emissions is provided on page 23.

		FY2019	FY2020	FY2021	FY2022	
Greenhouse Gas Emissions [Scope 3] [Thousand tCO ₂]	Japan and Overseas	—	912	933	1,013	
	Japan	Total (Japan)	817	734	733	775
		1. Purchased goods and services	541	504	510	542
		2. Capital goods	72	28	22	20
		3. Fuel-and energy-related activities (not included in Scope 1 or 2)	17	17	17	18
		4. Upstream transportation and distribution	56	55	59	59
		5. Waste generated in operations	1	1	1	1
		6. Business travel	0.4	0.4	0.4	0.5
		7. Employee commuting	2	2	2	2
		8. Upstream leased assets	Out of scope as not applicable			
		9. Downstream transportation and distribution	37	37	36	44
		10. Processing of sold products	Out of scope as not applicable			
		11. Use of sold products	Out of scope as not applicable			
		12. End-of-life treatment of sold products	90	89	86	88
		13. Downstream leased assets	Out of scope as not applicable			
		14. Franchises	Out of scope as not applicable			
15. Investments	Out of scope as not applicable					
Overseas	Total (Overseas)	—	178	201	239	

Japan: LOTTE CO., LTD. and its major Group companies in Japan (Mary Chocolate Co., Ltd. and Ginza Cozy Corner Co., Ltd.*)
Overseas: Major Group companies overseas (THAI LOTTE CO., LTD., LOTTE VIETNAM CO., LTD., PT. LOTTE INDONESIA, and LOTTE Wedel sp. z o.o.)

* Ginza Cozy Corner Co., Ltd. is included in the scope of tabulation from the results for FY2022.

The previously provided information has been updated due to an error.

Information on the method, etc. used for calculating greenhouse gas emissions is provided on page 23.

● Preventing Pollution

		FY2019	FY2020	FY2021	FY2022
BOD pollution load [t]*	Factories of LOTTE CO., LTD.	—	—	2	3
COD pollution load [t]*		—	—	13	11
NOx emissions [t]		—	—	—	6
SOx emissions [t]		—	—	—	0

*Estimated value for wastewater discharged into rivers

● Circular Economy

		FY2019	FY2020	FY2021	FY2022
Waste generated by production processes [Thousand t]	Factories in Japan	11.5	12.5	11.9	14.3
Recycling rate of waste generated by production processes [%]		99.2	96.5	96.8	96.5
Final disposal volume (landfill volume) [Thousand t]		—	—	—	0.002
Food Loss and Waste (FLW) generated* [Thousand t]	Japan and Overseas	4.1	3.8	3.6	3.3
Per-unit volume reduction rate* [%]		Baseline	-7	-13	-20
Weight of products sold [Thousand t]		—	459	469	486

Factories in Japan: Factories of LOTTE CO., LTD. and its major Group companies in Japan

Japan: LOTTE CO., LTD. and its major Group companies in Japan

Overseas: Major Group companies overseas

*The previously provided information has been updated due to changes in Group companies.

● Water Resources

		FY2019	FY2020	FY2021	FY2022
Water withdrawal [Million t]	Japan + Overseas factories	2.5	2.6	2.5	2.8
	Japan	2.4	2.4	2.3	2.5
	In-city use	0.3	0.3	0.3	0.4
	Factory use	1.1	1.2	1.1	1.2
	Well water	0.9	0.9	0.9	0.9
	Overseas factories	0.2	0.2	0.2	0.3
	In-city use	0.1	0.1	0.1	0.1
	Factory use	0.1	0.1	0.2	0.2
	Well water	0.0	0.0	0.0	0.0
Water discharge [Million t]	Japan + Overseas factories	2.2	2.1	2.2	2.2
	Japan	2.0	1.9	1.9	1.9
	Sewerage	0.3	0.3	0.3	0.4
	Rivers	1.7	1.6	1.6	1.7
	Seas	0.0	0.0	0.0	0.0
	Groundwater	0.0	0.0	0.0	0.0
	Overseas factories	0.2	0.2	0.2	0.2
	Sewerage	0.1	0.1	0.1	0.1
	Rivers	0.1	0.1	0.1	0.1
Seas	0.0	0.0	0.0	0.0	
Groundwater	0.0	0.0	0.0	0.0	

Japan: All sites of LOTTE CO., LTD. and factories of its major Group companies in Japan (Mary Chocolate Co., Ltd. and Ginza Cozy Corner Co., Ltd.)

Overseas factories: Factories of major Group companies overseas

◆ Independent Practitioner's Assurance of Greenhouse Gas Emissions

Energy-related CO₂ emissions (Scope 1 and 2) and greenhouse gas emissions (Scope 3) for FY2022 indicated with on page 23 in the Japanese version of the Databook, have received the independent practitioner's assurance by Deloitte Tohmatsu Sustainability Co., Ltd.



デロイト トーマツ
(TRANSLATION)

Independent Practitioner's Assurance Report

August 25, 2023

Mr. Eiichi Gochou,
President / Representative Director,
LOTTE CO., LTD.

Tomoharu Hase
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the energy-related CO₂ emissions (Scope 1 and Scope 2) and greenhouse gas emissions (Scope 3) indicated with for the year ended March 31, 2023 (the "Greenhouse Gas Information") included in the "LOTTE CO., LTD. Sustainability Databook 2023" (the "Report") of LOTTE CO., LTD. (the "Company").

The Company's Responsibility
The Company is responsible for the preparation of the Greenhouse Gas Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the Greenhouse Gas Information included in the Report). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Greenhouse Gas Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Performing interviews of responsible persons and inspecting documentary evidence to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Greenhouse Gas Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.
The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

Social



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



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Human Rights

Basic Approach

At LOTTE CO., LTD. and its Group companies, 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. The Policy on Human Rights we established in 2018 outlines our approach to respecting human rights, and we update the associated rules accordingly.

▶ Policy on Human Rights

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

Human Rights Due Diligence

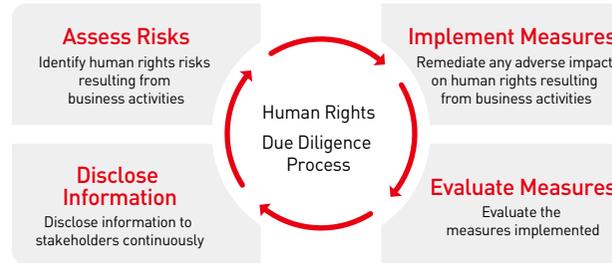
To ensure the human rights are respected for all the individuals affected by any aspect of our business throughout the entire supply chain, we undertake human rights due diligence according to the procedures specified in the United Nations Guiding Principles on Business and Human Rights, seeking to identify risks related to human rights and mitigate such risks. The first step of identifying human rights-related risks is to reference the international standards and guidelines^{*1}. We will then conduct an assessment^{*2} on human rights-related risks resulting from business activities and determine potential issues associated with human rights. Furthermore, we conduct field surveys through questionnaires and interviews, and take corrective measures for the identified human rights-related risks. To accommodate changes in the business environment whenever appropriate, we regularly assess both existing and new risks, and then review the identified risks.

*1 The Ten Principles of the UN Global Compact, the Global Reporting Initiative (GRI) Standards, the United Nations Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Business Conduct, etc.
 *2 Indices including the ITUC-Global Rights Index and the Global Slavery Index were used as data points.

Main Initiatives

2019 to 2020	<ul style="list-style-type: none"> Conducted human rights risk assessment and field surveys on LOTTE Group companies in Japan Identified human rights risks with highest priority
2021 to 2022	<ul style="list-style-type: none"> Started and expanded the human rights training for employees Conducted field surveys on LOTTE Group companies overseas and took corrective action for the risks Requested major suppliers to join Sedex[*] and started the risk assessment
2023 and beyond	<ul style="list-style-type: none"> Conducted field surveys on major suppliers, contracted factories in Japan, and some of the LOTTE Group companies in Japan Re-assessed human rights-related risks and reviewed the human rights-related risks to be prioritized

* 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.



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 54). 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 LOTTE Group companies, 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.

Human Rights Education & Promotion

The LOTTE Group provides human rights education and raises awareness among our employees to ensure that our business activities are conducted in line with the human rights principles.

● Training on human rights

In 2021, we started offering e-learning courses on human rights to all the employees of LOTTE CO., LTD. and LOTTE Group companies in Japan. Approximately 2,500 employees took the training courses in FY2022. 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 distribute the leaflets translated into the local language to LOTTE Group companies overseas to promote awareness and understanding of our human rights policy.

● Education for Personnel Engaged in Hiring

In order to ensure the fairness of our recruitment process, LOTTE CO., LTD. and LOTTE Group companies have established guidelines that outline key principles for hiring and provide education for personnel engaged in hiring. From the perspective of eliminating child labor, we also make sure that candidates meet the minimum age requirement stipulated by law at the time of hiring.

● Education for Personnel Engaged in PR/Marketing

To ensure that our PR and marketing activities are aligned with human rights principles, LOTTE CO., LTD. and LOTTE Group companies have established guidelines outlining key principles for respecting human rights. Additionally, education is provided to PR and marketing personnel. In addition, we monitor to ensure that our external communications do not promote discrimination or prejudice, encourage stereotyping explicitly or implicitly.

▶ Guidelines for Respecting Human Rights in Public Relations and Marketing

https://www.lotte.co.jp/corporate/sustainability/pdf/respect_human%20rights_guideline.pdf
 (Japanese only)

Whistleblowing Hotline

We have opened a whistleblowing hotline called "Clean Line" (see "Whistleblowing System" on page 55) to provide employees with a platform to seek advice or report cases, both from within and outside LOTTE and its Group companies. Alongside the human rights education, we have informed our employees of the hotline they can contact. We explain the response flow to manager-class personnel when the hotline is notified of a case. New employees receive training about this hotline.

— Progress in Addressing Human Rights Risks

	Human rights risks identified	Specific concerns	Action	Progress	Action Plan	Relevant Page
In our own operation (Japan)	Discrimination and harassment	Insufficient human rights education for employees	Provide training on human rights	We provided e-learning for all employees of LOTTE CO., LTD. and its Group companies in Japan.	Continue to provide the training once a year	P32
		Insufficient support for minorities including the LGBTQ+ community and people with disabilities	Provide training to promote awareness and plan actions	We provided training to promote awareness of LGBTQ+ and people with disabilities.	Extend the benefit plan to include LGBTQ+ employees, hire more people with disability and ensure accessibility in our workplace	P43
In our own operation (Overseas)	Discrimination and harassment	Insufficient communication about the whistleblowing hotline or human rights education for employees	Raise awareness of human rights and notify that the whistleblowing hotline is available	We distributed the leaflets to raise awareness about human rights and inform employees of the whistleblowing hotline.	Periodic monitoring of the whistleblower hotline operation	P32
Supply chain	Discrimination and harassment	Insufficient supply chain management capacity	Supplier management with Sedex and field survey on contracted factories	We encouraged suppliers to join Sedex and surveyed the contracted factories about human rights.	Continuous management of suppliers and engagement of the contracted factories	P38-39
	Forced and child labor	Child labor in regions producing cacao beans	Promote monitoring through Fair Cacao procurement to prohibit child labor and ensure fair practice	Fair Cacao procurement ratio: 26% (FY2022)	Promote activities to achieve the goals	P39-41
	Lack of respect for fundamental rights of workers Indigenous people and local residents' rights to be respected	Forced and child labor in regions producing palm oil	Support producers through procurement of RSPO-certified oil	RSPO-certified oil procurement ratio: 65% (FY2022, in Japan)	Promote activities to achieve the goals	P41

◆ Food and Health

Basic Approach

Leveraging the knowledge and technology accumulated to date since the founding, we continued to grow by providing new value to local communities and society. For example, *Xylitol Gum*, launched in 1997, contributed to society and created new value that gums can keep your teeth strong and healthy. We will continue to put our efforts into research and development of products that are beneficial not only for physical health but also for mental health, as well as communication and promotion activities, 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.

▶ Policy on Sustainability
<https://www.lotte.co.jp/english/charter/sustainability.html>

Spreading KAMUKOTO Awareness

Founded as a chewing gum company during the postwar era, we have 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.



May 2021 survey	20%
May 2022 survey	20%
May 2023 survey	22%

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

To achieve these targets, we established the *KAMUKOTO* Research Laboratory, which specializes in the research on chewing and shares the outcome with the public. We have come to understand that *KAMUKOTO* is closely associated with the health of the entire body, and we believe that it can be used to help resolve a range of societal challenges relating to healthy longevity and well-being. We are also working to popularize chewing gum as a means to put *KAMUKOTO* into practice as a solution.



In FY2018, we also launched the *KAMUKOTO* and Health Research Society, which aims to research the relationship between chewing and the overall health, and to build a network for exchanging related information. This is the first initiative of its kind, aimed at conducting multifaceted research on *KAMUKOTO* in cooperation with researchers from different fields, such as medicine, nutrition, and sports science, 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* Research Laboratory

<https://www.lotte.co.jp/kamukoto/> (Japanese only)

KAMUKOTO and Health

Many years of our *KAMUKOTO* research has 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*.

● **Chewing Gum After a Meal Increases Energy Expenditure**

There is a study that indicates that chewing gum after a meal increases postprandial energy expenditure, carbohydrate oxidation, and meal-induced thermogenesis over a 4-hour period. The study conducted on men and women between the ages of 20s and 60s revealed that energy expenditure, carbohydrate oxidation, and meal-induced thermogenesis were increased by gum chewing for 20 minutes after a meal over a 4-hour period. Chewing gum had more potent effects on these outcomes, compared to taking a tablet.

● **Continuous Gum Chewing Finetunes the Autonomic Nervous System, Reduces Stress, and Boosts Immune Components in Saliva**

It is reported that continuous gum chewing improves mood, balances the autonomic nervous system, and increases IgA (Immunoglobulin A)

concentrations in saliva. Rhythmic movements such as chewing have also been proven to increase the secretion of serotonin, known as the happy hormone. One of the likely interpretations is that chewing gum induced secretion of serotonin, which reduces stress and balances the autonomic nervous system, possibly leading to improving mood and increasing concentration of IgA in saliva.

● **Chewing Gum Can Increase Gonial Angle and Tighten Facial Skin**

Continuous gum chewing before a meal has been reported to help increase the gonial angle. In the study conducted on a group of people who chewed gum continuously before each meal and a control group of people who did not chew gum, the gum-chewing group showed a significant increase in both gonial angles, compared to the control group. Given no significant differences in body weight, BMI, or body fat percentage between the two groups, gum chewing could affect the chewing muscles, possibly leading to tightened facial appearance, rather than the result of a dieting effect.

Dental and Oral Health

Starting out as a chewing gum company, we have studied dental and oral health for many years. In the 1970s we began research on xylitol, which had captured our attention with its role in Finnish dental health. In 1997, when xylitol was approved as a food additive in Japan, we were the first company to commercialize xylitol and made it available to the public, and our approach helped address the importance of having cavity-free teeth. We intend to continue enriching people's lives by researching and spreading awareness of the beneficial effects of xylitol on dental and oral health.

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



May 2021 survey	32%
May 2022 survey	28%
May 2023 survey	25%

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

To achieve this goal, we launched "Project Xylitol: Your Own Teeth for 100 Years" in 2020. Following the example of Finland, which is a leader in preventive dentistry, we are working with local governments and dental associations on initiatives to spread oral care habits comprising toothbrushing, fluoride, and xylitol, supplemented by regular dental checkups.

Project Xylitol: Your Own Teeth for 100 Years

Overall Purpose of Initiatives

To increase the percentage of people who have incorporated xylitol into their lifestyle for the sake of their dental and oral health to at least 50% in 2028 (in Japan)

Goal of Initiatives

Spread the habits of toothbrushing, fluoride, and xylitol, supplemented by regular dental check-ups, to help maintain dental health in Japan through xylitol.

Details of Initiatives

1. Recommendation of cavity-prevention programs through coordination with local governments and dental associations
2. Provision of xylitol tablets and soft candies to educational institutions such as kindergartens and nursery schools

As the first step of this project, we have been delivering xylitol tablets and soft candies packed in special dispensers to kindergartens and nursery schools in the city of Aizuwakamatsu, Fukushima Prefecture, with the support of the local government. As of today, seven municipal kindergartens/nursery schools have used our products. (Hokkaido, Goshogawara City in Aomori Prefecture, Aizuwakamatsu City in Fukushima Prefecture, Chiba Prefecture, Ebina City in Kanagawa Prefecture, Yamaguchi Prefecture, Kitakyushu City in Fukuoka Prefecture) We will encourage children to have good oral care habits from the early age, and plan to be involved in activities based on the cavity ratio of children by working together with the city's dental associations.



Xylitol Explained

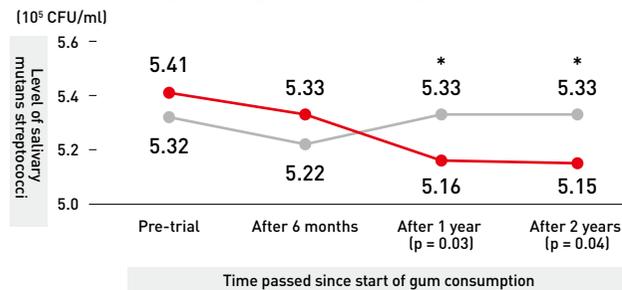
Xylitol is a type of sugar alcohol that does not create the acid that causes cavities; it is made from trees such as white birch and oak. It is roughly as sweet as sugar, but has fewer calories at around 3 kcal/g, compared with sugar's 4 kcal/g. Xylitol's key distinguishing feature is the smooth burst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

● Reduction of Mutans Streptococci

Mutans streptococci are bacteria that exist inside almost everybody's mouths. They create dental plaque and use the sugars inside the mouth as food to reproduce, creating the acid that causes cavities. Xylitol has been reported to reduce the level of mutans streptococci in the mouth, decreasing the risk of cavities.

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

📊 Changes in Level of Salivary Mutans Streptococci after Consuming Chewing Gum Containing Xylitol



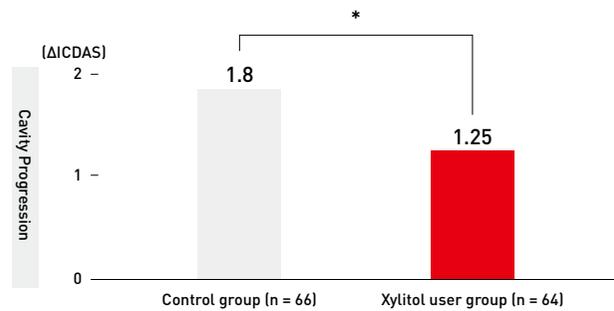
● Control group (n = 66) ● Xylitol user group (n = 64)

* Shows a statistically significant difference



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)



* Shows a statistically significant difference (P=0.01)

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

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

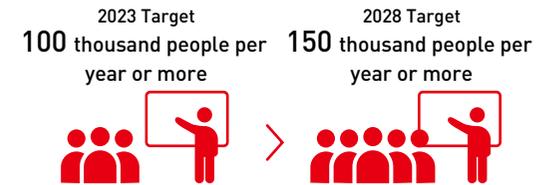
● Mitigation of Risk of Transmission from Mother to Baby

No mutans streptococci exist inside the mouth of a newborn baby, but practices such as sharing a spoon between a baby and an adult transmit the bacteria through saliva, and the bacteria become established inside the baby's mouth. However, xylitol is an ingredient with the capacity to reduce mutans streptococci and it has been reported that, when prospective mothers start consuming xylitol continuously during pregnancy, the transmission of mutans streptococci to their babies is slowed. In research that targeted pregnant women with high levels of mutans streptococci, the control group received guidance on maintaining good health, including advice on cleaning their teeth and on meals. The xylitol user group also received the health guidance, and consumed chewing gum containing xylitol as its only sweetener for 13 months. The xylitol consumption targeted was 5 grams or more per day, but the actual average amount consumed was 3.83 grams per day. When the researchers assessed the percentage of babies in which mutans streptococci was detected (the "detection rate"), it was found that during the period from 9 to 24 months after birth, the mutans streptococci detection rate was significantly lower for the xylitol user group's babies than the control group's babies.

◆ 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

FY2020	41 thousand people
FY2021	46 thousand people
FY2022	66 thousand people

Scope of Tabulation

LOTTE CO., LTD.

Factory Tour

Our Urawa Factory is open to factory tour visitors. During a factory tour, visitors can see the actual manufacturing process and learn about our efforts to contribute to realizing the sustainable development goals. The factory is scheduled to reopen in May 2022, featuring renovated facilities designed to offer even more exciting experiences for tour participants. In FY2022, 4,933 people visited the factory and enjoyed the tour. Come visit our OKASHI SCHOOL at the Urawa Factory.



▶ LOTTE Factory Tour Website

<https://www.lotte.co.jp/kengaku/> (Japanese only)

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



▶ Website for Chocolate Seminar Online

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



▶ Website for Virtual Factory Tours

<https://www.lotte.co.jp/entertainment/factory/> (Japanese only)

Visiting Lecture

We offer Visiting Lecture by visiting elementary schools. Our lessons enable children to have fun while learning about key approaches to product development, 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.

In addition, we recruited candidates among the employees across Japan to teach courses for children, who also had regular work, 21 people are receiving training to be the instructors. In September 2022, Representative Director, President & Executive Officer Gochou participated as one of the first lecturers for this program.



Providing Teaching Materials

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



Food Safety and Reliability

Basic Approach

"Quality" is one of the three LOTTE Values that we have 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." All of these are "Quality" that we strive for, and they are something that each of our employees works to further improve. In 2018, we developed the Policy on Quality and the Policy on Food Safety, and defined our approach to these matters.

▶ LOTTE Policy on Quality / Policy on Food Safety

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

LOTTE ADVANCE, Our New Quality Assurance System

The factories of LOTTE CO., LTD. and its Group companies have already obtained certification under the GFSI^{*1} approval scheme (FSSC22000^{*2}/BRC^{*3}), which serves as the benchmark for international food safety standards, and our goal is to uphold compliance with the scheme.

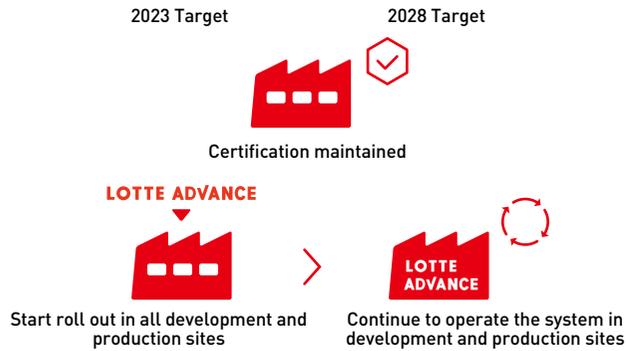
To further improve quality and ensure a high level of safety in the future, we rolled out LOTTE ADVANCE, a new proprietary quality assurance system, beginning in FY2023.

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

*2 FSSC 22000: A globally recognized food safety standard that supplements ISO 22000, the International Organization for Standardization's standard for food safety management systems, with additional requirements

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

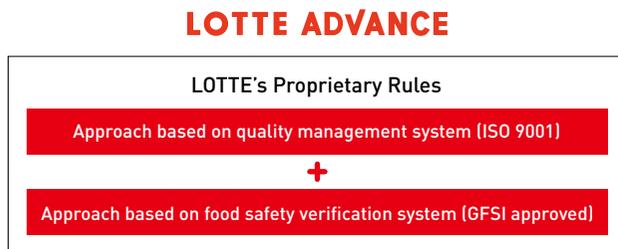
Our new quality assurance system, LOTTE ADVANCE, is built upon food safety initiatives aligned with the approach of the GFSI-approved scheme (FSSC22000/BRC) certification, an international food safety certification. LOTTE ADVANCE incorporates the approach of ISO 9001*, the International Organization for Standardization's standard for quality management systems, as well as our proprietary rules for high quality and safety.



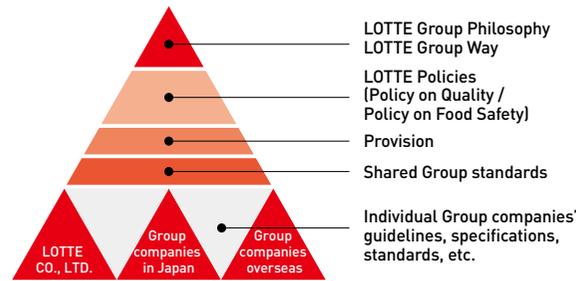
Focusing primarily on products sold in Japan, we will adopt this new system with the capacity to assess food safety-related risk from the product design and development stage to reduce risk throughout the entire supply chain from an even wider variety of perspectives than hitherto. We will, moreover, set uniformly stringent quality and safety rules to resolve existing discrepancies based on the region and the item being manufactured. LOTTE ADVANCE will be adopted for our mainstay products of confectionery and ice cream. It comprises provisions associated with the Policy on Quality and the Policy on Food Safety, Group-wide standards, and guidelines and specifications containing specific rules applicable to the respective LOTTE Group companies. Our Quality Assurance Department will play a central role in determining standards and guidelines, which will also apply to LOTTE Group companies.

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

— LOTTE ADVANCE Framework



— LOTTE ADVANCE-Related Documentation

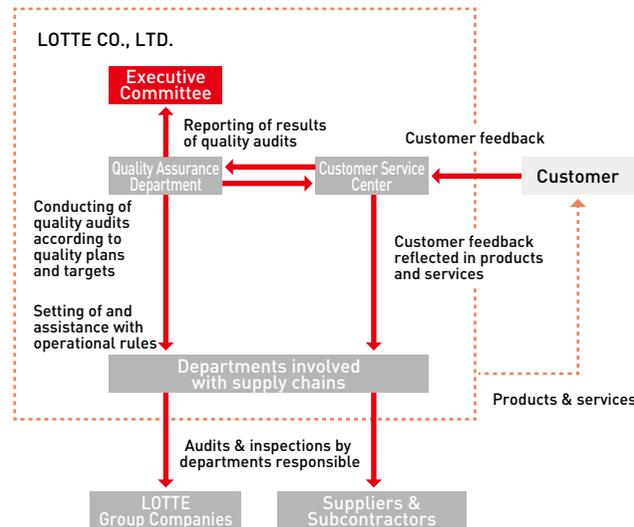


Quality Assurance Promotion System

Our Quality Assurance Department takes the lead in quality assurance throughout the entire supply chain of our products sold in Japan, from product development to communication with customers. We also provide internal training related to quality and sanitation in order to improve the skills of personnel at respective departments and Group companies.

In addition, our Executive Committee examines important policies regarding quality assurance and medium-term targets, and confirms the status of efforts to reach these targets.

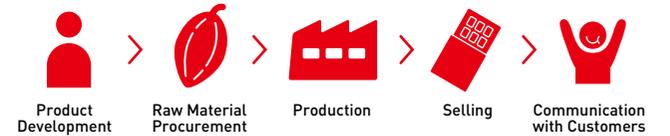
— Quality Assurance System



Quality Assurance in the Supply Chain

Our Group is committed to ensuring quality at every stage of the supply chain as defined in the Policy on Quality and the Policy on Food Safety.

— Supply chain



● Product Development

To deliver safe, high-quality products to customers, we will adopt the risk assessment system, focusing primarily on products sold in Japan, and 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. We also evaluate suppliers based on safety and quality, followed by the sanitation inspection. Thus, we strive to improve quality continuously by working with our suppliers. Our sanitation inspections entail the use of a checklist to verify all the required items in full, after which we request remedial measures where necessary, and check the results of such remedial measures.

● Production

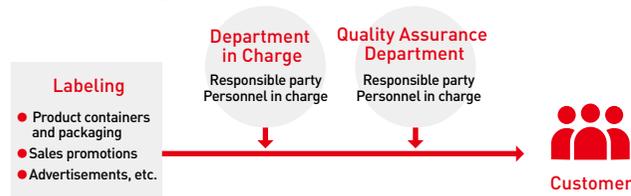
Measures to protect against contamination from foreign substances are implemented at factories belonging to LOTTE CO., LTD. with great care. Those entering a production site must wash their hands and use an alcohol disinfectant as a standard measure, and must undergo an additional three-step process to remove any foreign hair or dust affixed to their clothing, comprising an air shower that utilizes pneumatic jets, a vacuum hair and dust removal system, and an adhesive roller system. In the manufacturing process, metal detectors, X-ray devices, and several other tools are employed to inspect for foreign objects and ensure safe products.

● Selling

To enable customers to buy and consume our products with peace of mind, labeling related to product packaging, sales promotions, and advertisements is conducted in accordance with all relevant laws and regulations, with every effort made to provide information to customers in an easy-to-comprehend manner that avoids misunderstandings. We maintain 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.

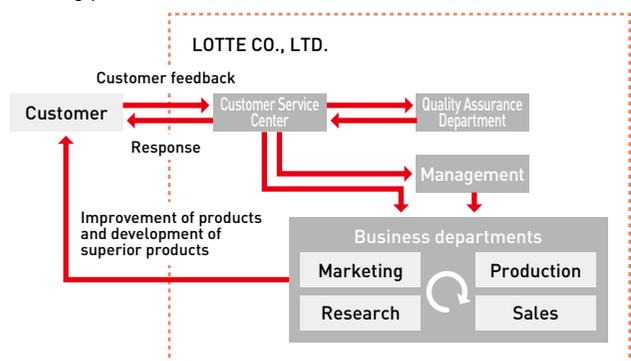
We also defined the human rights guidelines for expressions that may lead to harmful stereotyping, discrimination, or negative influence on minors, ensuring that our materials do not include such expressions.

— Our Labeling Check System



● Communication with Customers

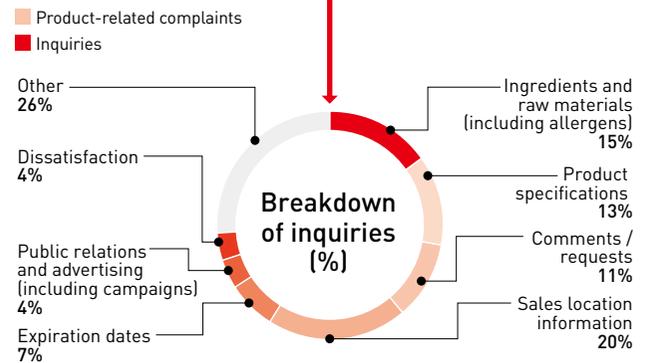
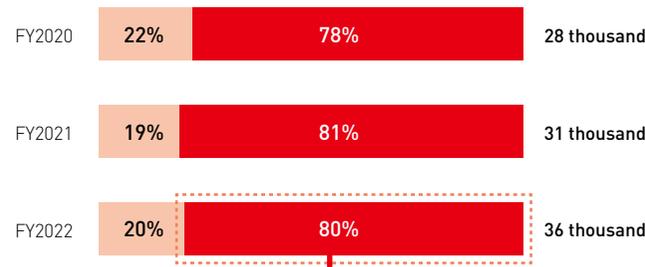
We have established a Customer Service Center as a means to handle customer inquiries and consultations, which is part of our commitment to providing sincere support and clear information so that customers can use our products and services with peace of mind. Customer feedback is shared with management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



Number of Inquiries from Customers and Breakdown

In FY2022, our Customer Service Center received roughly 36 thousand inquiries from customers.

— Number of Inquiries from Customers



Scope of Tabulation

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

Recalls and Legal Violations

In FY2022, we issued one recall. We will conduct a thorough investigation to determine the cause and take action to prevent a recurrence. In addition, none of LOTTE Group companies have been reported to violate the Act against Unjustifiable Premiums and Misleading Representations stipulated by Japan's Consumer Affairs Agency.

◆ Sustainable Procurement

Basic Approach

While the role of safety and reliability in the stable provision of high-quality goods and services cannot be overstated, we also believe in the importance of sustainable procurement of ingredients, with due consideration given to the environment and society. To this end, we are working with clients and stakeholders both inside and outside of the food industry to promote sustainable procurement throughout the supply chain. In 2018, we developed the Policy on Procurement and defined our approach to this matter.

▶ LOTTE Procurement Policy

<https://www.lotte.co.jp/corporate/about/philosophy/procurement.html> (Japanese only)

Building a Responsible Supply Chain

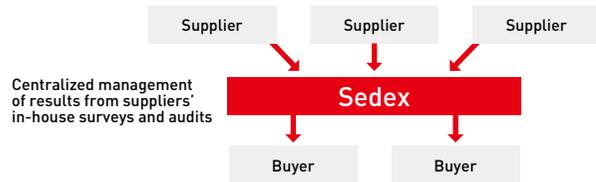
We advocate for sustainable procurement based on our procurement policy. This policy outlines ethical business practices, quality and safety standards, as well as environmentally friendly practices and consideration for society. However, as our supply chain becomes more globalized, it is more difficult to control every aspect and therefore difficult to control its environmental and social impact on our own. In that light, it is essential that we work alongside our suppliers and we formulated the LOTTE Supplier Guidelines in April 2019 to this end. These guidelines allow us to share our fundamental value system with suppliers and, coupled with more effective relationships built through dialogue, are helping achieve our goal of realizing a sustainable society. We hold regular orientations on these guidelines to further deepen understanding and strengthen supplier relationships.

▶ LOTTE Supplier Guidelines

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

In 2021, we joined Sedex*, the world's largest platform for sharing sustainability-related data and other results from in-house surveys and audits. We will evaluate our suppliers and gather data by using Sedex while encouraging our primary suppliers to join Sedex and share information on this platform. As of June 30, 2023, about 60% of our primary suppliers (based on the amount of raw materials transaction) use Sedex and share information with us.

* Sedex: Supplier Ethical Data Exchange. An NPO set up in the UK in 2004 that provides a platform for sharing and managing companies' ethical data with the aim of establishing responsible business practices within supply chains.



Primary Raw Materials

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

Primary Raw Materials

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

Cacao Beans

Our new goal includes procuring 100% of FAIR CACAO from Ghana, our primary supplier, by FY2025. Also, we plan to achieve a 100% procurement ratio of FAIR CACAO from all cacao bean suppliers by FY2028.



In FY2022, we procured 6.0 thousand tons of cacao beans total, of which 26% 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

FY2020	8.3 thousand tons, FAIR CACAO 11%
FY2021	5.1 thousand tons, FAIR CACAO 19%
FY2022	6.0 thousand tons, FAIR CACAO 26%

Weight of cacao beans procured in the form of beans

Scope of Tabulation

LOTTE CO., LTD.

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



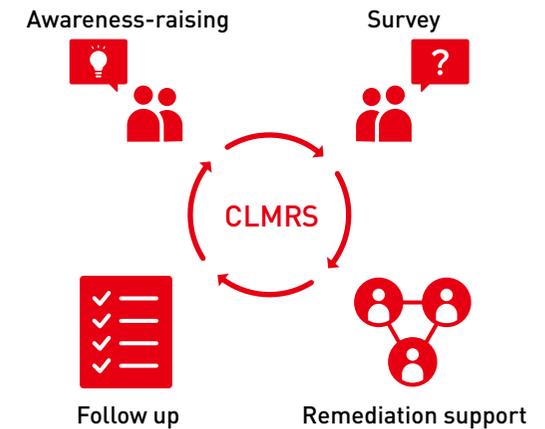
Among all the problems cacao producers have, the FAIR CACAO PROJECT aims to eradicate child labor more than anything else. In addition to the strategic procurement from designated regions, we adopted CLMRS* to monitor child labor as part of a joint program with local partners. In this strategic procurement, 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.

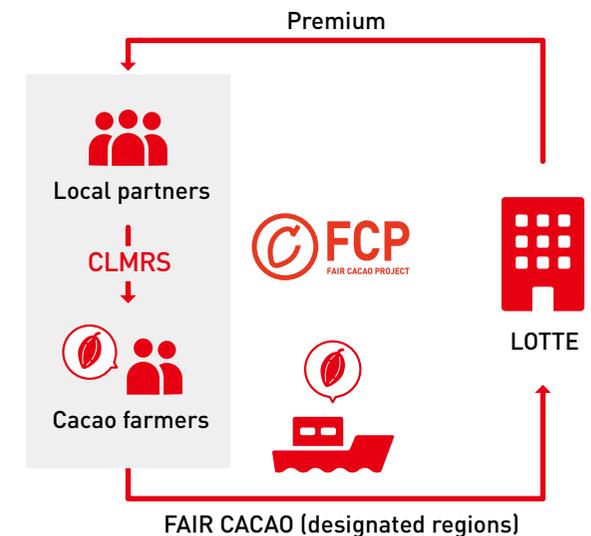
Fair Cacao Procurement Regions (FY2022 result)

Country	State (Region)	County (District)
Republic of Ghana	Ashanti	New Edubiase
	Central	Dunkwa
	Western	Twifo Praso Manso Amenfi

Overview of CLMRS



Overview of FAIR CACAO PROJECT

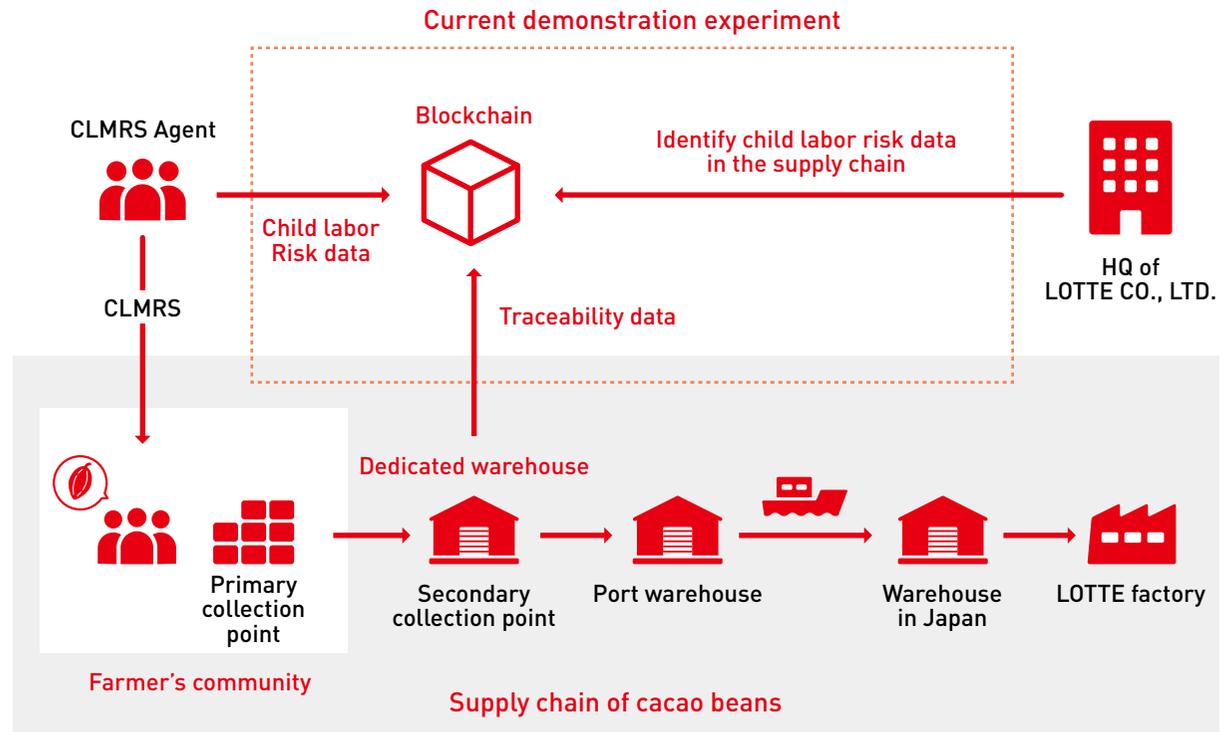


We also conduct demonstration experiments to advance the FAIR CACAO PROJECT, while collaborating with industry associations and NGOs within Japan and abroad to provide support to the producers. Especially, we believe that our efforts to support local farmers and children will pave a way for sustainable procurement of cacao beans.

● **Launch of Demonstration Experiments on Traceability and Child Labor Risks**

The cacao beans supply chain in Ghana is complex and most of their data is not available electronically, which makes it difficult for us to gather detailed traceability data. Since there was no complete association made between the traceability data of procured cacao beans and the child labor risk information obtained from the CLMRS, we were not aware of detailed data regarding child labor risks in the supply chain.

In order to monitor child labor risks as data in the supply chain of procured cacao beans, we launched this demonstration experiment in 2022. With the help of local partners, we will reserve a dedicated warehouse onsite so that we can collect detailed traceability data. Based on the farmer's community ID, we retrieve traceability data and record it on the blockchain. Blockchain technology enables the reduction of workload in the supply chain, collective management of cacao beans' traceability data, while ensuring the authenticity of the information. Integration of the child labor risk and traceability data using a farmer's community ID on the blockchain allows us to visualize child labor risks within the supply chain. Through this demonstration experiment, we verify the effectiveness of the blockchain-driven traceability system and clarify issues, such as the stakeholders' workload and expenses.



● World Cocoa Foundation

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



World Cocoa Foundation

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

JOICFP is an international NGO established in Japan in 1968 to promote women's health and well-being. Through JOICFP, we have been supporting public health activities in the Republic of Ghana since 2007. Our activities include donations of refurbished bicycles for community health volunteers to use for health education visits, as well as construction aid for building wells to source safe and clean water. In recent years, we have been providing support for healthcare facilities to improve their sanitary environment, train healthcare staff, as well as awareness-raising and education programs for young people.



● UN WFP
[Japan Association for the World Food Programme]

It is the UN's sole organization dedicated to achieving zero hunger. One of its pillars in this mission is its school feeding program. We participate in the "Red Cup Campaign" to deliver school lunches to children. We also support the WFP school feeding program in the Republic of Ghana.



© WFP/Derrick Botchway

Building a Sustainable Cacao Industry

LOTTE DO Cacao PROJECT

In 2015, we launched the LOTTE DO Cacao PROJECT, aiming to realize a sustainable future in all aspects, including cacao production, delivery, and consumer experiences. We are expanding our initiatives by conducting research on varieties, fermentation, and upcycling of unused parts at an experimental farm in Papua New Guinea and at a dedicated lab in the LOTTE Central Laboratory. News about all these activities is primarily distributed from the DO Cacao STORE that was opened in Shibuya in October 2022.



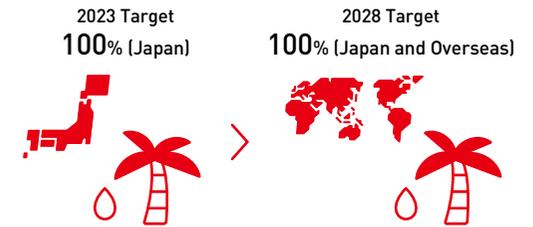
Dari K Co.,Ltd.

Dari K Co., Ltd., a LOTTE Group company, was founded in 2011 as a bean-to-bar company that handcrafts chocolates from cacao beans. On Indonesia's Sulawesi Island, we practice sustainable chocolate production through the 'All-win Chocolate' concept, aiming to bring smiles to cacao bean producers, consumers, and the environment. Dari K Co., Ltd. is also dedicated to advancing food technology, exploring the possibilities of cacao beans by developing fruit fermentation technology and specialized roasting techniques that minimize the loss of polyphenols. Together, we will embark on the journey of unlocking new potential in cacao beans, venturing beyond the conventional scope of chocolate.

Palm Oil

We 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 FY2022, we procured 15.5 thousand tons of palm oil total, of which 65% was certified by the third parties, up 47 percentage points from the previous fiscal year. We are a member of the RSPO and 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

FY2020	16.0 thousand tons, third-party verified oil 10%
FY2021	16.0 thousand tons, third-party verified oil 18%
FY2022	15.5 thousand tons, third-party verified oil 65%

Weight of palm oil contained in oil and oil processed goods

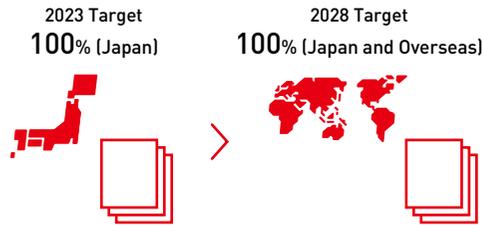
Scope of Tabulation

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

Paper

By FY2023, we plan 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 LOTTE Group companies in Japan and abroad, we aim 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 FY2022, 41.9 thousand tons of paper was procured for product containers and packaging in Japan, of which 95% was environmentally friendly paper. We will continue our work to increase this ratio in our efforts toward sustainable paper procurement.

Amount of Paper Procured (for Product Containers and Packaging)

FY2020	42.7 thousand tons, environmentally friendly paper 94%
FY2021	41.2 thousand tons, environmentally friendly paper 96%
FY2022	41.9 thousand tons, environmentally friendly paper 95%

Scope of Tabulation

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

Proposal of Sustainable Food

Plant-Based Food

As a solution to food shortages arising from global population growth and climate change, we are working on the development of plant-based food. In March 2023, we introduced “Coolish Green Vanilla” made with plant-based milk, which became available throughout Japan except in convenience stores.



Animal Welfare

Animal Testing

We have 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.

* 3Rs: Replacement (use alternative methods), Reduction (minimize the number of animals used), and Refinement (minimize suffering)

Primary Raw Materials and Dialogues with Society

LOTTE and its Group companies 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.

Employee Empowerment

Basic Approach

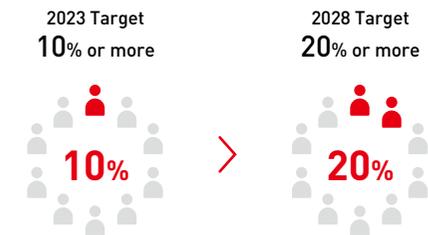
The most important pillar of support for a business is its human resources. We aim to grow sustainably as a corporation by building a workplace environment where every employee can reach their full potential, perform at their best, and maintain a healthy body and mind. In 2018, we developed the Policy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

▶ LOTTE Policy on Human Resources

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

DEI (Diversity & Equity & Inclusion)

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



Ratio of Female Managers in Japan

As of March 31, 2021	5.9% (LOTTE CO., LTD. 4.5%)
As of March 31, 2022	7.3% (LOTTE CO., LTD. 4.8%)
As of March 31, 2023	7.4% (LOTTE CO., LTD. 4.6%)

Scope of Tabulation

LOTTE CO., LTD. and its Group companies in Japan
The previously provided information has been updated due to an error.

● **Formation of Corporate Culture**

In January 2023, we signed the WEPs* (Women’s Empowerment Principles) to further advance the promotion of gender equality and its related agenda. Using a video interview with a gender specialist, we communicate with our employees to share the top management’s commitment to promoting DEI initiatives and its alignment with our business strategies. We also provide diversity training for all managers and other key personnel.

* WEPs: Action principles of a company’s voluntary efforts on women’s empowerment created jointly with the UN Global Compact and the UN Development Fund for Women (now UN Women)



Interview with a gender specialist

● **Promoting Women’s Success**

Since 2016, we have 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 50)

● **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 and its Group companies in Japan to raise awareness of people with disabilities.

— **Percentage of Employees with Disabilities**

As of March 31, 2021	2.4% (legal requirement: 2.3%)
As of March 31, 2022	2.4% (legal requirement: 2.3%)
As of March 31, 2023	2.3% (legal requirement: 2.3%)

Scope of Tabulation

LOTTE CO., LTD. and its Group companies in Japan

● **Employing Retirees**

LOTTE and its Group companies 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**

FY2020	95 applicants; 100% re-employment ratio
FY2021	107 applicants; 100% re-employment ratio
FY2022	138 applicants; 100% re-employment ratio

Scope of Tabulation

Employees between the ages of 60 and 65 who wish to be rehired in LOTTE CO., LTD. or its Group companies in Japan

● **Measures to Supporting the LGBTQ+ Community**

We support the LGBTQ+ community to create a workplace environment where everyone can work with peace of mind. Our human rights policy explicitly prohibits discrimination based on sexual orientation, gender identity, and gender expression. In line with this policy, we provide all employees with training related to human rights, anti-harassment, and LGBTQ+ awareness. In June 2023, we started communicating about ALLY* and acknowledging pledges to take on the role of an ALLY. For hiring, we will also begin using an entry form with “Other” and “N/A” options added to the gender field.

* ALLY: A person who understands and supports LGBTQ+



Human Resource Cultivation

We believe that when every employee works with enthusiasm, expressing their unique character and abilities to the fullest, it fosters the growth of the company and elevates its corporate value. Our goal is to cultivate a corporate culture that brings out innovation by offering opportunities and building an environment conducive to our employees’ autonomous career development.

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

FY2020	Training expenses: 45 million yen Average annual training hours per employee: 5 hours
FY2021	Training expenses: 45 million yen Average annual training hours per employee: 9 hours
FY2022	Training expenses: 89 million yen Average annual training hours per employee: 10 hours

Scope of Tabulation

LOTTE CO., LTD.

● **Position-Based Training Program**

We provide group training, including new employee orientation, to equip young employees with basic skills to complete their assigned tasks independently. For individuals who are promoted, we offer position-specific programs tailored to their career stage, including mindset coaching and fundamental management courses. Concurrently, we encourage on-the-job training aimed at facilitating the career advancement through practical experience in the workplace, while cultivating a team environment where young employees feel comfortable enough to take on challenges.

● **Departmental Training Programs**

The respective department (sales site, factory, etc.) provides training for employees to acquire specialized knowledge and skills.

● Elective Self-Development Training Programs

We also offer several training programs designed for the next-generation leadership and top management candidates. In 2022, the LOTTE University was established as an in-company educational institution, offering leadership programs designed to foster growth of the LOTTE Group. The program comprise lectures and discussions led by senior executives from both within and outside the company, along with action learning sessions where participants propose new business ideas and offer recommendations to the top management. We also provide cross-industry exchange and off-the-job training opportunities, allowing participants to acquaint themselves with different industries, expand their network, and gain a broader perspective at an elevated level.

● Support for Self-Development

In this era of fast-paced changes, the knowledge and skills expected of employees are also changing day by day. The LOTTE-Novation College is also available as a place of learning where self-motivated employees can participate voluntarily. We also offer foreign language training, e-learning, and correspondence courses to help them gain a diverse set of knowledge and skills.

— Structure of Human Resource Cultivation Programs

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

Career Development Support

The Lotte Career Support Center was established in 2021. Our mission is to guide our employees toward self-sufficiency, enabling them to uncover their distinctive qualities and take control of their career paths. A career interview is scheduled once a year for all the young employees, and involves discussing career plans with their supervisor, providing employees with an opportunity to reflect on their career paths. For mid-career employees and the higher-level positions, a career design workshop offered at specific milestones enables them to contemplate their career paths while fostering growth in tandem with the organization. The program aims to foster a constructive work mindset and energize the workforce with boosted motivation.

Also, we offer a program to encourage employees in their 50s to have their second career path. All the retirees at the retirement age who wish to be rehired can take advantage of the post-retirement re-employment option to continue working.

● 1-on-1 Meeting

Starting in 2021, all the employees are invited to participate in a 1-on-1 meeting to speak with their supervisor individually. A 1-on-1 meeting serves as an opportunity where individual members can express their circumstances, emotions, growth, and future aspirations, rather than solely focusing on work-related topics. With communication becoming increasingly diverse, we conduct this meeting to help individuals achieve their career goals, build a trusting relationship between supervisors and team members, and ensure their physical and mental well-being.

Life-Work Balance

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



— Working Hours per Employee

FY2020	Total working hours: 1,885 hours Total hours worked outside of work hours (excluding managerial staff): 131 hours Days of paid leave taken: 13.3 (Usage rate: 66.4%)
FY2021	Total working hours: 1,880 hours Total hours worked outside of work hours (excluding managerial staff): 129 hours Days of paid leave taken: 14.1 (Usage rate: 70.7%)
FY2022	Total working hours: 1,923 hours Total hours worked outside of work hours (excluding managerial staff): 163 hours Days of paid leave taken: 15.2 (Usage rate: 75.9%)

Scope of Tabulation

LOTTE CO., LTD. and its Group companies in Japan

We introduced an array of programs to promote a flexible work style and built an environment allowing a diverse range of personnel to pursue their goals regardless of their stage in life. We are making use of these schemes to reduce work hours by increasing productivity, which is in turn aimed at achieving life-work balance for employees.

● Formation of Corporate Culture

In January 2021, we became part of the *IKUBOSS** Corporate Alliance. Our top management conveyed a message emphasizing the significance of workplace culture, understanding and awareness of the management in order to achieve a healthy life-work balance. Managers notify their staff of this declaration to ensure a continuous awareness of this practice.



* *IKUBOSS*: Bosses [at top-management or managerial positions] who effectively manage their team and support the team members' career path and life-work balance while enjoying their work and personal life.

● Establishment of the Work Style Reform Promotion Committee

In order to improve productivity and thereby reduce work hours, we established the Work Style Reform Promotion Committee in May 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, we 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**

We have 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 our headquarters' building, 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.

In April 2023, we renovated to provide a multipurpose space that enables open and lively communication.



● **Promoting the Usage of Paid Leave**

We actively encourage our employees to utilize their paid leave for leisure and self-study, fostering a balance between work and personal life.

Balancing Life Events with Work

We provide various forms of support to enable employees to continue working with peace of mind, while experiencing life events such as pregnancy, parenting, or caregiving.

● **Support for Pregnancy**

We support 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**

We are working to ensure employees with small children can continue their career while balancing their work and childcare. 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 networking and gathering events to cultivate a sense of security in parenting and 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**

We provide support to enable employees with caregiving commitments to continue working with peace of mind while balancing caregiving and employment. We offer a broader selection of company support schemes than is legally required, and also provide access to an external consultation desk so that employees can seek advice from experts regarding their caregiving-related concerns and problems. As a further benefit, we provide a specialized website for employees that they can use to gather information and search for care facilities and services.

— **Use of Childcare Leave Scheme**

FY2020	Number of employees who took childcare leave 55 (Men: 16 Women: 39) Ratio of eligible employees who took childcare leave 48% (Men: 21% Women: 100%) Ratio of employees who returned to work after childcare leave 100% (Men: 100% Women: 100%) Retention rate after childcare leave 100% (Men: 100% Women: 100%) Number of parents who worked shorter hours 139 (Men: 2 Women: 137)
FY2021	Number of employees who took childcare leave 78 (Men: 39 Women: 39) Ratio of eligible employees who took childcare leave 67% (Men: 50% Women: 100%) Ratio of employees who returned to work after childcare leave 99% (Men: 100% Women: 97%) Retention rate after childcare leave 99% (Men: 100% Women: 97%) Number of parents who worked shorter hours 160 (Men: 2 Women: 158)
FY2022	Number of employees who took childcare leave 120 (Men: 56 Women: 64) Ratio of eligible employees who took childcare leave 79% (Men: 66% Women: 97%) Ratio of employees who returned to work after childcare leave 99% (Men: 100% Women: 98%) Retention rate after childcare leave 100% (Men: 100% Women: 100%) Number of parents who worked shorter hours 180 (Men: 5 Women: 175)

Scope of Tabulation

LOTTE CO., LTD. and its Group companies in Japan

Employee Engagement

LOTTE and its Group companies 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. LOTTE Group companies in Japan have their employees complete an annual employee satisfaction survey to assess their motivation quantitatively and continuously, identify issues, and make improvements. We remain committed to pursuing strategies that enhance employee motivation and their job engagement.

2023-2028 Target
80% or more



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

2020 survey	62.7%
2021 survey	62.4%
2022 survey	59.7%

Scope of Tabulation

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

Labor Relations

We have 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.

Health Management

We believe 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.

Health Management Declaration

For LOTTE to thrive under the banner of 'Everyday Sweet Life' and enrich people's lives, we need to maintain our employees' physical and mental well-being. The management holds the responsibility of creating an environment that enables them to unleash their full potential.

The management is dedicated to advancing health management initiatives, recognizing the well-being of employees and their families as one of the most important managerial agenda.

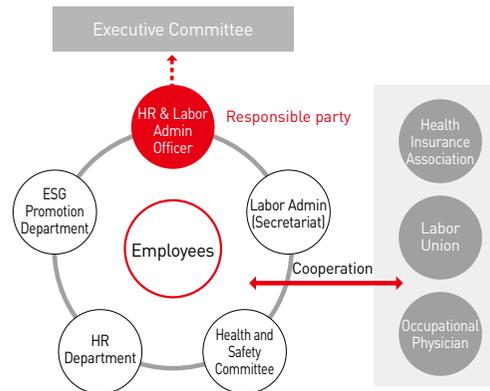
1. We respect the diversity of employees and build a workplace where each one of our employees can work comfortably and have a healthy life-work balance.
2. We are committed to providing a work environment enabling employees to work comfortably and maintain their physical and mental well-being through health promotion programs for employees and their families.
3. We promote self-care awareness for employees through health management and wellness promotion activities.

LOTTE CO., LTD.

Eiichi Gochou, President / Representative Director

Promotion System

The director overseeing our HR Department and the Labor Administration Department is responsible for promoting health management. The Labor Administration Department, HR Department, ESG Promotion Department, and Health and Safety Committee collaborate with the LOTTE Health Insurance Society, along with the labor union, and occupational physicians to manage employees' health.



Primary Measures

	Primary measures			
Health management	Periodic health checkup	Specific health guidance	Short-stay health screening	Brain checkup with MRI
	Free dental checkup	Mail-in lab test	24-hour health consultation service by phone	Online health consultation
	Influenza vaccination	COVID-19 workplace vaccination	Mental health counseling	
Health support Life support	Household medicine purchasing service	Support for smoking cessation	Maternity healthcare financial aid	Infant healthcare financial aid
	Second opinion referral	Group health insurance plan (Medical/Specified diseases)	Outsourcing of employee benefits services	Childcare and caregiving support
Improvement of health literacy	Utilization of the health portal site "HAPPYLTH"	Utilization of the healthcare app "QOLism"	Health promotion education	Distribution of health promotion organization newsletters
	Promotion of dental and oral health	Health and Safety Committee		
Support for Regular Exercise	Walking events	Sports gym/facility contracts	Extracurricular activities	
Survey	Employee Satisfaction Survey	Stress checks	SPQ (Single-Item Presenteeism Question)	Pulse survey

Evaluation & Recognition

We were recognized as a corporation with excellent health management and a White 500 company under the Certified H&PM Organization Recognition Program of METI for our efforts in promoting health management.



Health Management

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

— Activity Details

Health management

Free dental checkup	We provide employees with free dental checkups at affiliated dental clinics, and encourage them to take advantage of this service. Besides general dental checkups, our benefits include consultations on orthodontic treatment, cosmetic dentistry, and dental implants.
Mail-in lab test	As part of our disease prevention efforts, we offer mail-in lab tests for employees and their spouses. Our plan includes a free checkup for one of the twelve items, along with nutritional counseling over the phone.
24-hour health consultation service	Employees are encouraged to use the telephone or web-based health consultation service available 24/7, which is provided by an outside organization. Our program comprises a wide range of support services for employees and their families, including health, medical, nursing care, and child-care consultations, as well as arrangements for second opinions and follow-up medical exams, counseling for lifestyle diseases, and other services.
Mental health counseling	As a secondary mental health issue prevention measure, we offer a consultation hotline through an outside organization we contracted. The hotline is available 24/7 via phone or online, allowing us to identify early signs of employees' mental health issues and provide timely support.
Infection control measures	As part of our infection control measures, we provide influenza and COVID-19 vaccinations within the company. COVID-19 vaccinations are available for employees' families, as well as employees of LOTTE Group companies and affiliated companies as well. Vaccinations are administered during working hours. We offer support such as covering the partial expenses of influenza vaccinations.

Health support / Life support

Household medicine purchasing service	As part of our efforts to promote the use of OTC products, we offer a periodic purchase option of general medications used at home at discounted prices.
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Support for smoking cessation	To lower smoking rates among employees, we have introduced a non-smoking policy on our premises, including the outdoor areas of the headquarter building. We also make active efforts by providing online consultations and smoking cessation aid without fee in our quit-smoking programs.
Outsourcing of employee benefits services	As for employee benefits, we offer a comprehensive plan through an external service provider. Employees are encouraged to use healthcare and sports-related services for the improvement and management of their health.

Improvement of health literacy

Utilization of the health portal site "HAPPYLTH"	<p>We use a health portal site to help improve employees' health literacy. Using the health exam data stored on the portal site, we help employees understand their current health conditions and encourage them to use the portal to manage and improve their health.</p> <p>We also recommend them to watch and read health-related information stored on the portal site.</p> 
Utilization of the healthcare app "QOLism"	<p>The health app 'QOLism,' developed by QOLeap, Limited was introduced to help employees adopt healthy lifestyle habits.</p> <p>We encourage employees to utilize the app to improve their lifestyle (diet, sleep, exercise), mental health, and daily physical conditioning.</p> 
Health promotion education	On our intranet, we have established a dedicated website featuring health-related videos and columns covering a wide range of topics aimed at promoting lifestyle improvement and enhancing health literacy. We encourage employees to watch and read the content to enhance their well-being. This website is mobile-responsive and can be easily shared with family members at home.

Promotion of dental and oral health	<p>To enhance and promote employees' health literacy, we have a dental and oral health campaign that encourages employees to chew gum as part of their health-enhancing routines. We promote the health benefits of <i>KAMUKOTO</i> for overall well-being and consumption of xylitol for dental health throughout the company. As part of this effort, we offer <i>Xylitol Gum</i> in our company cafeterias.</p> 
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Support for Regular Exercise

Walking events	We host an annual walking event to help employees adopt a healthy lifestyle and exercise routine. The QOism app enables employees to track their daily steps and compete with others in this event, encouraging participation and enhancing motivation.
Sports gym/facility contracts	We also encourage employees to utilize the corporate gym memberships available as health promotion benefits. There are more programs to support the well-being of our employees, such as granting access to our company-owned tennis courts and providing discounted access to golf courses operated by Group companies.

Survey

Stress checks	We implement stress checks periodically. Based on the stress check results of each department, we analyze the data to improve the work environment. To help employees of foreign nationals perform self-check, we offer this assessment in their native languages.
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Occupational Health and Safety

Promotion System

Our Central Health and Safety Committee works 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

We 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

We conduct safety audits and inspections to safeguard against compliance violations and reduce the risk of occupational accidents. In the unfortunate occurrence of an accident, a thorough investigation is coupled with extensive countermeasures in order to prevent repeat occurrences.

Examples of Risk Reduction Measures

- Raised awareness of accident risk by introducing equipment that enables employees to experience potential dangerous situations
- Improved productivity and reduced the risk of lower back pain by improving workbenches
- Implemented measures to prevent equipment overturning or colliding outside production lines
- Use of highly protective gear (gloves) to prevent caught-in/between accidents

Past Occupational Accidents

If an occupational accident occurs, we take action to prevent repeat occurrences, conducting a thorough investigation and a safety inspection of equipment and implementing countermeasures. At the same time, we share information among business locations to prevent a similar accident from happening again.

Number of Accident Victims

FY2020	Accidents with absence: 38 (16 in Japan; 22 overseas)
FY2021	Accidents with absence: 50 (17 in Japan; 33 overseas)
FY2022	Accidents with absence: 70 (28 in Japan; 42 overseas)

Scope of Tabulation

LOTTE CO., LTD., its Group companies in Japan, and its major Group companies overseas

Number of Work-Related Fatalities

FY2020	0
FY2021	0
FY2022	0

Scope of Tabulation

LOTTE CO., LTD., its Group companies in Japan, and its major Group companies overseas

Lost-Time Injury Frequency and Severity Rates (In Japan)

FY2020	Frequency rate 1.53 Severity rate 0.0424
FY2021	Frequency rate 1.68 Severity rate 0.0289
FY2022	Frequency rate 1.96 Severity rate 0.0338

Scope of Tabulation

LOTTE CO., LTD. and its Group companies in Japan

Support Activities

Support for Child-Rearing Households

To support child-rearing households with financial difficulties, we donate confectionery through the project of 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. They helped financially unstable families by donating food items and other goods to improve the dietary needs of children since 2020.

Initiatives of LOTTE Group Companies

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. In FY2022, due to the ongoing impact of COVID-19, they postponed the planting of new cherry blossom trees, but they participated in go-green initiatives by helping transfer of cherry blossom trees from the graduating students to the remaining students of elementary schools where the trees were planted. During the FY2022, they donated chocolate to children's facilities and cafeteria in Matsudo City, Funabashi City, and Ota Ward, where our factories are located. During the Christmas season, they also donated gifts to 67 orphanages in Tokyo. Even during the pandemic, they engaged in support activities with heart-warming thoughts shared through chocolate gifts.



Ginza Cozy Corner Co., Ltd.

● Donation of Partial Proceeds from Plastic Bag Sales

Based on the concept “appreciation for the community” and “supporting children’s dreams,” since 2021, we have been donating partial proceeds from the sales of plastic bags to the environmental organizations in Saitama and Kanagawa Prefectures, where our factories are located. Donations to the organization in Saitama Prefecture are spent on purchasing books for the SDGs learning program at 52 elementary schools in Kawaguchi City. We received a letter of appreciation from NPO Kawaguchi Citizen’s Environmental Council for our contribution to the community in 2022.



● Pastry Class and Hands-on Sales Experience

Recognizing that a patissier is one of the popular future jobs among children, we started patissier-led pastry cooking classes and hands-on experiences of selling cakes at a store. Since the children and their families who participated enjoyed these events so much, we plan to continue these activities.

LOTTE Wedel sp. z o.o.

● CSR Report

LOTTE Wedel sp. z o.o. published its CSR Report for the first time in June 2022 using “FOR THE FUTURE WITH PLEASURE” as its slogan. This report prepared in accordance with the GRI standards describes our approaches and efforts on sustainability.



▶ LOTTE Wedel sp. z o.o. CSR Report

<https://wedel.pl/o-firmie/spoleczna-odpowiedzialnosc>

● Green Energy

In February 2020, LOTTE Wedel sp. z o.o. switched all of its energy purchase to renewable energy derived from wind-powered generation. The introduction of renewable energy has led to a 90% reduction in the carbon footprint for indirect emissions (Scope 2) in 2022 (compared to 2019).



● Procurement of Sustainable Palm Oil

As in FY 2021, we continued to work on switching to RSPO-certified palm. Over 99% of the palm oil procured in FY2022 was RSPO-certified palm oil. We will continue to work towards the 100% target and promote the use of sustainable palm oil.

● Support for Ukraine

We donated items and money to the organizations and institutions that support people injured as a result of military operations in Ukraine. We also offer aiding activities for people from Ukraine, including granting non-returnable financial assistance, arranging medical and psychological care for families, and more.

LOTTE VIETNAM CO., LTD.

● School Support Activities in Vietnam

In commemoration of the 50th anniversary of diplomatic relations between Japan and Vietnam in 2023, participating Japanese companies donated gifts to children and provided Japanese-style educational content through soccer to enhance the hands-on learning environment in schools.



● Environmental Protection and Promotion Activities

As part of our environmental conservation efforts, we conduct annual cleaning events in Hanoi and Ho Chi Minh City with the slogan “Stop Littering!”



PT. LOTTE INDONESIA

The employees 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.

THAI LOTTE donated confectionery to the royal academy institutions related to medical, social sciences, and environment, etc.



LOTTE TAIWAN CO., LTD.

Their donation contributes to the wildlife conservation of Taipei Zoo, offering support for protection, treatment, and enhancements to the animals’ habitats.



Social Data

Employee Information

	Unit	As of March 31, 2021			As of March 31, 2022			As of March 31, 2023		
		Total	Men	Women	Total	Men	Women	Total	Men	Women
Total number of Lotte Group employees	Persons	9,844	—	—	11,704	—	—	11,794	—	—
	Full-time employees	6,668	—	—	7,356	—	—	7,375	—	—
	Part-time employees	3,176	—	—	4,348	—	—	4,419	—	—
Total number of employees in Japan	Persons	5,708	—	—	7,509	—	—	7,446	—	—
	Full-time employees	3,165	1,982	1,183	3,766	2,354	1,412	3,713	2,301	1,412
	Part-time employees	2,543	—	—	3,743	—	—	3,733	—	—
LOTTE CO., LTD.	Persons	4,618	—	—	4,496	—	—	4,436	—	—
	Full-time employees	2,493	1,747	746	2,491	1,738	753	2,459	1,702	757
	Part-time employees	2,125	—	—	2,005	—	—	1,977	—	—
Group companies in Japan	Persons	1,090	—	—	3,013	—	—	3,010	—	—
	Full-time employees	672	235	437	1,275	616	659	1,254	599	655
	Part-time employees	418	—	—	1,738	—	—	1,756	—	—
Total number of employees overseas	Persons	4,136	—	—	4,195	—	—	4,348	—	—
	Full-time employees	3,503	—	—	3,590	—	—	3,662	—	—
	Part-time employees	633	—	—	605	—	—	686	—	—
Asia subtotal	Persons	2,652	—	—	2,727	—	—	2,860	—	—
	Full-time employees	2,456	—	—	2,500	—	—	2,560	—	—
	Part-time employees	196	—	—	227	—	—	300	—	—
U.S. and Europe subtotal	Persons	1,484	—	—	1,468	—	—	1,488	—	—
	Full-time employees	1,047	—	—	1,090	—	—	1,102	—	—
	Part-time employees	437	—	—	378	—	—	386	—	—

	Unit	As of March 31, 2021			As of March 31, 2022			As of March 31, 2023		
		Total	Men	Women	Total	Men	Women	Total	Men	Women
Average age of employees in Japan	Age	38.8	39.4	37.8	39.7	40.7	38.2	40.4	41.4	38.9
	LOTTE CO., LTD.	38.5	39.1	37.0	38.9	39.5	37.5	39.6	40.2	38.2
	Group companies in Japan	40.0	41.5	39.2	41.4	44.0	39.0	42.0	44.7	39.6
Average length of employment in Japan	Year	15.2	15.9	14.0	16.6	17.5	15.0	17.1	18.2	15.5
	LOTTE CO., LTD.	15.9	15.9	15.9	16.4	16.4	16.3	17.0	17.1	16.8
	Group companies in Japan	12.6	16.1	10.7	16.9	20.6	13.6	17.4	21.3	14.0
Number of managers in LOTTE Group	Persons	712	563	149	827	656	171	790	626	164
	Ratio of female managers*	20.9			20.7			20.8		
Number of managers in Japan	Persons	439	413	26	536	497	39	529	490	39
	Ratio of female managers*	5.9			7.3			7.4		
LOTTE CO., LTD.	Persons	337	322	15	332	316	16	329	314	15
	New graduates	278	266	12	276	264	12	273	262	11
	Mid-career	59	56	3	56	52	4	56	52	4
Group companies in Japan*	Persons	102	91	11	204	181	23	200	176	24
	New graduates*	86	76	10	159	140	19	159	139	20
	Mid-career*	16	15	1	45	41	4	41	37	4
Overseas total	Persons	273	150	123	291	159	132	261	136	125
	Ratio of female managers	45.1			45.4			47.9		
Ratio of female managers	LOTTE CO., LTD.	4.5			4.8			4.6		
Ratio of female supervisors (section manager class)	LOTTE CO., LTD.	9.9			11.0			12.2		

* The previously provided information has been updated due to an error

● Human Resource Cultivation and Life-Work Balance

	Unit	FY2020			FY2021			FY2022			
		Total	Men	Women	Total	Men	Women	Total	Men	Women	
Average annual training hours per employee*	LOTTE CO., LTD.	Hours	5	—	—	9	—	—	10	—	—
Annual training expenses*		Million yen	45	—	—	45	—	—	89	—	—
Percentage of employees with high job satisfaction	LOTTE CO., LTD. and its Group companies in Japan	%	62.7	—	—	62.4	—	—	59.7	—	—
Total working hours per year		Hours	1,885	—	—	1,880	—	—	1,923	—	—
Overtime work hours (excluding managers)		Hours	131	—	—	129	—	—	163	—	—
Number of paid leave days taken		Days	13.3	—	—	14.1	—	—	15.2	—	—
Paid leave utilization rate		%	66	—	—	71	—	—	76	—	—
Number of employees who took childcare leave		Persons	55	16	39	78	39	39	120	56	64
Childcare leave utilization rate		%	48	21	100	67	50	100	79	66	97
Ratio of employees who returned to work after childcare leave		%	100	100	100	99	100	97	99	100	98
Retention rate after childcare leave		%	100	100	100	99	100	97	100	100	100
Number of parents who worked shorter hours		Persons	139	2	137	160	2	158	180	5	175

* Skill development training hosted by the HR department

● Hiring and Dismissal and Retirement

	Unit	FY2020			FY2021			FY2022			
		Total	Men	Women	Total	Men	Women	Total	Men	Women	
Number of employees hired in LOTTE Group	Persons	—	—	—	1,362	926	436	1,461	899	562	
Number of employees hired in Japan	Persons	183	103	80	103	56	47	111	40	71	
	New graduates	Persons	170	97	73	88	50	38	72	30	42
	Mid-career	Persons	13	6	7	15	6	9	39	10	29
LOTTE CO., LTD.	Persons	157	97	60	90	50	40	62	32	30	
	New graduates	Persons	150	91	59	81	46	35	49	26	23
	Mid-career	Persons	7	6	1	9	4	5	13	6	7
Group companies in Japan	Persons	26	6	20	13	6	7	49	8	41	
	New graduates	Persons	20	6	14	7	4	3	23	4	19
	Mid-career	Persons	6	0	6	6	2	4	26	4	22
Number of employees hired overseas	Persons	—	—	—	1,259	870	389	1,350	859	491	
Number of employees retired/dismitted from the Group	Persons	—	—	—	1,369	869	500	1,615	1,025	590	
	Retirement	Persons	—	—	—	51	26	25	54	42	12
	Personal reasons	Persons	—	—	—	1,318	843	475	1,561	983	578
Number of employees retired/dismitted in Japan	Persons	95	53	42	150	67	83	165	84	81	
	Retirement	Persons	20	17	3	36	22	14	34	29	5
	Personal reasons	Persons	75	36	39	114	45	69	131	55	76
LOTTE CO., LTD.	Persons	50	34	16	88	52	36	83	60	23	
	Retirement	Persons	10	9	1	25	19	6	21	19	2
	Personal reasons	Persons	40	25	15	63	33	30	62	41	21
Group companies in Japan	Persons	45	19	26	62	15	47	82	24	58	
	Retirement	Persons	10	8	2	11	3	8	13	10	3
	Personal reasons	Persons	35	11	24	51	12	39	69	14	55
Number of employees retired/dismitted overseas	Persons	—	—	—	1,219	802	417	1,450	941	509	
	Retirement	Persons	—	—	—	15	4	11	20	13	7
	Personal reasons	Persons	—	—	—	1,204	798	406	1,430	928	502

	Unit	FY2020			FY2021			FY2022			
		Total	Men	Women	Total	Men	Women	Total	Men	Women	
Ratio of female in new graduates	LOTTE CO., LTD.	%	39.3			43.2			46.9		
Turnover rate at LOTTE CO., LTD.		%	1.6	1.4	2.1	2.5	1.8	4.0	2.4	2.3	2.7
	Turnover rate within 3 years for new graduates	%	0.6	0.4	1.0	0.8	0.6	1.3	0.5	0.4	0.8
Percentage of Employees with Disabilities in Japan		%	2.4	—	—	2.4	—	—	2.3	—	—
Number of rehired employees in Japan*		Persons	95	81	14	107	84	23	138	110	28
	LOTTE CO., LTD.	Persons	62	59	3	70	64	6	70	63	7
	Group companies in Japan	Persons	33	22	11	37	20	17	68	47	21
Re-employment ratio in Japan*		%	100	100	100	100	100	100	100	100	100
	LOTTE CO., LTD.	%	100	100	100	100	100	100	100	100	100
	Group companies in Japan	%	100	100	100	100	100	100	100	100	100

* Employees between the ages of 60 and 65 who wish to be rehired

● Occupational Health and Safety

	Unit	FY2020			FY2021			FY2022			
		Total	Men	Women	Total	Men	Women	Total	Men	Women	
Number of workers involved in occupational accidents resulting in lost workdays (Group total)	Persons	38	17	21	50	38	12	70	37	33	
	Japan	Persons	16	6	10	17	13	4	28	11	17
	Overseas	Persons	22	11	11	33	25	8	42	26	16
Number of work-related fatalities (Group total)	Persons	0	0	0	0	0	0	0	0	0	
Lost-time injury frequency rate	Japan	—	1.53	—	—	1.68	—	—	1.96	—	—
Lost-time injury severity rate	Japan	—	0.0424	—	—	0.0289	—	—	0.0338	—	—

Japan: LOTTE CO., LTD. and its Group companies in Japan

● Food and Health

	Unit	FY2020	FY2021	FY2022
Percentage of people who practice <i>KAMUKOTO</i> *	%	20	20	22
Percentage of people who have made xylitol part of their daily lives for the sake of their dental and oral health *	%	32	28	25
Number of people attending our food education lectures	LOTTE CO., LTD. Ten thousand	4.1	4.6	6.6

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

● Sustainable Procurement

	Unit	FY2020	FY2021	FY2022	
Raw material procurement volume	Japan	Thousand t	208	207	205
Amount of Cacao Beans Procured	LOTTE CO., LTD.	Thousand t	8.3	5.1	6.0
Ratio of FAIR CACAO	%	11	19	26	
Amount of Palm Oil Procured	Japan	Thousand t	16.0	16.0	15.5
Ratio of third-party verified palm oil	%	10	18	65	
Amount of Paper Procured (for Product Containers and Packaging)	Japan	Thousand t	42.7	41.2	41.9
Environmentally friendly paper	%	94	96	95	

Japan: LOTTE CO., LTD. and its major Group companies in Japan

Governance




Risk Management
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Corporate Governance
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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.

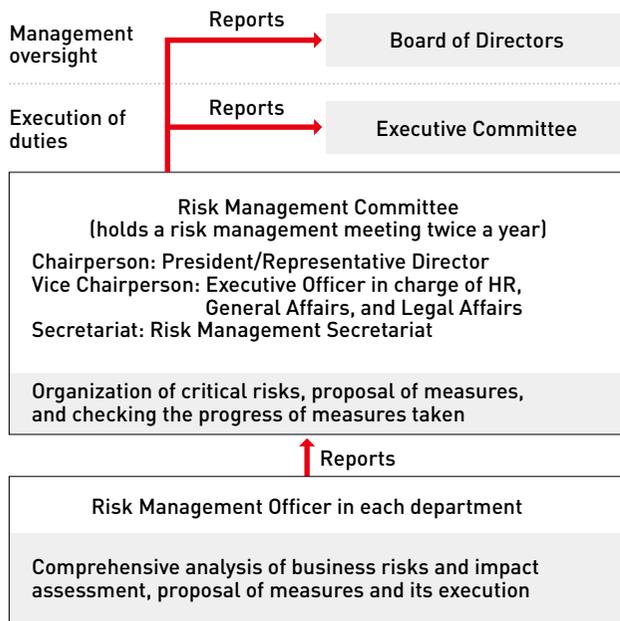
We continue to strengthen our corporate governance to ensure sustainable enhancements in corporate value while responding to change.

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.



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 company-wide 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.

In the event of a crisis, LOTTE CSIRT will assemble a cybersecurity response team and take prompt action.



Education on Information Security

The LOTTE CSIRT also provides information security education. In addition to training new employees, the CSIRT regularly raises alerts regarding targeted emails threats and implements practical training.

Responses to Disaster Risks

We have launched a BCP project team and defined the fundamental BCP policy applicable to individual BCP for our factories and departments within the head office.

Fundamental BCP Policy

1. The lives and safety of employees and their families are our top priority.
2. We fulfill our corporate social responsibility while ensuring business continuity.

To achieve these two objectives, we will build a robust organization capable of taking appropriate actions promptly.

Compliance

Our Behavior Charter, LOTTE Group Way

The LOTTE Group Way, established in 2008, is the policy to be understood by all of our directors and employees of LOTTE Group companies in conducting their work. The LOTTE Group Way is published on our corporate website, and serves as our promise to society to engage in ethical and honest business practices. Its seven points make up the behavioral guidelines necessary to achieve the LOTTE Group Mission and embody the LOTTE Values.

In addition to our corporate website, the LOTTE Group Way is also included in the LOTTE Group Philosophy online book and our multilingual booklet to disseminate the behavior charter among employees and directors and to promote understanding.



▶ LOTTE Group Way

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

Employee Education

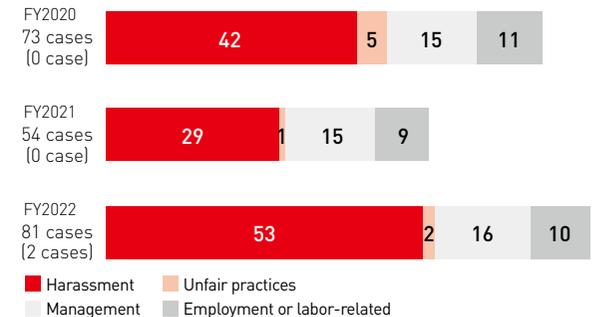
As another means to communicate our behavior charter and encourage ethical and honest business practices, we provide compliance training to our employees. In FY2022, compliance was covered in annual training, as well as in training for new employees and those being promoted. We also distributed the Compliance Guidebook to all employees to raise awareness of compliance-related matters.



Whistleblowing System

In 2006, we established an internal hotline called "Clean Line" as part of our whistleblowing system. 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. In 2018, we established an external whistleblowing hotline aiming to improve the effectiveness of our whistleblowing system for LOTTE CO., LTD. and LOTTE Group companies in Japan and overseas.

Number of Consultations and Reports



Figures in parentheses represent the number of consultations or reports that had not been fully dealt with by March 31, 2023.

Scope of Tabulation

LOTTE CO., LTD. and its Group companies in Japan

Compliance Violation

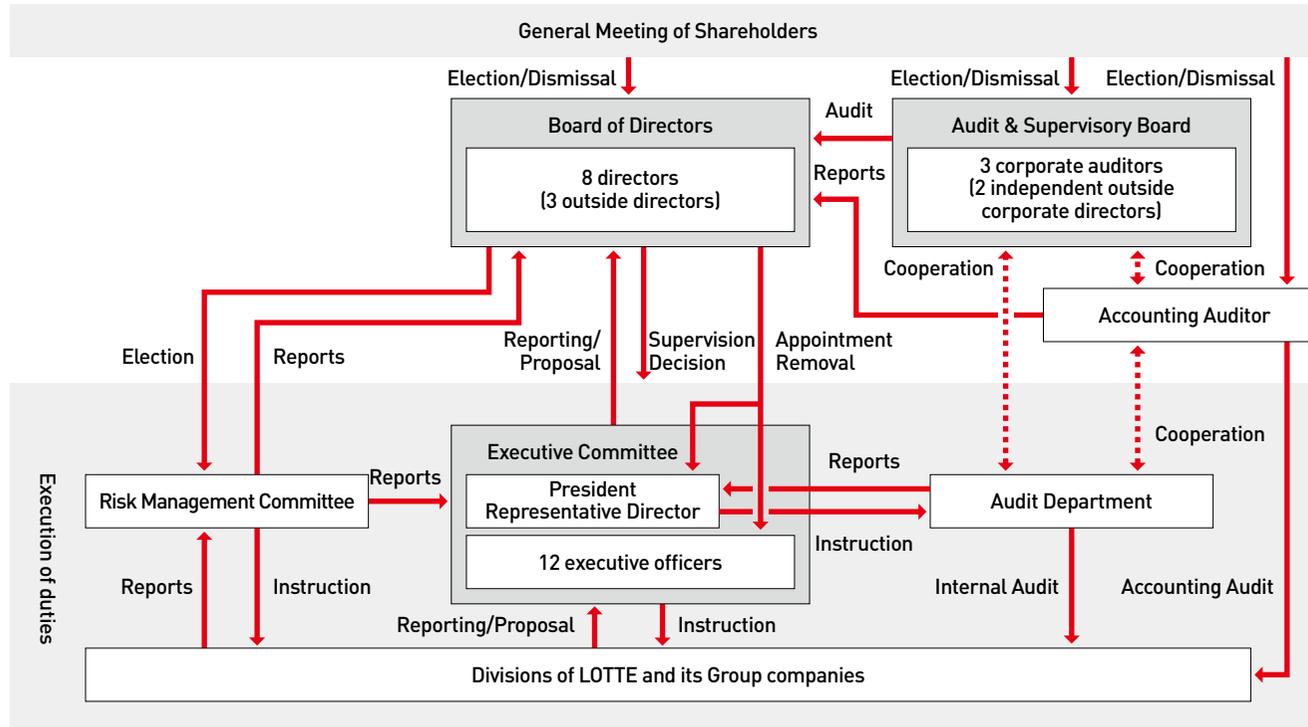
In FY2022, there were no serious compliance violations.

Corporate Governance

As of July 1, 2023

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

Number of Executive Officers	12
Accounting Auditor	Deloitte Touche Tohmatsu LLC
Internal Audit Department	Audit Department



Organization & Meeting	Chairperson	Members (As of July 1, 2023)				Number of Meetings Held in FY2022
		Total	Inside Director	Outside Director	Audit & Supervisory Board Member	
Board of Directors	President / Representative Director	11	5	3	3	15 times
Executive Committee	President / Representative Director	19*	4	-	2	12 times
Audit & Supervisory Board	Full-time Company Auditor	3	-	-	3	13 times

*Includes 12 executive officers and 5 department heads nominated by the chairperson

GRI Reference Table

This databook references the GRI Standards on sustainability reporting.
SDB: Sustainability Databook 2023 **SCB:** Sustainability Communication Book 2023 **CS:** Corporate Site

General Disclosures

GRI2: General Disclosures 2021		
1. The organization and its reporting practices		
2-1	Organizational details	SDB P.2 Company Information SCB Back cover CS Company Profile
2-2	Entities included in the organization's sustainability reporting	SDB P.2 Editorial Policy CS Company Profile
2-3	Reporting period, frequency and contact point	SDB P.2 Editorial Policy, Company Information SCB Back cover CS Company Profile
2-4	Restatements of information	SDB P.10-12 Results Highlights SCB LOTTE Medium-Term ESG Targets
2-5	External assurance	SDB P.30 Independent Practitioner's Assurance of Greenhouse Gas Emissions
2. Activities and workers		
2-6	Activities, value chain and other business relationships	SDB P.13 LOTTE's Approach to Materiality SDB P.38-42 Sustainable Procurement SCB P.15-16 Sustainable Procurement CS Sustainable Procurement
2-7	Employees	SDB P.50-51 Social Data SCB Back cover
2-8	Workers who are not employees	-
3. Governance		
2-9	Governance structure and composition	SDB P.56 Corporate Governance
2-10	Nomination and selection of the highest governance body	SDB P.56 Corporate Governance
2-11	Chair of the highest governance body	SDB P.56 Corporate Governance
2-12	Role of the highest governance body in overseeing the management of impacts	SDB P.14 Sustainability Management Promotion SDB P.54 Risk Management
2-13	Delegation of responsibility for managing impacts	SDB P.14 Sustainability Management Promotion SDB P.54 Risk Management
2-14	Role of the highest governance body in sustainability reporting	SDB P.14 Sustainability Management Promotion
2-15	Conflict of interest	-
2-16	Communication of serious concerns	SDB P.54 Risk Management
2-17	Collective knowledge of the highest governance body	SDB P.14 Sustainability Management Promotion
2-18	Assessment of the performance of the highest governance body	SDB P.14 Sustainability Management Promotion SDB P.56 Corporate Governance
2-19	Remuneration policy	-
2-20	Process of determining remuneration	-
2-21	Percentage of total annual remuneration	-

4. Strategies, policies and practices		
2-22	Statement on sustainable development strategy	SDB P.3 Message from the President SDB P.6-8 Dialogue SCB P.4-6 Dialogue CS Message from the President
2-23	Policy commitments	SDB P.20-22 Responses to Climate Change SDB P.25-27 Circular Economy SDB P.32-33 Human Rights SDB P.33-35 Food and Health SDB P.36-38 Food Safety and Reliability SDB P.38-42 Sustainable Procurement SDB P.42-43 DEI SDB P.46-47 Health Management SCB P.9 Food Safety and Reliability SCB P.10-12 Food and Health SCB P.13 Responses to Climate Change SCB P.15-16 Sustainable Procurement SCB P.17 DEI CS Food Safety and Reliability CS Food and Health CS Environment CS Sustainable Procurement CS Employee Empowerment
2-24	Embedding policy commitments	SDB P.9 Materiality and Medium-Term ESG Targets SDB P.14 Sustainability Management Promotion SDB P.7-8 Materiality and Medium-Term ESG Targets
2-25	Processes to remediate negative impacts	SDB P.32-33 Human Rights SDB P.54 Risk Management SCB P.20 Respect for Human Rights
2-26	Mechanisms for seeking advice and raising concerns	SDB P.55 Compliance SCB P.20 Compliance
2-27	Compliance with laws and regulations	SDB P.55 Compliance Violation
2-28	Membership associations	SDB P.18 Collaboration with external initiatives CS Policy, Guidelines, Declarations, etc.
5. Stakeholder Engagement		
2-29	Approach to stakeholder engagement	SDB P.13 Dialogues with Stakeholders SDB P.15-18 Dialogues with Experts CS Dialogues with Experts
2-30	Collective bargaining agreements	SDB P.45 Labor Relations
GRI3: Material Items 2021		
3-1	Process to determine material topics	SDB P.13 LOTTE's Approach to Materiality CS Formulation process
3-2	List of material items	SDB P.9 Materiality and Medium-Term ESG Targets SDB P.7-8 Materiality and Medium-Term ESG Targets CS LOTTE Medium-Term ESG Targets
3-3	Management of material topics	SDB P.14 Sustainability Management Promotion

Standard by topic

200: Economy		
201	Economic Performance 2016	
201-1	Direct economic value created and distributed	SDB P.5 At a Glance CS Performance
201-2	Financial impacts and other risks and opportunities from climate change	SDB P.20-22 Responses to Climate Change SCB P.13 Responses to Climate Change
201-3	Defined benefit pension plan contributions and other retirement benefits plans	-
201-4	Financial support received from the government	-
202		
Presence in the Local Economy 2016		
202-1	Ratio of standard new employee salary to the local minimum wage	-
202-2	Ratio of upper management personnel hired from local communities	-
203		
Indirect Economic Impacts 2016		
203-1	Infrastructure investment and support services	SDB P.33-36 Food and Health SDB P.38-42 Sustainable Procurement SDB P.48-49 Initiatives of LOTTE Group Companies SCB P.10-12 Food and Health SCB P.15-16 Sustainable Procurement CS Food and Health CS Sustainable Procurement
203-2	Significant indirect economic impacts	SDB P.33-36 Food and Health SDB P.38-42 Sustainable Procurement SCB P.10-12 Food and Health SCB P.15-16 Sustainable Procurement CS Food and Health CS Sustainable Procurement
204		
Procurement Practices 2016		
204-1	Percentage of spending on local suppliers	-
205		
Preventing Pollution 2016		
205-1	Business sites conducting risk assessment on corruption	-
205-2	Communication and training on anti-corruption policy and procedures	SDB P.55 Compliance SCB P.20 Compliance CS Our Behavior Charter
205-3	Confirmed cases of corruption and measures taken	-
206		
Anti-Competitive Behavior 2016		
206-1	Legal actions taken for anti-competitive behavior, anti-trust, and monopolistic practices	Not applicable SDB P.55 Compliance
207		
Taxation 2019		
207-1	Approach to tax	-
207-2	Tax governance, management and risk management	-
207-3	Tax-related stakeholder engagement	-
207-4	Reporting by country	-

300: Environment		
301	Raw Materials 2016	
301-1	Weight or volume of raw materials used	SDB P.38-42 Sustainable Procurement
301-2	Recycled materials used	SDB P.26 Paper Containers and Packaging
301-3	Recycled products and packaging	SDB P.25-27 Circular Economy
302	Energy 2016	
302-1	In-house energy expenditure	SDB P.24 Energy Input SDB P.28 Environmental Data
302-2	Outside energy expenditure	-
302-3	Energy consumption per unit	SDB P.28 Environmental Data
302-4	Reduction of energy expenditure	SDB P.24 Energy Saving Initiatives SCB P.13 Achieving Decarbonization
302-5	Reducing energy requirements for products and services	-
303	Water and Wastewater 2018	
303-1	Interaction with water as a shared resource	SDB P.27 Water Resources SDB P.29 Environmental Data
303-2	Management of impacts related to wastewater	SDB P.27 Water Resources
303-3	Water withdrawal	SDB P.27 Water Resources SDB P.29 Environmental Data
303-4	Wastewater	SDB P.29 Environmental Data
303-5	Water consumption	SDB P.27 Water Resources SDB P.29 Environmental Data
304	Biodiversity 2016	
304-1	Business sites owned, leased, or managed in protected areas, non-protected areas with high biodiversity value, or areas adjacent to them.	SDB P.27 Consideration for Biodiversity
304-2	Significant impacts of activities, products, and services on biodiversity	SDB P.27 Consideration for Biodiversity
304-3	Habitat protection and restoration	SDB P.27 Consideration for Biodiversity
304-4	Species on the IUCN Red List and National Conservation Species List living in areas impacted by the business	SDB P.27 Consideration for Biodiversity
305	Atmospheric Emissions 2016	
305-1	Direct greenhouse gas (GHG) emissions [Scope 1]	SDB P.23-24 Reducing Greenhouse Gas Emissions SDB P.28 Environmental Data SCB P.21 Medium-Term ESG Targets: Results Highlights CS Environment
305-2	Indirect greenhouse gas (GHG) emissions [Scope 2]	SDB P.23-24 Reducing Greenhouse Gas Emissions SDB P.28 Environmental Data SCB P.21 Medium-Term ESG Targets: Results Highlights CS Environment
305-3	Other indirect greenhouse gas (GHG) emissions [Scope 3]	SDB P.23-24 Reducing Greenhouse Gas Emissions SDB P.28 Environmental Data CS Environment
305-4	Greenhouse Gas (GHG) emissions per-unit volume	SDB P.28 Environmental Data

305-5	Reducing Greenhouse Gas (GHG) Emissions	SDB P.23-24 Reducing Greenhouse Gas Emissions SDB P.28 Environmental Data SCB P.21 Medium-Term ESG Targets: Results Highlights CS Environment
305-6	Emissions of ozone depleting substances (ODS)	SDB P.24 Management of Refrigerants (CFCs) SDB P.28 Environmental Data
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant atmospheric emissions	SDB P.28-29 Environmental Data
306	Waste 2020	
306-1	Waste generation and significant waste-related impacts	SDB P.25-27 Circular Economy SDB P.29 Environmental Data SCB P.14 Initiatives to Reduce FLW CS Environment
306-2	Management of significant waste-related impacts	SDB P.25-27 Circular Economy SCB P.14 Initiatives to Reduce FLW CS Environment
306-3	Waste generated	SDB P.25-27 Circular Economy SDB P.29 Environmental Data CS Environment
306-4	Waste diverted from disposal	SDB P.25-27 Circular Economy SDB P.29 Environmental Data SCB P.16 LOTTE DO Cacao PROJECT SCB P.21 Medium-Term ESG Targets: Results Highlights CS Environment
306-5	Waste directed to disposal	SDB P.29 Environmental Data
307	Environmental Compliance 2016	
307-1	Violations of environmental regulations	SDB P.20 Environmental Accidents and Compliance Violations
308	Environmental Assessment of Suppliers 2016	
308-1	New suppliers chosen based on environmental standards	-
308-2	Negative environmental impact and actions taken within the supply chain	SDB P.38-42 Sustainable Procurement
400: Social		
401	Employment 2016	
401-1	Employees hired and turnover	SDB P.51 Social Data
401-2	Stipends paid to full-time employees only and not paid to non full-time employees	-
401-3	Childcare leave	SDB P.45 Balancing Life Events with Work SDB P.51 Social Data SCB P.18 Balancing Life Events with Work
402	Labor Relations 2016	
402-1	Minimum notice period for business changes	-
403	Occupational Health and Safety 2018	
403-1	Occupational health and Safety Management System	SDB P.48 Occupational Health and Safety
403-2	Identification of hazards, risk assessment, and incident investigation	SDB P.48 Occupational Health and Safety
403-3	Occupational health services	SDB P.46-47 Health Management SCB P.19 Health & Productivity Management White 500 CS Health Management Declaration

403-4	Employee participation, negotiation and communication in occupational health and safety	SDB P.48 Occupational Health and Safety
403-5	Employee training on occupational health and safety	SDB P.48 Occupational Health and Safety
403-6	Employee health advancement	SDB P.46-47 Health Management SCB P.19 Health & Productivity Management White 500 CS Health Management Declaration
403-7	Prevention and mitigation of impacts on occupational health and safety directly connected to the business	SDB P.48 Occupational Health and Safety
403-8	Workers covered by the occupational health and safety management system	SDB P.48 Occupational Health and Safety
403-9	Occupational injuries	SDB P.48 Occupational Health and Safety
403-10	Work-related diseases and illnesses	-
404	Training and Education 2016	
404-1	Average annual training hours per employee	SDB P.43 Training Performance SDB P.51 Social Data
404-2	Employee skill enhancement program and transition support program	SDB P.43-44 Human Resource Cultivation
404-3	Percentage of employees under regular review for performance and career development	SDB P.43-44 Human Resource Cultivation
405	Diversity and Equal Opportunities 2016	
405-1	Governance body and employee diversity	SDB P.42-43 DEI SCB P.17 DEI CS Employee Empowerment
405-2	Ratio of basic salary and total remuneration between men and women	-
406	Non-discrimination 2016	
406-1	Cases of discrimination and remedies taken	SDB P.32-33 Human Rights SDB P.55 Compliance SCB P.20 Respect for Human Rights SCB P.20 Compliance
407	Freedom of Association and Collective Bargaining 2016	
407-1	Business sites and suppliers where freedom of association and collective bargaining rights may be at risk	SDB P.38-42 Sustainable Procurement
408	Child Labor 2016	
408-1	Business sites and suppliers at significant risk for child labor incidents	SDB P.32-33 Human Rights SDB P.38-42 Sustainable Procurement SCB P.15 Monitoring of Child Labor CS Sustainable Procurement
409	Forced Labor 2016	
409-1	Business sites and suppliers at significant risk for forced labor incidents	SDB P.32-33 Human Rights SDB P.38-42 Sustainable Procurement SCB P.20 Respect for Human Rights
410	Security Practices 2016	
410-1	Security personnel received training on human rights and procedures	-
411	Rights of Indigenous People 2016	
411-1	Examples of violation of rights of indigenous people	Not applicable to the company's operations SDB P.32-33 Human Rights

GRI Reference Table

413 Local Communities 2016		
413-1	Business sites that conducted engagement, impact assessment and product development with local communities	SDB P:38-42 Sustainable Procurement SCB P:15-16 Sustainable Procurement CS Sustainable Procurement
413-2	Business sites that have a significant negative impact (actual or potential) on the local community	-
414 Social Assessment of Suppliers 2016		
414-1	New suppliers chosen based on social standards	-
414-2	Negative social impact and actions taken within the supply chain	SDB P:38-42 Sustainable Procurement
415 Public Policy 2016		
415-1	Political contributions	-
416 Health and Safety Committee 2016		
416-1	Evaluation of health and safety impact in the category of products and services	SDB P:36-38 Food Safety and Reliability SCB P:9 Food Safety and Reliability CS Food Safety and Reliability
416-2	Examples of violation that impact product and service health and safety	SDB P:38 Recalls and Legal Violations
417 Marketing and Labeling 2016		
417-1	Product and service information and labeling requirements	SDB P:26 Environmentally Friendly Containers and Packaging SDB P:36-38 Food Safety and Reliability SCB P:9 Food Safety and Reliability SCB P:14 Environmentally Friendly Containers and Packaging
417-2	Product and service information and labeling violations	SDB P:38 Recalls and Legal Violations
417-3	Marketing and communication violations	SDB P:38 Recalls and Legal Violations
418 Customer Privacy 2016		
418-1	Materialized complaints related to customer privacy violation and customer data loss	-
419 Compliance with Socioeconomic Aspects 2016		
419-1	Violation of socio-economic laws and regulations	SDB P:55 Compliance Violation