

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.

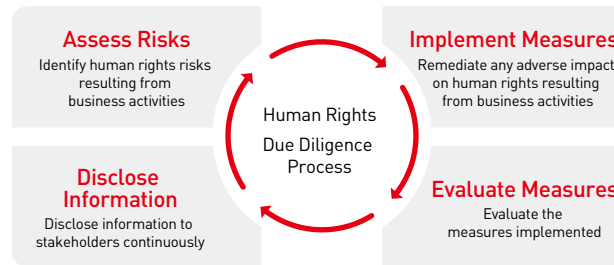
^{*1} The Ten Principles of the UN Global Compact, the Global Reporting Initiative (GRI) Standards, the United Nations Guiding Principles on Business and Human Rights, the OECD Due Diligence Guidance for Responsible Business Conduct, etc.

^{*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

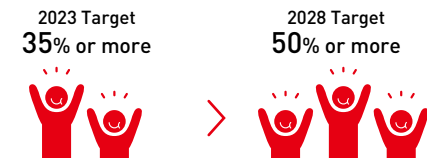
Leveraging the knowledge and technology accumulated to date since the founding, we continued to grow by providing new value to local communities and society. For example, *Xylitol Gum*, launched in 1997, contributed to society and created new value that gums can keep your teeth strong and healthy. We 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

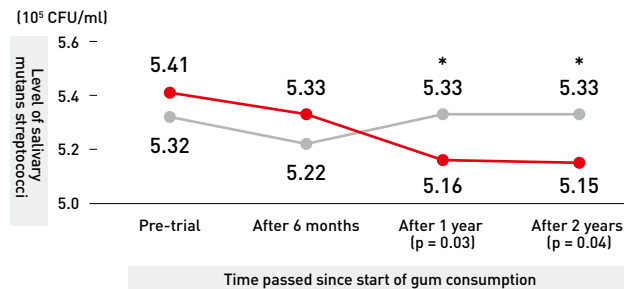
Xylitol is a type of sugar alcohol that does not create the acid that causes cavities; it is made from trees such as white birch and oak. It is roughly as sweet as sugar, but has fewer calories at around 3 kcal/g, compared with sugar's 4 kcal/g. Xylitol's key distinguishing feature is the smooth burst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



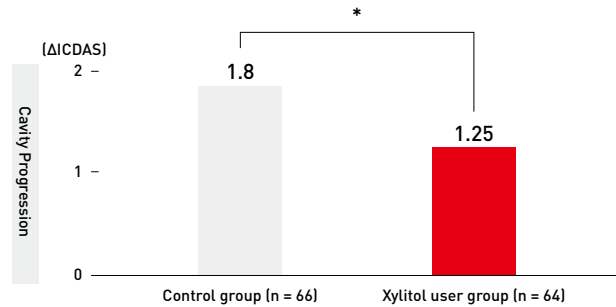
● Control group (n = 66) ● Xylitol user group (n = 64)

* 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.

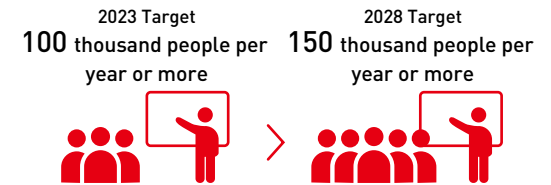
● Mitigation of Risk of Transmission from Mother to Baby

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.

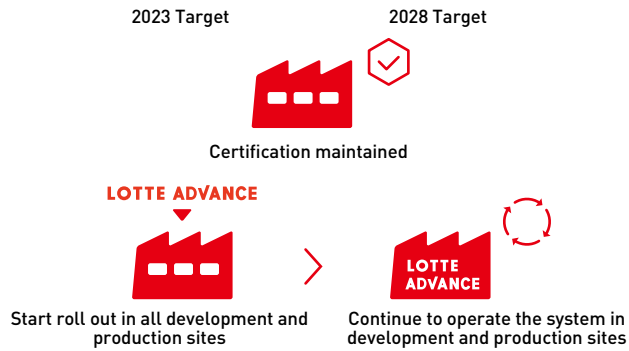
To further improve quality and ensure a high level of safety in the future, we rolled out LOTTE ADVANCE, a new proprietary quality assurance system, beginning in FY2023.

*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.

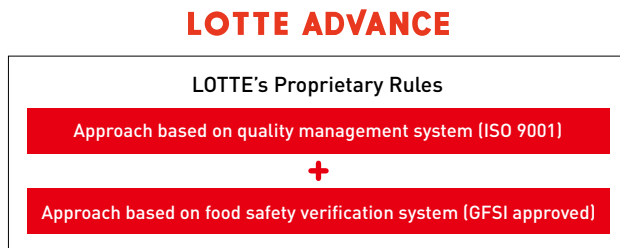
Our new quality assurance system, LOTTE ADVANCE, is built upon food safety initiatives aligned with the approach of the GFSI-approved scheme (FSSC22000/BRC) certification, an international food safety certification. LOTTE ADVANCE incorporates the approach of ISO 9001*, the International Organization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



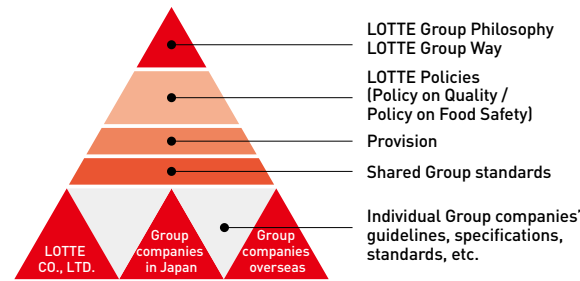
Focusing primarily on products sold in Japan, we will adopt this new system with the capacity to assess food safety-related risk from the product design and development stage to reduce risk throughout the entire supply chain from an even wider variety of perspectives than hitherto. We will, moreover, 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

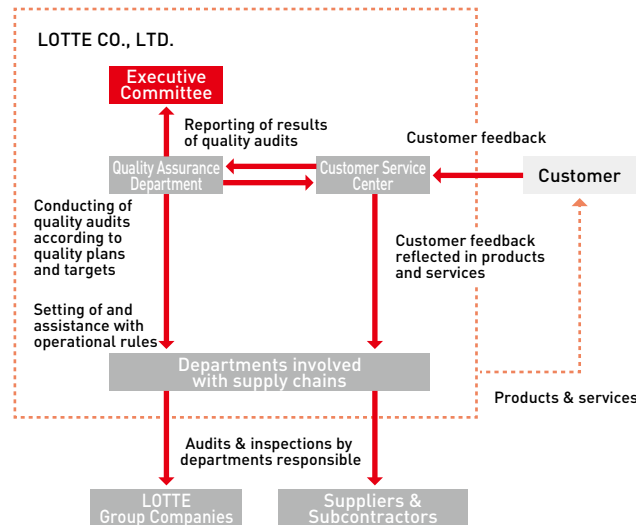


Quality Assurance Promotion System

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.

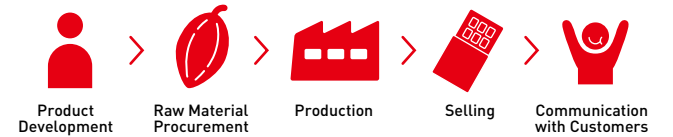
— Quality Assurance System



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

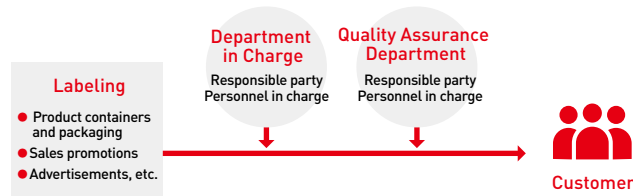
Measures to protect against contamination from foreign substances are implemented at factories belonging to LOTTE CO., LTD. with great care. Those entering a production site must wash their hands and use an alcohol disinfectant as a standard measure, and must undergo an additional three-step process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

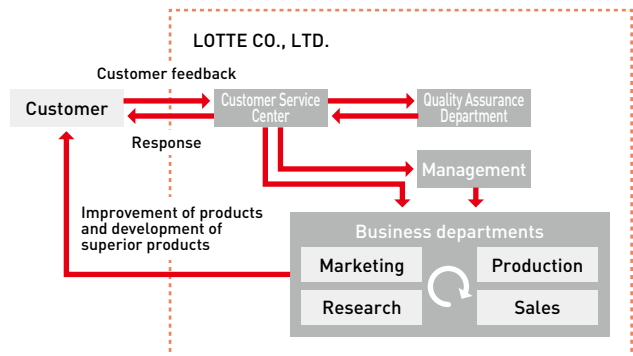
We also defined the human rights guidelines for expressions that may lead to harmful stereotyping, discrimination, or negative influence on minors, ensuring that our materials do not include such expressions.

— Our Labeling Check System



● Communication with Customers

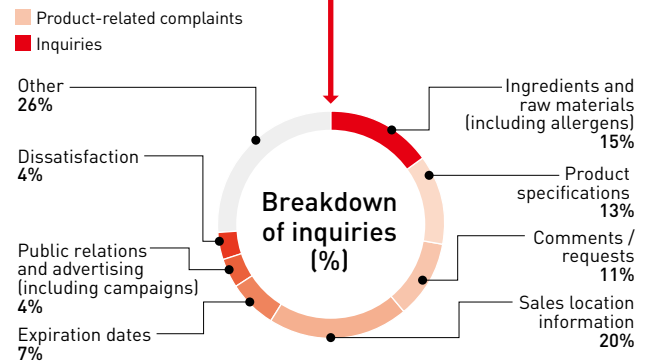
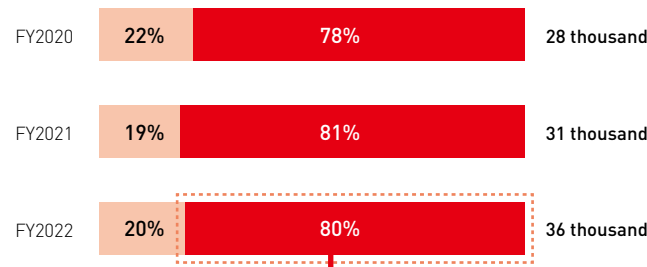
We have established a Customer Service Center as a means to handle customer inquiries and consultations, which is part of our commitment to providing sincere support and clear information so that customers can use our products and services with peace of mind. Customer feedback is shared with management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

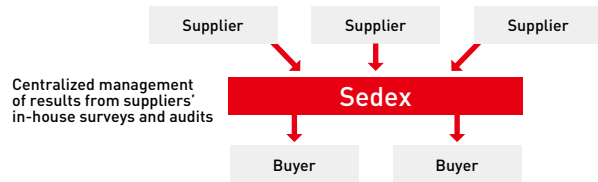
We advocate for sustainable procurement based on our procurement policy. This policy outlines ethical business practices, quality and safety standards, as well as environmentally friendly practices and consideration for society. However, as our supply chain becomes more globalized, it is more difficult 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.



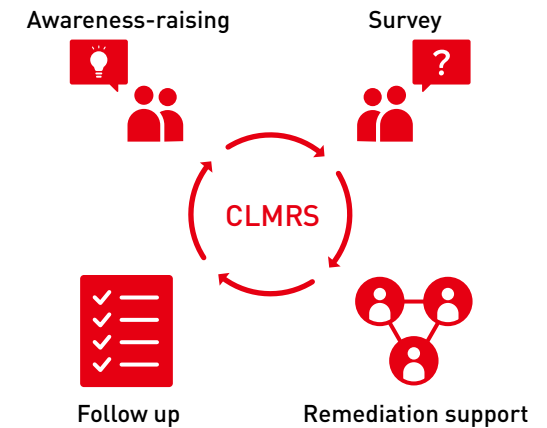
Among all the problems cacao producers have, the FAIR CACAO PROJECT aims to eradicate child labor more than anything else. In addition to the strategic procurement from designated regions, we adopted CLMRS* to monitor child labor as part of a joint program with local partners. In this strategic procurement,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

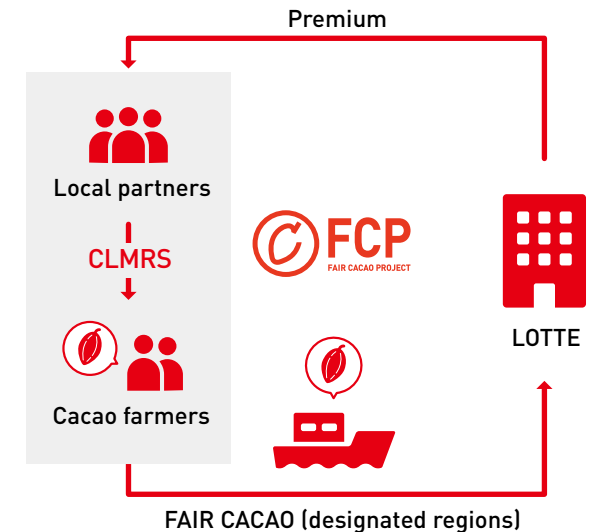
Fair Cacao Procurement Regions (FY2022 result)

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

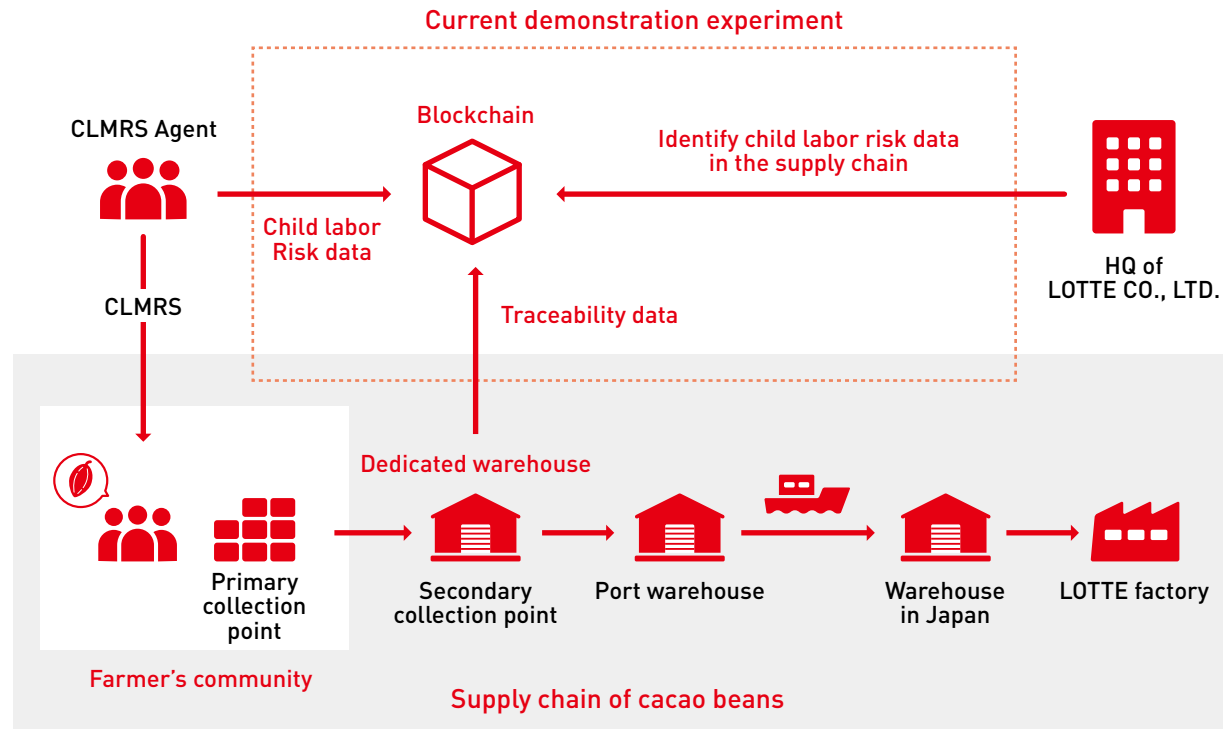


We also conduct demonstration experiments to advance the FAIR CACAO PROJECT, while collaborating with industry associations and NGOs within Japan and abroad to provide support to the producers. Especially, we believe that our efforts to support local farmers and children will pave a way for sustainable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



World Cocoa Foundation

The organization helps cacao farmers with technologies they need and works to eliminate forced child labor in society.

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

JOICFP is an international NGO established in Japan in 1968 to promote women's health and well-being. Through JOICFP, we have been supporting public

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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.



飢餓から救う。
未来を救う。
WFP
国連世界食糧計画



© 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.



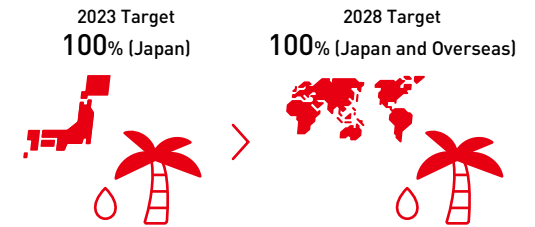
Dari K Co.,Ltd.

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

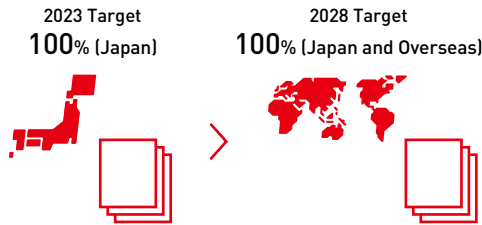
Scope of Tabulation

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

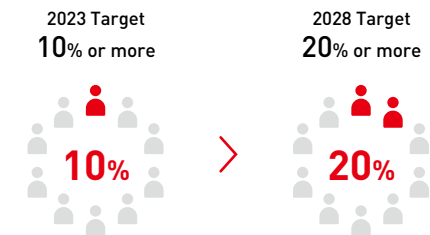
The most important pillar of support for a business is its human resources. We aim to grow sustainably as a corporation by building a workplace environment where every employee can reach their full potential, perform at their best, and maintain a healthy body and mind. In 2018, we developed the Policy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

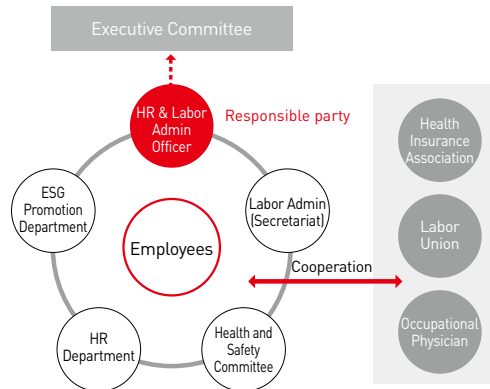
1. We respect the diversity of employees and build a workplace where each one of our employees can work comfortably and have a healthy life-work balance.
2. We are committed to providing a work environment enabling employees to work comfortably and maintain their physical and mental well-being through 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 QOLeAD, 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.

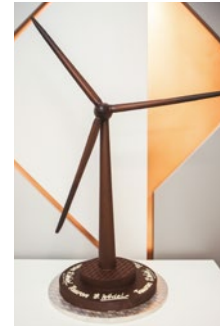


▶ LOTTE Wedel sp. z o.o. CSR Report

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

● 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 RSP0-certified palm. Over 99% of the palm oil procured in FY2022 was RSP0-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