

2020
LOTTE CORPORATION
SUSTAINABILITY
REPORT



About This Report

Welcome to our first sustainability report.

LOTTE Corporation implements ESG (environment, social, and governance) management for sustainable growth and social value creation. To share information with stakeholders on ESG performance outcomes and the efforts that were made to this end, we published our first Sustainability Report in November 2021.

Reporting Period

This report mainly contains information on activities and performance from January 1 through December 31, 2020. Some information includes content up to October 2021. To enable the identification of trends, data for the previous three years were reported in case of quantitative performance.

Reporting Scope

The scope of this report includes activities and performance of LOTTE Corporation and those pursued at the Group level. Financial information is based on the consolidated financial statements of LOTTE Corporation in accordance with the Korean International Financial Reporting Standards (K-IFRS). To promote stakeholder understanding, footnotes were used to indicate content that was written based on separate financial statements.

Reporting Principles and Report Standards

This report was created in accordance with the Core Options of the Global Reporting Initiative (GRI) Standards – international sustainability management reporting standards. The status regarding report standards can be found on P. 93-94 of this report. As a member company of the UN Global Compact, LOTTE Corporation is carrying out diverse activities to contribute to realizing the UN Sustainable Development Goals (SDGs), and complies with ISO 26000, which is a management system guideline on social responsibility.

External Assurance

This report has been assured by Samjong KPMG, an independent assurance service provider, to ensure the accuracy and credibility of the reporting processes as well as its contents. The Independent Assurance Statement is attached in the Appendix section (P. 95-96).

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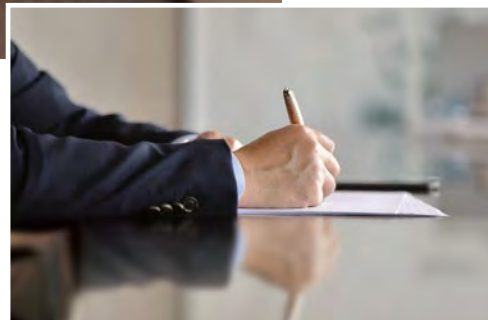


Letter to Stakeholders

We will make the next 50 years “new”
and pursue innovations for a “better” tomorrow.



Yong-Dok Song
CEO, LOTTE Corporation



Esteemed LOTTE stakeholders,

**I am delighted to greet you through this
LOTTE Corporation's first sustainability report.**

We are living in an era of an unprecedented uncertainty brought on by the COVID-19 pandemic, but LOTTE is solidifying its resolve to bring about new changes and beneficial innovations for mankind's sustainable future.

In 2017, celebrating its 50th anniversary, LOTTE adopted a new vision, “Lifetime Value Creator”, and accordingly shifted the growth direction of business to quality with an eye towards sustainable growth for the next 50 years. We have since been taking on challenges and leading innovation in diverse areas, including food, retail, tourism, chemical, and construction. Specifically, we are focused on bolstering the competitiveness of our core operations and developing new business mostly in value-added activities that can improve customers' lives and our societies. To this end, we have been developing future foods, launching smart shopping platforms, establishing eco-friendly hydrogen ecosystems, and adopting IT-based hotel solutions.

LOTTE Group now prepares to lay realistic and well-planned measures for ESG management on a strong financial foundation fortified with the qualitative growth we have achieved over the years. This intention was made public through the 2021 ESG Statement under the new brand slogan, “New Today, Better Tomorrow”. In following the slogan, all LOTTE Group affiliates will set their respective business directions reflecting non-financial values, each of which has been thoroughly evaluated on the basis of financial prudence. As the control tower of all such activities, LOTTE Corporation will fulfill its roles and responsibilities so that ESG factors can be applied to all decisions to be made for corporate operations.

This Sustainability Report, LOTTE Corporation's very first of its kind, illuminates LOTTE's will to make the next 50 years “new” and pursue innovations for a “better” tomorrow. By publishing a new sustainability report every year going forward, we will share our ESG management outcomes and plans with all stakeholders. As we grow more sustainable through practice of sound ESG management, I ask for your continued trust and support for LOTTE.



Dear stakeholders,

For the past 50 years, LOTTE has been striving to enrich people's lives by providing superior products and services that our customers love and trust.

We also have been preparing a future in which we can achieve win-win growth with our stakeholders. ESG management has gained a wider traction of late with an increasing number of corporations improving their value and achieving sustainable growth by balancing the growth of financial and non-financial performances. As part of our embracement of this growing trend, we have published the sustainability report in the hope of expanding the extent of sympathy with stakeholders.

In 2015, LOTTE Group proactively adopted ESG management, recognizing that eco-friendly management, social responsibility, and transparent governance are all directly linked to corporate sustainability. With the establishment of LOTTE Corporation in October 2017, we fully launched ESG management, implementing the Sustainable Development Evaluation Index to manage the Group affiliates' performance in the areas of work safety and environment, social contributions, joint growth, fair trade, compliance and other ESG-related activities. 2020 LOTTE Corporation Sustainability Report, our first of its kind, describes outcomes of these efforts and directions that LOTTE's ESG management will be heading going forward.

The goals of LOTTE's ESG management are clearly stated in the ESG statement publicized at the LOTTE Group ESG Management Declaration Ceremony held in July 2021. Through the statement, defining "achieving net zero by 2040," "establishing an ESG committee under the BOD," and "incorporating ESG management performance in the Group affiliate's CEO performance evaluation" as goals, we have presented a blueprint for building a sustainable future, and started implementing steps toward the goals. With LOTTE Corporation at the center, LOTTE Group affiliates have joined their strengths in preparing a 2040 Net Zero execution roadmap, and we will also establish an ESG performance management system, that reflects the business characteristics of each Group affiliate, with a plan to use the system in evaluating the Group affiliate's performance starting in 2022. We have already achieved tangible outcomes in some areas. In August, a month after the declaration of our ESG Statement, we established a dedicated ESG organization at all major and listed affiliates of the Group, including LOTTE Corporation. In October, we formed an ESG Committee within the BOD of all ten listed companies, including LOTTE Corporation, thereby solidifying the foundation for internalizing ESG management.

LOTTE will continue to make genuine efforts at improving ESG management practices, through which we will grow into a global leader in ESG management by 2025. By finding the right path toward sustainable growth, we will grow with stakeholders. To achieve its goals, LOTTE Corporation will take the lead in establishing directions for the Group's ESG strategies as well as in the ESG management of the Group affiliates. Sustainable future can be reached only through sound ESG management, and we will get there with continued encouragement and support from all our stakeholders. Thank you.



We are charting a right path toward sustainable future that can be reached only through ESG management.

李 東 雨

Dong-Woo Lee

CEO, LOTTE Corporation

LOTTE at a Glance

LOTTE Corporation

LOTTE Corporation is the holding company of LOTTE Group, and is in charge of establishing mid- to long-term business plans and increasing R&D investments. It also helps the Group affiliates strengthen their core competencies, with the goal of achieving sustainable growth, while advancing its business portfolio based on thorough verification of strategic significance of businesses and synergies between them. Moreover, it performs a pivotal role in improving ESG management, which is being pursued at the Group level, and takes the lead in creating LOTTE's sustainable value.

ESTABLISHMENT

In October 2017, LOTTE Group made a shift to a holding company system to enhance management transparency and efficiency. To this end, the previous LOTTE Confectionery underwent a spin-off to be newly launched as LOTTE Confectionery Co., Ltd., and the name of the company remaining from the spin-off was changed to LOTTE Corporation Co., Ltd. In addition, the investment business unit of the businesses, carried out by LOTTE Shopping, LOTTE Chilsung Beverage, and LOTTE Foods, was each spun off and merged by LOTTE Corporation.

LOTTE CORPORATION STRUCTURE



● Affiliated ● To be affiliated

LOTTE GROUP AFFILIATES

23
No. of subsidiaries
(6 listed companies)

46
No. of grandchild subsidiaries
(3 listed companies)

*As of the end of June 2021; and based on the Article 8-2 of the Monopoly Regulation and Fair Trade Act

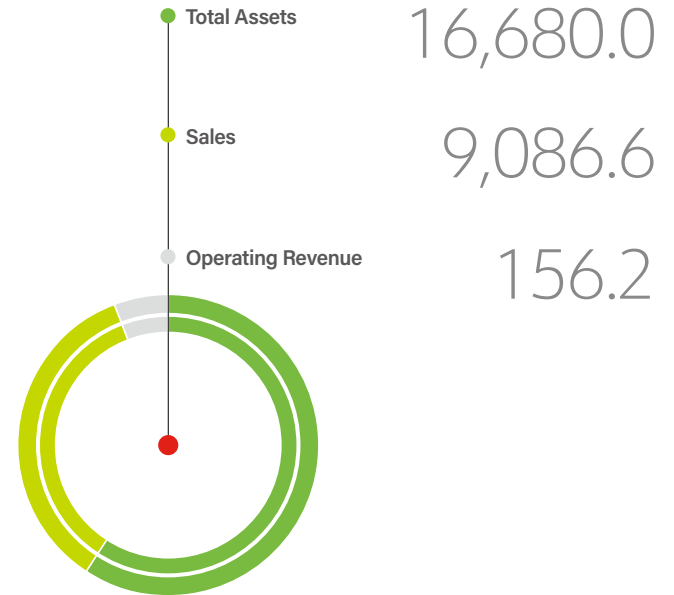
Company Overview

Company Name	LOTTE Corporation
CEOs	Dong-Bin Shin Yong-Dok Song Dong-Woo Lee
Establishment Date	October 1, 2017
Address of Headquarters	300, Olympic-ro, Songpa-gu, Seoul 05551, Korea
Major Business	Management consulting, etc.
No. of Employees	154
Credit Rating	AA0 (Corporate bond)
ESG Evaluation Rating	B+ (Korea Corporate Governance Service)

*As of the end of June 2021

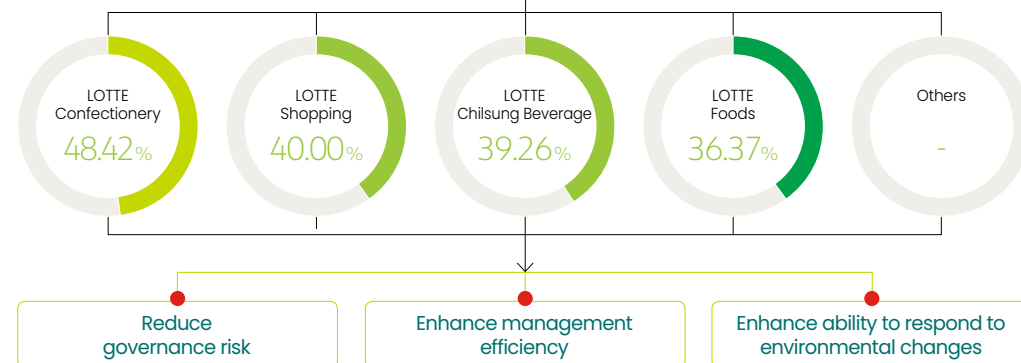
2020 Financial Performance

(Unit: KRW billion)



LOTTE Corporation

OWNERSHIP STRUCTURE



- Reduce governance risk
- Enhance management efficiency
- Enhance ability to respond to environmental changes

* As of the end of June 2021; and based on common share (excluding preferred share)



Creation and Distribution of Economic Value

LOTTE Corporation interacts with various stakeholders throughout the entire business process, and integrates ESG factors into its management activities. We directly and indirectly share the value we have created in this process with our stakeholders, growing together with them. We achieved sales of KRW 9,086.6 billion in 2020 based on consolidated financial statements, and distributed KRW 238.1 billion to stakeholders, including shareholders and investors, employees, government, and local communities. Going forward, we will continue to make utmost efforts to generate economic value, share the value with stakeholders, and contribute to sustainable development of society.

9,086.6 KRW billion

Sales

VALUE CREATED
IN 2020



VALUE DISTRIBUTED
IN 2020¹⁾



Shareholders and investors

111.3 KRW billion

46.7%

Dividends for shareholders, interest expenses paid to creditors and loan institutions, etc.



Employees

32.4 KRW billion

13.6%

Total annual salaries and employee benefits expense



Government

0²⁾ KRW

Total taxes paid to the government (income tax)



Local communities

94.4 KRW billion

39.6%

Voluntary contributions and fund investments in local communities (donations, community service operating expenses)

¹⁾ Based on separate financial statements

²⁾ There is no income tax payment in 2020 due to net loss during the year



LOTTE Group

Global Milestones

Established as LOTTE Confectionery in 1967, LOTTE has developed into global LOTTE that has customers all across the globe in diverse fields, including food, retail, chemical & construction, and tourism & service. By continuously taking on challenges and introducing change over the last 50 years, we have continued our journey of enriching people's lives by providing products and services that our customers love and trust.

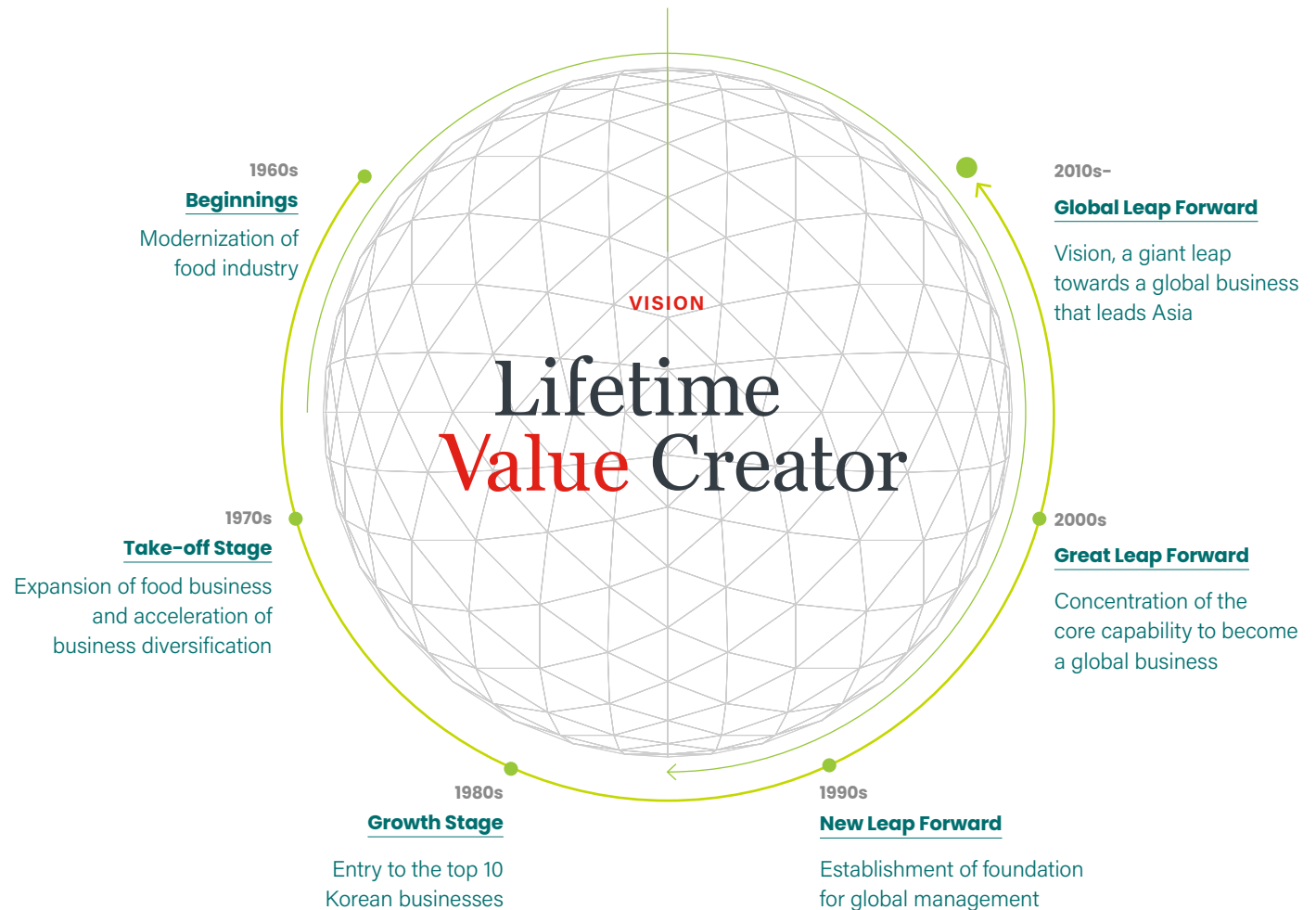
After taking our first step in the Korean food market, which was no different from an industrial barren land, we led the modernization of the Korean food industry in the 1970s, while building a foundation for full growth by diversifying our business. In the 1980s, we became one of Korea's top ten companies based on accumulated capital and technologies, and in the 1990s, we overcame the foreign exchange crisis by leveraging our stable financial structure which was followed by the establishment of a foundation for advancement into a global company based on sound management and bold investment. Today, LOTTE has grown into a global company, in its truest meaning.

LOTTE Group is one of Korea's five largest companies as of 2021, and is now opening another chapter in its history to emerge as a centennial company. On the strength of the capabilities and experiences that we've accumulated over the years, we will lead change and innovation in line with the rapidly-changing environment and internalize ESG management to develop into a future-oriented company that adds value to the lives of humankind.



MISSION

We enrich people's lives by providing superior products and services that our customers love and trust.





1960s

- 1966**
 - Established Dongbang Alumi Industry (currently LOTTE Aluminum)
- 1967**
 - Established LOTTE Confectionery

1970s

- 1973**
 - Established LOTTE Hotel
 - Established LOTTE Machine Industry (currently LOTTE Aluminum)
- 1974**
 - Established LOTTE Int'l (currently LOTTE International, LOTTE Resort Skyhill CC)
 - Acquired Chilsung Hanmi Beverage (currently LOTTE Chilsung Beverage)

1980s

- 1977**
 - Established LOTTE Liquor (currently Liquor Division of LOTTE Chilsung Beverage)
 - Acquired Samkang Industrial (currently LOTTE Foods)
- 1978**
 - Established Hanil Spice and LOTTE Milk (currently LOTTE Foods)
 - Acquired Pyeonghwa Engineering & Construction (currently LOTTE Engineering & Construction)
- 1979**
 - Acquired Honam Petrochemical Corp. (currently LOTTE Chemical)
 - Established LOTTERIA (currently LOTTE GRS)
 - Established LOTTE Shopping
- 1980**
 - Acquired Miwha Photo Film and Miwha Photo Sale (currently Korea Fujifilm)
 - Established LOTTE Duty Free Shop (first total duty free shop in Korea)
- 1982**
 - Established Daehong Communications
 - Established LOTTE Giants
 - Established LOTTE Property & Development

- 1983**
 - Established LOTTE R&D Center
 - Established LOTTE Merchandising Service Center
 - Established Samnam Scholarship Committee (currently LOTTE Scholarship Foundation)
- 1985**
 - Established Jamsil LOTTE World Engineering & Construction Division (currently CM Division of LOTTE Engineering & Construction)
 - Established LOTTE Canon (currently Business Solutions of Canon Korea)
- 1989**
 - Opened LOTTE World Adventure

2000s

- 2000**
 - Established LOTTE.com (currently LOTTE e-commerce)
 - Established Hi Star (currently LOTTE Asahi Liquor)
 - Established LOTTE Super
- 2002**
 - Established LOTTE Economics Laboratory (currently LOTTE Institute of Economy & Strategy)
 - Acquired Dongyang Card (currently LOTTE Card)

- 2004**
 - Acquired KP Chemical and KP Chemtech (currently LOTTE Chemical)
 - Established FRL Korea

- 2006**
 - Established Daesan MMA (currently LOTTE MCC)

- 2007**
 - Acquired Woori Home Shopping (currently LOTTE Homeshopping)
 - Established LOTTE JTB
 - Established LOTTE Asset Development
 - Acquired Korea Fire & Marine Insurance (currently LOTTE Insurance)

- 2008**
 - Acquired KI Bank (currently Korea Seven)
 - Acquired Guylian in Belgium
 - Established LOTTE Jeju Resort
 - Acquired 19 Makro stores in Indonesia
 - Established LOTTE Buyeo Resort

- 2009**
 - Acquired Doosan Liquor BG (currently Liquor Division of LOTTE Chilsung Beverage)
 - Acquired PTA in Pakistan (currently LOTTE Chemical Pakistan)
 - Acquired MYbi
 - Established LOTTE Samdong Welfare Foundation

1990s

- 1994**
 - Opened LOTTE Training Center (currently LOTTE Academy)
 - Acquired Korea Seven
 - Established LOTTE Welfare Foundation

- 1995**
 - Established Busan Installment Financing Company (currently LOTTE Capital)

- 1996**
 - Established LOTTE Logistics (currently LOTTE Global Logistics)
 - Established LOTTE Data Communication
- 1998**
 - Established LOTTE Mart

- 1999**
 - Established LOTTE Cinema (currently LOTTE Cultureworks)

2010s

- 2010**
 - Acquired Buy The Way
 - Acquired EB Card
 - Acquired PCPPI in the Philippines
 - Acquired Kolson in Pakistan
 - Acquired Titan Chemical in Malaysia (currently LOTTE Chemical Titan)

- 2011**
 - Acquired Hyundai Information Technology
 - Acquired Pasteur Dairy Company (currently LOTTE Foods)

- 2012**
 - Acquired Hi Mart (currently LOTTE Hi-Mart)
 - Established LOHB's

- 2013**
 - Acquired Rakhat in Kazakhstan

- 2015**
 - Acquired KT Rental (currently LOTTE Rental)

- 2016**
 - Established LOTTE Accelerator (currently LOTTE Ventures)

- 2018**
 - Established LOTTE Cultureworks
 - Established LOTTE e-commerce

- 2019**
 - Launched integrated LOTTE Global Logistics
 - Sold LOTTE Card and LOTTE Insurance

2020s-

- 2020**
 - Launched integrated LOTTE Chemical

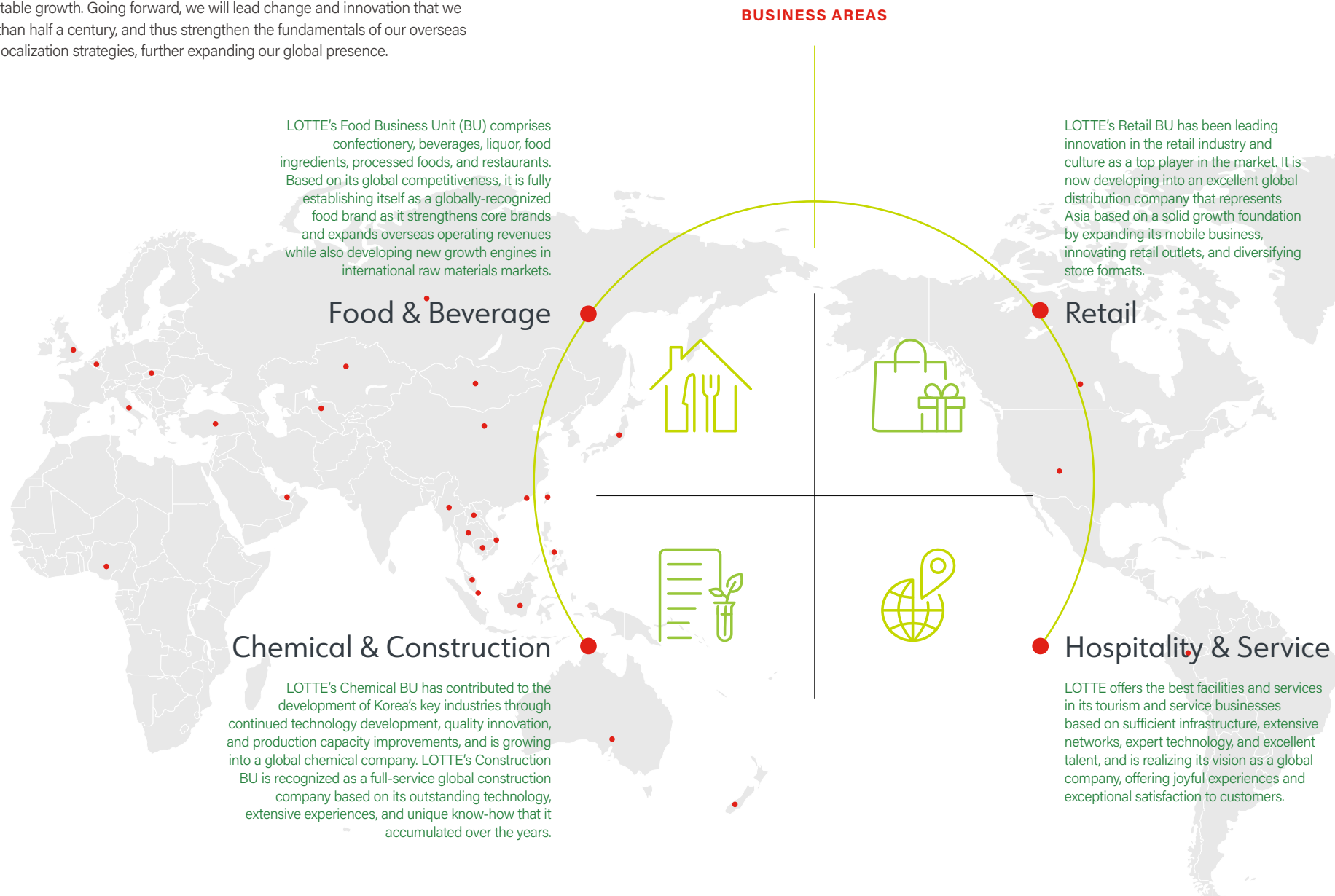
- 2021**
 - Declared commitment to ESG management





Global Business

LOTTE Group has been active in running its business in around 30 countries across the globe, including in Asia and Europe, and is expanding its business mainly in the Americas and emerging countries for more solid, stable growth. Going forward, we will lead change and innovation that we have continued for more than half a century, and thus strengthen the fundamentals of our overseas business and implement localization strategies, further expanding our global presence.





Business Portfolio

LOTTE Group has been expanding its business to include such diverse areas as food, retail, chemical & construction, tourism & service, and research based on technologies, expertise and experiences that it has accumulated over a long period of time, thereby offering new lifestyle to its customers. This also enables the Group to build a foundation for stable corporate value creation and sustainable growth.



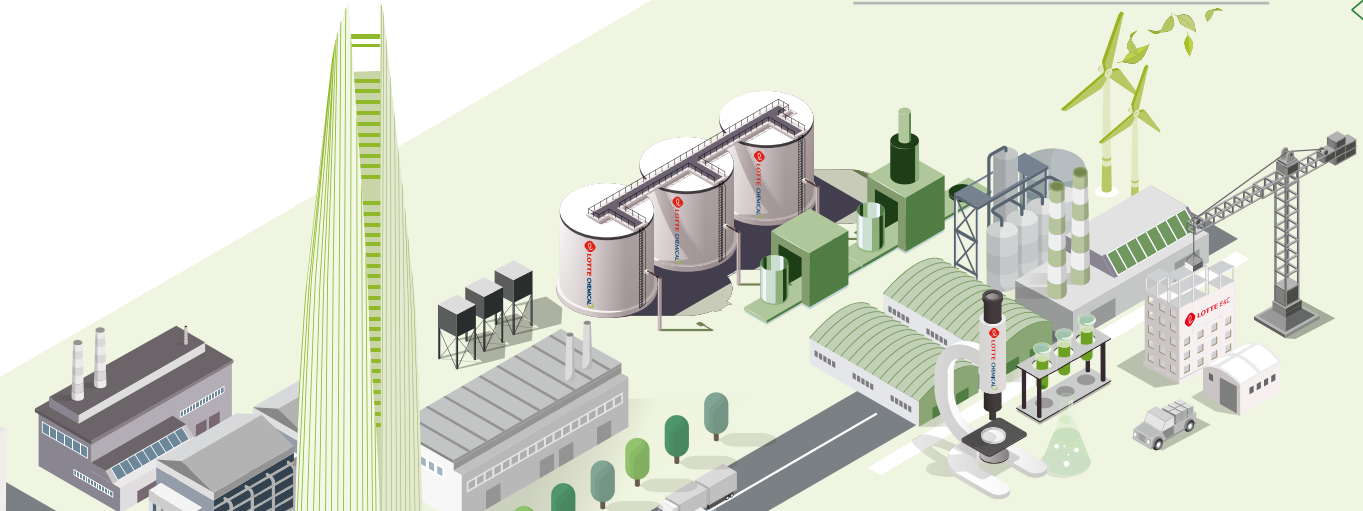
Food & Beverage



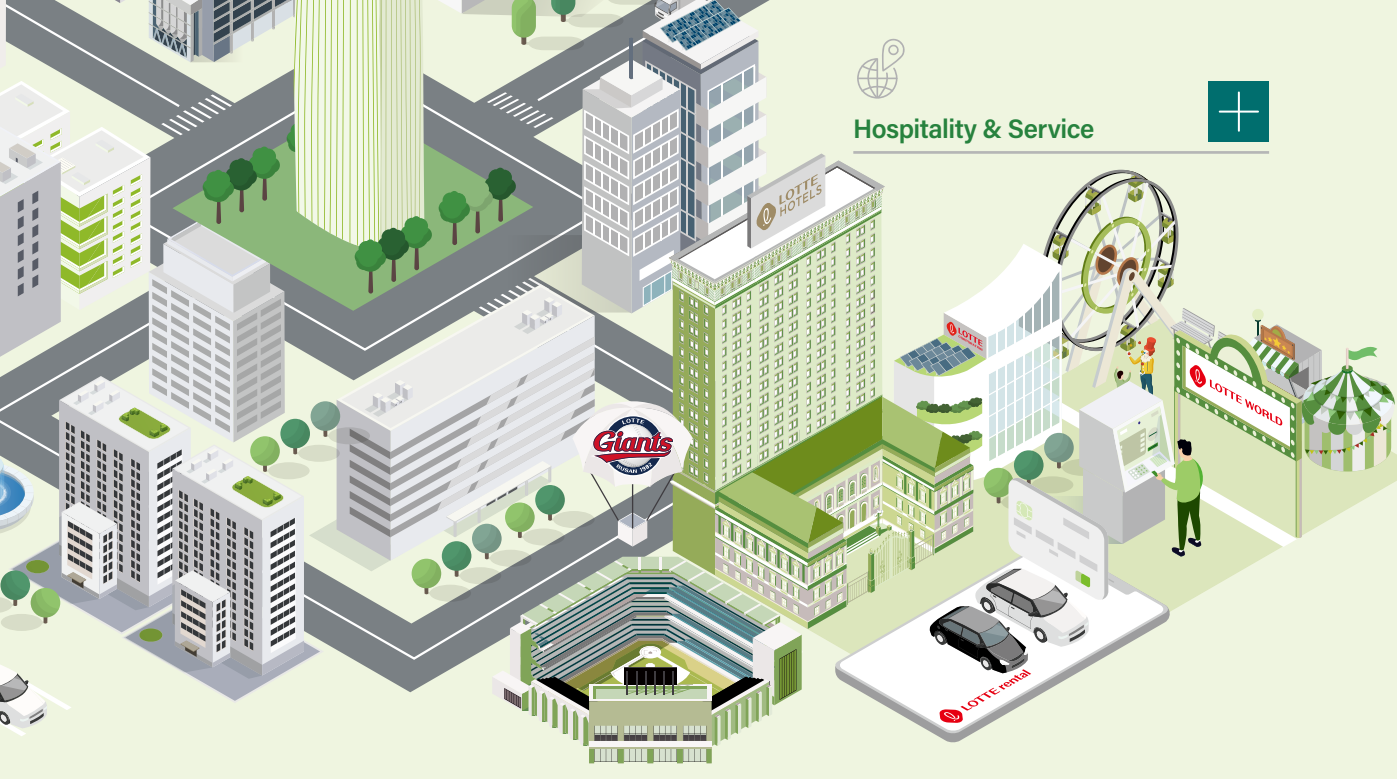
Retail



Chemical & Construction



Hospitality & Service



- Food & Beverage**
- Retail
- Chemical & Construction
- Hospitality & Service

LOTTE began food business with the establishment of LOTTE Confectionery in 1967, and it has grown into the largest food company in Korea based on its outstanding technologies, quality, and marketing capabilities. Leveraging a distinctive brand strategy, we launched industry-leading mega brands one after another, including Pepero, Chilsung Cider, and Kloud. Beginning with the opening of the Sogong store of LOTTERIA, the very first hamburger franchise in Korea, in 1979, we have introduced various dining franchise brands, including Angel-in-us Coffee, Krispy Kreme, and Villa de Charlotte, thereby taking the lead in creating a new food culture.

Food & Beverage

OVERSEAS LOCATIONS OF MAJOR BUSINESSES



LOTTE Confectionery, LOTTE Chilsung Beverage

China, Myanmar, Philippines,
Singapore, India, Pakistan,
Kazakhstan, Russia, Belgium

LOTTE GRS

LOTTERIA
Myanmar, Laos, Cambodia,
Vietnam, Mongolia

Angel-in-us Coffee
Vietnam, Kazakhstan

MAJOR GROUP AFFILIATES

- LOTTE Confectionery
- LOTTE Chilsung Beverage
- LOTTE Foods
- LOTTE GRS
- Daehong Communications
- LOTTE-Nestlé (Korea)

SALES PORTION OF FOOD & BEVERAGE



* Click the company name to visit its corporate website

* Reporting total sales on a financial accounting basis not the previous managerial accounting basis since 2017





- Food & Beverage
- Retail**
- Chemical & Construction
- Hospitality & Service

LOTTE Group has been leading Korea's retail industry since the 1970s, and it is now further evolving the market by adopting new concept of distribution channels and sales stores while also connecting and expanding online and mobile hopping. In addition, we have been active in establishing a global presence, with a focus on Vietnam and Indonesia. To this end, we are introducing a wide array of products and services and creating a distinctive retail culture that considers local characteristics, building a solid growth foundation to develop into the world's top retailer that represents Asia.

Retail



OVERSEAS LOCATIONS OF MAJOR BUSINESSES



LOTTE Department Store

China, Vietnam, Indonesia

LOTTE Cultureworks

China, Vietnam

LOTTE Members

Vietnam

LOTTE Mart

Vietnam, Indonesia

LOTTE Data Communication

Vietnam, Indonesia

MAJOR GROUP AFFILIATES

- LOTTE Department Store
- LOTTE Mart
- LOTTE Super
- Korea Seven
- LOTTE Hi-Mart
- LOTTE Homeshopping
- LOTTE e-commerce
- LOTTE Cultureworks
- LOTTE Global Logistics
- LOTTE AMC
- LOTTE Data Communication
- LOTTE Members
- FRL Korea
- LOTTE GFR
- STL CO. LIMITED

SALES PORTION OF RETAIL



* Click the company name to visit its corporate website

* Reporting total sales on a financial accounting basis not the previous managerial accounting basis since 2017





- Food & Beverage
- Retail
- Chemical & Construction**
- Hospitality & Service

LOTTE Chemical BU, consisting of such Group affiliates as LOTTE Chemical, LOTTE Fine Chemical, LC Titan, and LC USA, has a global production and sales network in 26 countries. It provides products that add value to daily life, ranging from raw materials to high value-added specialty chemicals, to around 120 countries, taking a step closer to one of the global top 7 chemical businesses. LOTTE Construction BU, including LOTTE Engineering & Construction, has been successfully conducting business in civil engineering and construction of plants, commercial buildings, housing, and high-rise skyscrapers, growing into a global construction company.

Chemical & Construction

OVERSEAS LOCATIONS OF MAJOR BUSINESSES



LOTTE Chemical, LOTTE Fine Chemical

China, Thailand, Vietnam, Malaysia, Indonesia, Japan, Hong Kong, Russia, Uzbekistan, Pakistan, Turkey, Poland, Germany, Slovakia, Hungary, USA, Mexico, Peru, India, Italy, UAE, Nigeria

LOTTE Engineering & Construction

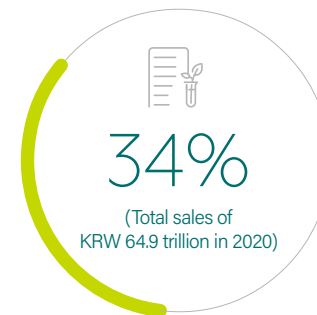
China, Vietnam, Malaysia, Indonesia, Japan, Pakistan, Russia, Cambodia, Singapore

MAJOR GROUP AFFILIATES

- LOTTE Chemical
- LOTTE Fine Chemical
- LOTTE Engineering & Construction
- LOTTE Aluminum
- LOTTE MCC
- LC Titan

* Click the company name to visit its corporate website

SALES PORTION OF CHEMICAL & CONSTRUCTION



* Reporting total sales on a financial accounting basis not the previous managerial accounting basis since 2017





- Food & Beverage
- Retail
- Chemical & Construction
- Hospitality & Service

LOTTE Group offers a wide range of services at its best-in-class facilities, which include LOTTE Hotel, a global hotel chain; LOTTE World, which boasts 10 million visitors per year; the 123-story LOTTE World Tower that is Korea's leading landmark; and LOTTE World Mall. We have been leading Korea's tourism & service industries for more than 40 years and will maintain the highest market share in Korea, while actively expanding our overseas business to develop into a global tourism company that creates a new culture of tourism.

Hospitality & Service

OVERSEAS LOCATIONS OF MAJOR BUSINESSES



LOTTE Hotel

USA, Russia, Uzbekistan, Vietnam, Myanmar, Japan

LOTTE Duty Free

USA, Japan, Vietnam, Australia, New Zealand, Singapore

MAJOR GROUP AFFILIATES

- | | |
|---------------------|------------------------------|
| LOTTE Hotel | LOTTE Property & Development |
| LOTTE Duty Free | LOTTE Capital |
| LOTTE World | Korea Fujifilm |
| LOTTE Resort | LOTTE International |
| LOTTE Resort (Golf) | LOTTE JTB |
| LOTTE Rental | Canon Korea |

SALES PORTION OF HOSPITALITY & SERVICE



* Click the company name to visit its corporate website

* Reporting total sales on a financial accounting basis not the previous managerial accounting basis since 2017





We are ushering in an era of great transition. Facing changes of unprecedented speed and mankind's common "ESG" tasks, LOTTE redefines its roles, for there is no guarantee what works today will work tomorrow too.

ESG Essentials



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ESG stands for environmental, social, and governance, each of which signifies elements linked to mankind's survival, like water, fire, earth, and wind; and represents values we must safeguard for sustainable future. LOTTE Group recognized the importance of ESG management early on and has been striving to find a way to ensure both mankind's prosperity and corporate sustainability. In 2015, we proactively developed an index with which to evaluate the ESG management performance of the Group affiliates, and have since been preparing a daring future where all stakeholders' expectations are met.

In 2021, LOTTE is now shifting gears on ESG management. Innovating individual lives and having a beneficial influence on society are our roles to positively change society and means to reach a sustainable future. Striding toward a future under the banner of "New Today, Better Tomorrow", we present the ESG management of LOTTE Corporation.

ESG Statement



The future we envision is not on an extended path of the past.

By developing a precise understanding of ESG based on a sound financial perspective, and by conducting genuine ESG management in a forward-looking manner, we will pave a way toward a sustainable world.



Dong-Bin Shin
Chairman, LOTTE Group

ESG becomes the new goal of LOTTE

We will implement ESG management in a future-oriented manner characterized by bold investment and innovation, contributing to people's lives rich in economic, social and environmental aspects.

ESG management is a global topic. ESG, which stands for "environmental, social, and governance", implies that only companies that fulfill their social and environmental responsibilities and govern their management in a rational and transparent manner can achieve sustainable growth. Consumers choose the products of companies that operate their business in a responsible way, and investors invest in companies that conduct management in a right way. In addition, ESG management practices are being institutionalized all around the world. In Korea, all KOSPI¹⁾-listed companies are required to disclose their ESG data starting in 2030. In a nutshell, ESG management is no longer a choice but a must.


To meet such changes of the times and stakeholder expectations, LOTTE Group is going all out on ESG management. In December 2015, recognizing that eco-friendly management, corporate social responsibilities, and transparent governance all are directly connected to corporate sustainability, we embraced ESG management, which was followed by steady expansion of the ESG management over the years. Moreover, we held an "ESG Management Declaration Ceremony" at the VCM²⁾ in July, 2021, publicizing our commitment to common global issues, namely, climate change and sustainable ecosystems.

Going forward, LOTTE will consider ESG value in all management activities. We will create ESG value by setting clear goals at the Group level and then substantiating them through bold executions by the Group affiliates. We believe such efforts will lead to solid improvements in corporate value, and ultimately enable people to enjoy valuable lives.

¹⁾ KOSPI (Korea Composite Stock Price Index): Index on stocks of companies listed on Korea Exchange's securities market

²⁾ VCM (Value Creation Meeting): A semi-annual meeting of LOTTE Group CEOs started in 2018. The first-half meeting is to disseminate the Group's new year goals and mid- to long-term growth strategies; and the second-half to present each company's pending issues and mid-term strategies and to explore ways to facilitate future growth by Business Unit.





LOTTE Group ESG Statement

Acknowledging the significance of establishing a sustainable ecosystem and responding to climate change, LOTTE Group declares that we will pursue ESG management and create sustainable values for all stakeholders, including customers, shareholders, employees, partners, and local communities.

1. We will strive to achieve 2040 Net Zero by contributing to innovative technology development and social carbon emission reduction. While reducing greenhouse gas emissions through process efficiency in the short term, we strive to achieve complete carbon neutrality by applying innovative technologies and conducting eco-friendly projects in the mid to long term.
2. We will establish a specific roadmap for achieving Net Zero and disclose our efforts and achievements in the process.
3. We will launch ESG committees under the board of directors of listed affiliates to accelerate and systematically execute the Group-wide ESG management.
4. We will incorporate ESG management performance in the CEO performance evaluation to induce and encourage ESG management throughout the Group.

LOTTE Group will be at the forefront in addressing ESG issues by becoming a leader in global ESG management by 2025. We will also contribute to the prosperity of society while enhancing corporate value in pursuit of sustainable growth.

July 1, 2021

Dong-Bin Shin
Chairman, LOTTE Group





LOTTE sets direction for ESG goals

Leveraging its distinctive competitiveness, LOTTE will continue to innovate and grow into a leader in global ESG management, so that new todays will lead to a better tomorrow.

In the second half of 2021 VCM, LOTTE Group adopted a declaration of ESG management, affirming its will to develop innovations that are beneficial to mankind's pursuit of sustainable future in the new brand slogan, "New Today, Better Tomorrow".

Since its founding in 1967, LOTTE Group has been taking on challenges and innovating itself in line with changes of the times; and in 2017, celebrating its 50th anniversary, the Group adopted the new vision, "Lifetime Value Creator", and accordingly shifted the growth direction of business to quality. In preparing for the next 50 years, we have given shape to our determination to provide customers with the highest value possible throughout their life cycle by adopting the new brand slogan, "New Today, Better Tomorrow", through which we are sharing future value that we seek to create with all stakeholders.

Today, as ESG management underlies the future value of corporations, a strategic focus is needed on ESG value creation. With the 2021 declaration of ESG management and public announcement of the new brand slogan, LOTTE Group has accelerated its steps towards a better tomorrow. Focusing more on ESG value creation as promised, we will hold closer to our heart the trust we have gained from stakeholders and pursue harmonious growth from a longer-range perspective.

BRAND SLOGAN

New today, Better tomorrow

2025 GOAL

Global leader in ESG management

ESG MANAGEMENT DECLARATION

- ① Achieving net zero by 2040
- ② Establishing an ESG committee under the BOD at listed affiliates of the Group
- ③ Incorporating ESG management performance in the Group affiliate's CEO performance evaluation

GUIDELINES ON QUALITY GROWTH

Create sustainable growth
Have a higher growth rate than the industry average

Create added economic value
Create greater added value than shareholders and creditors expect

Create future value
Make balanced investments in both the present and the future

Create social value
Progress and create value together with society











ESG Key Issues

LOTTE Corporation establishes management strategies from the ESG perspective and systematically manages ESG factors in its efforts to achieve sustainable growth. In 2021, we conducted a materiality analysis to identify key issues that we should focus more on and manage, and disclosed the process and results on page 85-86 of this Report.

“Responsible management and compliance”, which was chosen as the top key issue in the materiality analysis, is an important issue that is connected directly with strengthened compliance management and management transparency – one of reasons why we established a holding company. “Attracting and nurturing outstanding talent” and “creating a great workplace culture” were also chosen as key issues and reflect the importance of LOTTE Corporation’s roles and responsibilities in supporting the Group affiliates and cooperating with them to enhance corporate value and bolster competitiveness. Other key issues, such as “responding to climate change”, “protecting and respecting human rights”, “diversifying the Group portfolio and developing new growth drivers”, “contributing to local community development”, and “strengthening stakeholder communication” embody LOTTE Corporation’s determination to lead LOTTE Group’s qualitative growth by internalizing the Group’s ESG management in corporate business strategies.

LOTTE Corporation will systematically respond to the key issues that were chosen through the materiality analysis, and disclose the results through the sustainability report that will be published every year, in our efforts to actively communicate with stakeholders. In addition, we will conduct a materiality analysis when we develop our annual sustainability report to ascertain ESG management trends and stakeholder interests and to incorporate them in corporate strategy identification and management decision-making, thereby strengthening ESG management.

For the eight issues that were chosen as key issues in our 2020-2021 materiality analysis, LOTTE Corporation reviewed background information of the issue selection, and then analyzed our response and major outcomes, as well as our contribution to achieving the UN SDGs¹⁾. Details are provided in the ESG Essentials and Environmental, Social, Governance parts of this Report.

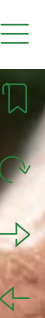
Classification	Key Issues	Background Information	Issue Management Strategy of LOTTE Corporation	Major Activities and Outcome in 2020-2021	UN SDGs
Governance	Responsible management and compliance 	Global leading companies are participating in various anti-corruption initiatives, including the ten major principles of the UN Global Compact (UNGC) ²⁾ , United Nations Convention against Corruption, and OECD Anti-Bribery Convention, thereby preemptively responding to global regulations related to anti-corruption.	LOTTE Group became the first company in Korea to declare ethical management in 2000, which was followed by its declaration of compliance management in 2015. In 2017, the Group fully established a compliance management system by creating a Compliance Committee, participated by outside experts, under direct control of the CEO at LOTTE Corporation and all Group affiliates.	<ul style="list-style-type: none"> Declared LOTTE Group ESG Statement (Jul. 2021) Created an ESG Committee under the BOD at LOTTE Corporation (Sep. 2021) Created an ESG Committee under the BOD at 9 listed affiliates of the Group (Jul.-Oct. 2021) Assessed the compliance level (Sep. 2021) 	
Social	Attracting and nurturing outstanding talent 	Amid a global crisis, such as COVID-19 pandemic, companies hire tailored talent with experiences or qualifications at the time they need personnel for specific duties through year-round recruitment system. In addition, they respond to changes in recruitment environment more flexibly, aimed at carefully discovering talent who are appropriate for the respective company.	LOTTE Corporation clearly defined model talent, and is advancing its recruitment process by continually restructuring L-TAB, a LOTTE’s personality and aptitude assessment. In 2014, we became the industry’s first to provide feedback to unsuccessful applicants, and in 2021, we completed a shift to year-round recruitment, used social media for recruitment, and made other efforts to attract outstanding talent.	<ul style="list-style-type: none"> Opened the L-RecruITV, a YouTube channel (Feb. 2020) Changed recruitment system of LOTTE Group to year-round recruitment system (Mar. 2021) 	
Environmental	Responding to climate change 	The Paris Agreement calls for global efforts to limit the rise in global temperature to 1.5°C by 2050. Korea set the 2030 national GHG reduction roadmap and enacted the Framework Act on Carbon Neutrality-Green Growth to Counter the Climate Crisis, and is strengthening GHG emissions regulations. Accordingly, the industrial sector has a greater burden to reduce GHG emissions, requiring businesses to take preemptive measures.	LOTTE Corporation established environmental management goals and is implementing environmental management that covers the entire Group. In addition, we built the Group integrated environmental and energy system in 2018, and conduct an environmental management inspection that is organized by the Group on 26 Group affiliates twice a year, based on which we measure and manage the environmental impact of the Group affiliates.	<ul style="list-style-type: none"> Announced LOTTE Group’s commitment to net zero by 2040 (Jul. 2021) 	

¹⁾ UN SDGs (Sustainable Development Goals): Set of 17 goals adopted by the United Nations in 2015 as a universal call to action by 2030 to enable sustainable development of global communities

²⁾ UNGC (UN Global Compact): A global initiative that promotes corporate participations in improving sustainability and corporate citizenship by recommending the adoption of ten major principles in the areas of human rights, labour, environment, and anti-corruption into corporate operations and business strategies, and presents practical measures to this end



Classification	Key Issues	Background Information	Issue Management Strategy of LOTTE Corporation	Major Activities and Outcome in 2020-2021	UN SDGs
Social	<p>Contributing to local community development</p> 	<p>Living in harmony with local communities where a company runs its business has become an important agenda of corporate operations. Accordingly, global companies have recently been focusing on discovering social contribution programs that can contribute more to local communities by using their business expertise and characteristics of the respective type of business.</p>	<p>LOTTE Group established its CSV slogan that pursues social value creation, and is maximizing positive influence on local communities by uniting each Group affiliate's competencies for social contribution activities. LOTTE Corporation clearly set a vision for the Group's social contribution brand, and presents a direction of social value creation that LOTTE pursues through activities of the Group affiliates.</p>	<ul style="list-style-type: none"> • Provided KRW 1 billion to the Daegu and North Gyeongsang Province to prevent the spread of COVID-19 (Feb. 2020) • Opened the 68th Mom's Happiness Dream Attic (Sep. 2021) • Plan to build 20 Mom's Happiness Playgrounds (by Dec. 2021) 	
Social	<p>Protecting and respecting human rights</p> 	<p>Global organizations and governments across the globe are leading institutional efforts to improve the human rights levels of workers in companies that have deteriorated due to impact from the global spread of COVID-19. The EU and UN are moving forward with detailed guidance on policies regarding human rights due diligence on corporate supply chains to protect human rights and a bill that makes it obligatory.</p>	<p>As a member of UNGC, LOTTE Corporation practices human rights management that is based on the UN Guiding Principles on Business and Human Rights (UNGPR). We specified policies on employees' human rights protection in all documents that serve as the basis for corporate management, including its compliance management policies and LOTTE Personnel Code of Conduct, thereby striving to enhance the human rights of all members of LOTTE Group.</p>	<ul style="list-style-type: none"> • Amended the LOTTE Personnel Code of Conduct (Apr. 2020) 	
Social	<p>Diversifying the Group portfolio and developing new growth drivers</p> 	<p>Against the backdrop of increasing uncertainty due to the global economic crisis, trade conflicts among countries, pandemic, and other factors, resilience against internal and external variables that impact profitability of a company is emerging as a challenge in the corporate ecosystem. In response, companies are diversifying their business portfolio and looking into ways to create business opportunities and reduce risks.</p>	<p>Launched in October 2017 as the holding company of LOTTE Group, LOTTE Corporation's key value is to ensure the Group's profit stability and enhance shareholder value. LOTTE Group affiliates are in diverse industries, ranging from food to retail; chemical, construction, and manufacturing; and tourism and service. In 2021, we continue to take innovative steps that involve exploring business opportunities in ESG and digital transformation.</p>	<ul style="list-style-type: none"> • LOTTE Corporation became the first holding company in Korea to issue ESG bonds (Sep. 2020) 	
Social	<p>Creating a great workplace culture</p> 	<p>Millennials have become the main workforce, leading to increased demand for the establishment of diverse, comprehensive work environments and work training support. In Korea, systems that are aimed at enhancing the quality of the work environment are becoming legislated, including the 52-hour workweek system that reflects demand for work culture improvements and work-family balance system.</p>	<p>LOTTE Corporation strives to build a sound organizational culture based on its core values and the LOTTE Personnel Code of Conduct. We also support employees' club activities, declared win-win relationship between labor and management, broke traditional workplace dress code, run maternity leave system and once-a-week telecommuting system, and offer a wide array of welfare programs, thereby increasing employees' satisfaction levels and work efficiency.</p>	<ul style="list-style-type: none"> • Held the LOTTE HR Forum (Mar. 2020) • LOTTE Corporation introduced once-a-week telecommuting system (May 2020) • LOTTE Corporation declared win-win relationship between labor and management (Jul. 2020) 	
Social	<p>Strengthening stakeholder communication</p> 	<p>Demand of investors for ESG management has recently been increasing at home and abroad, and international organization and government regulations on ESG information disclosure are becoming enacted, leading to increased corporate obligations on ESG information disclosure. In Korea, listed companies with assets of KRW 2 trillion or more are obligated to publish a sustainability report starting in 2025, encouraging companies to participate.</p>	<p>LOTTE Corporation continues to deliver not only financial information but also non-financial information, including social contribution activities and internal news, to its stakeholders through such communication channels as business reports, LOTTE Group blog, CSV website, newsroom, and other online channels. In November 2021, we published our first sustainability report and took part in global trends in non-financial disclosures.</p>	<ul style="list-style-type: none"> • LOTTE Corporation published its first sustainability report (Nov. 2021) 	



ESG
LEADERSHIP

- 3 GOOD HEALTH AND WELL-BEING
- 8 DECENT WORK AND ECONOMIC GROWTH
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

A solid organization and sound financial resources make the right environment for effective ESG management to take root.

LOTTE Group has set up an ESG Committee and an ESG-dedicated organization at all of its major affiliates, with LOTTE Corporation taking a leading role, in order to ensure that ESG values are reflected in all decision-making. As LOTTE Corporation became the first holding company in Korea to successfully issue ESG bonds, which was quickly followed by other affiliates, we are gaining recognition for the value and outcomes of the corporate social responsibilities we have led. For such efforts to continue nourishing our ESG management roots and ultimately lead to a steady harvest of fruits of sustainable growth, we will further improve on our ESG leadership.

Cultivating the soil for sustainable growth

Reinforcing ESG management

What makes LOTTE's ESG management stand out is that each Group affiliate has established and operates a tailored ESG management execution system in consideration of business characteristics.

In addition, the fact that each Group affiliate created an ESG Committee and an ESG-dedicated team well illustrates that we have built a solid ESG management system and do our utmost to implement ESG management. Based on our ESG management system, we will make continuous efforts to leverage the Group affiliates' business capabilities from diverse perspectives aimed at making positive impact on society.

Hun-Ki Lee

Executive Vice President & Head of Corporate Strategy & Sustainability Division,
LOTTE Corporation



Establishment of the ESG Management System

LOTTE Group is building a solid ESG management system to effectively handle diverse risks while preemptively responding to changing regulations and policies. As part of these efforts, LOTTE Corporation created an ESG Team in June 2021, which was followed by the establishment of an ESG-dedicated organization at major Group affiliates, including all listed companies, in August. Also, an ESG Committee was launched at all 10 listed companies¹⁾, including LOTTE Corporation, in October, thereby building a framework for consistent, systematic ESG management.

Of these, the ESG Team of LOTTE Corporation sets LOTTE Group's ESG vision and strategic direction, and is in charge of ESG management implementation and management. In addition, it operates the ESG Working-Level Council every month with ESG-dedicated organizations of the Group affiliates and leads the Group's ESG management direction, such as supporting the establishment of ESG governance and directions for ESG KPIs as well as management of environmental management. LOTTE Group will continue to expedite ESG management through organic cooperation between the holding company and the Group affiliates.

¹⁾ Excluding LOTTE REIT, a real estate investment product



**ESG Management System
of LOTTE Corporation**



The concept of ESG has moved beyond corporate social responsibility and has become a sustainable growth strategy of companies, resulting in a greater need and importance of establishing an ESG management system.

In the same context, LOTTE Corporation created the ESG Committee and strengthened the BOD's functions with regards to major ESG-related decision-making. I believe that our solid ESG management system empowered by the Committee's expertise and LOTTE's commitment will enable ESG to be internalized as LOTTE Corporation's corporate value and to become a driver of future value creation.

Chang-Soo Kim

Non-executive Director & Chairman of ESG Committee,
LOTTE Corporation



In July 2021, LOTTE Group held the ESG Management Declaration Ceremony, and announced its plans to achieve net zero by 2040, establish an ESG committee under the BOD of listed affiliates, and incorporate ESG management performance in the Group affiliate's CEO performance evaluation. Two months later in October, LOTTE Group fulfilled its promise by establishing an ESG Committee at all listed companies, which is regarded as a leading case of ESG governance establishment.

The ESG Committee is each company's top council in relation to ESG management, and is in charge of management and decision-making on major ESG issues. LOTTE Corporation's ESG Committee, which consists of two non-executive directors and one executive director, manages ESG-related risks and opportunities with the goal of internalizing sustainability. It has authority to set ESG management strategies and plans, make decisions on implemented matters, and monitor the outcomes of major tasks. It also explores ways to maximize ESG-based business opportunities and minimize relevant risks, sets ESG targets, and guides the way to generating outcomes.





Issuance of ESG Bonds

The recent popularity of ESG management as an essential management strategy is also reflected in the fast growth of ESG bond¹⁾ markets. In fact, the growth of Korea's ESG bond market has been remarkable, soaring from KRW 600 billion in 2018 to KRW 26.7 trillion in 2019 to KRW 54.1 trillion in 2020²⁾. ESG bond issuance was once exclusive to state-run companies or financial institutions, but as the banning of green-washing³⁾ and other market-promoting policies were introduced, private companies have started to join the ESG bond issuance.

LOTTE is leading this trend of the times, devoting itself to socially responsible investment at the Group level. In September 2020, LOTTE Corporation issued an ESG bond, worth KRW 50 billion, thus becoming Korea's first holding company to

issue such a bond, and in January 2021, issued another one worth KRW 60 billion. Other major affiliates also followed suit. In the same month of January, eight affiliates, including LOTTE Global Logistics, LOTTE Capital, LOTTE Shopping, and LOTTE Chemical, issued ESG bonds to the tune of KRW 2 trillion aggregate. LOTTE Corporation also established "LOTTE Corporation Sustainability Bond Framework" in full compliance with the International Capital Market Association⁴⁾ guidelines to secure the objectivity and enhance the credibility of its ESG bonds. In accordance with this system, we will disclose such information of our ESG bonds as purpose, selection and evaluation of projects to be funded, fund management, follow-up reports and details of third-party audits, in our efforts to manage funds for sustainable growth in a transparent and responsible manner.



¹⁾ ESG bond: Special-purpose bonds that encourage investments based on the issuer addressing certain environmental, social or governance criteria. ESG bonds are categorized into "green bond" if the purpose is to address environmental aspects of business, "social bond" if to resolve social issues, and "sustainability bond" if to tackle a mixture of the first two.
²⁾ Based on Korea Exchange data
³⁾ Green-washing: Process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound than they are
⁴⁾ International Capital Market Association: A self-regulatory organization and trade association for participants in the capital markets

Status of ESG Bond Issuance

2020

Became the first holding company in Korea to issue ESG bonds, expanding the base for ESG management

2021

Issued additional ESG bonds worth KRW 60 billion

Promoting sustainable growth by continuing to issue ESG bonds

ESG Bond Issuance of the Group Affiliates

- LOTTE Global Logistics issued green bonds worth KRW 50 billion
- LOTTE Global Logistics issued sustainability bonds worth USD 30 million
- LOTTE Rental issued green bonds worth KRW 490 billion
- LOTTE Shopping issued social bonds worth KRW 170 billion
- LOTTE Chemical issued sustainability bonds worth KRW 200 billion
- LOTTE Property & Development issued green bonds worth KRW 400 billion
- LOTTE Capital issued sustainability bonds worth KRW 600 billion
- LOTTE Capital issued social bonds worth KRW 50 billion
- LOTTE Engineering & Construction issued sustainability bonds worth KRW 40 billion

Businesses Targeted for ESG Bond Support



Eco-friendly buildings

Support construction projects that contribute to saving energy and reducing environmental pollution



Basic infrastructure

Supply and improve basic and social infrastructure
 (Water supply and drainage facilities provided to and supported for the underprivileged; transportation infrastructure, including railroad and road; daily life infrastructure, including electric power, gas, and drinking water; old safety and disaster prevention facilities, etc.)



Basic services

Improve accessibility to essential social services
 (Medical services, education, financial services, etc. provided to and supported for the underprivileged)

Social and economic development

Projects that support the underprivileged, including local communities, benefit recipients according to the National Basic Living Security Act, the alienated, and low-educated persons

* As of September 2021



Riding the green waves of green growth

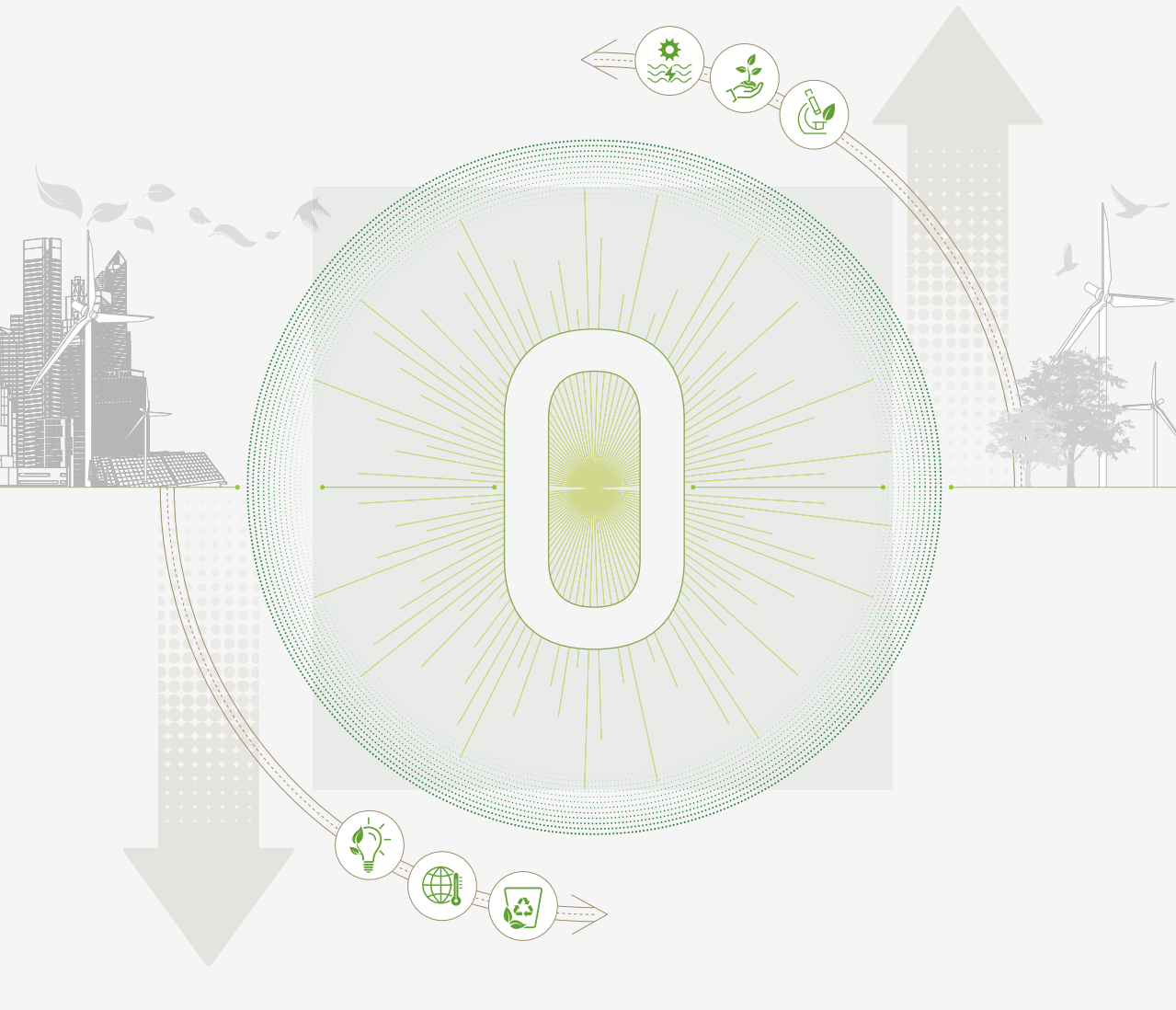
The transition to an eco-friendly economy is an inevitable flow of the times.

As no one can be free of the responsibility for the climate crisis, eco-friendliness is now a must and the norm in corporate management. Seeing the flow of eco-friendliness as a task of the times that cannot be compromised, LOTTE has declared its will to achieve net zero by 2040. The detailed carbon emissions reduction goal for each of the decades will surely make our assets healthier. Through innovative efforts, ranging from increasing process efficiencies to developing eco-friendly technologies and strengthening eco-friendly business, we will be at the forefront of the eco-friendly green flow.



CLIMATE STEWARDSHIP

Reducing carbon footprints



2040 Net Zero

The earth is becoming hotter. The earth's surface temperature has risen 1.09°C over the last decade, compared with the average temperature of the five decades of pre-industrialization¹⁾, and is expected to rise 1.5°C and higher in the next 20 years²⁾. What will happen if we fail to avert the on-going rise of the earth's temperature? If the temperature rises 1°C, drought will rage on in many regions, the ice cap on Mt. Kilimanjaro will disappear, and rare animals and plants will become extinct. A 2°C rise will trigger natural disasters of unimaginable scale, and a 6°C rise will initiate the extinction of all forms of life.

The international community, aware of climate change of which the severity is extensive, rapid, and accelerating, has been holding discussions on how to slow the rise of the earth's temperature since the 1990s. At the 2015 Paris Agreement, the global community agreed to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels. The goal requires reducing greenhouse gas (GHG) emissions at least 45% by 2030 compared to 2010 levels and the entire world to become net zero³⁾ by 2050⁴⁾. Many countries, including the U.S., EU, China, and Japan, have launched decarbonization steps toward the net zero goal. Last year, Korea also announced its goal to achieve the goal by 2050, keeping pace with the international community's march towards net zero.

As a global corporate citizen representing Korea, LOTTE is taking part in transnational, global efforts to accomplish the net zero goal. In addition to reducing its GHG emissions and contributing to societal efforts to cut the emissions, we will develop innovative technologies that can erase or reduce our carbon footprints. By publicly announcing "2040 Net Zero" in 2021, we have made clear our commitment to eco-friendly green growth. To accomplish the goal, we will establish eco-friendliness plans for the next two decades and spare no efforts in implementing the plans seamlessly.

¹⁾ Before industrialization: 1850-1900, Decade: 2011-2020

²⁾ Source: Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report

³⁾ Net zero refers to the balance between the amount of GHG produced and the amount removed from the atmosphere. This requires to reduce GHG emissions as much as possible either through forest restoration which will absorb the emissions or through development of GHG-reducing technologies.

⁴⁾ Source: Special Report on Global Warming of 1.5°C (prepared by 91 scientists from 40 countries, and was approved unanimously by 195 member countries at the 48th IPCC session convened in Songdo, Incheon in 2018)



For its goal of being net zero¹⁾ by 2040, LOTTE has set a clear direction at the Group level, and plans to establish an ESG strategy for each of its Business Units (BU) and to boldly act on the plan. Also planned are to reduce GHG emissions by improving process efficiencies in the short run, and to develop innovative technologies and expand eco-friendly businesses in the mid to long run as part of the efforts to more actively explore ways to become completely net zero.

LOTTE GROUP'S GOAL

2040 Net Zero



Food & Beverage

Eco-friendly value consumption! Standing at the center

By making packaging eco-friendly, we are promoting the culture of eco-friendly consumption. A leading example is "ICIS 8.0", the first label-free mineral water product in Korea, which has quickly turned into the industry norm. In addition to becoming Korea's first to remove labels on PET bottle products, LOTTE Chilsung Beverage has removed labels on PET bottle caps as a way to eliminate vinyl wastes and facilitate plastic recycling. The removal of product labels has led not only to a sizable reduction in packaging wastes but also to a notable increase in the collection and reuse of PET bottles. An increasing number of LOTTE consumers are taking part in the green consumption trend, enjoying superior products and at the same time practicing conservation as part of daily life.



Retail

Eco-friendly value generated at lifestyle contact Points

We are enhancing the value of eco-friendliness at all consumer contact points, offering eco-friendly products, opening green stores, and promoting green consumption. LOTTE Shopping is striving to have its stores state-designated as green store²⁾, and as part of these efforts, some 300 electric vehicle (EV) charging stations have been built around 120 LOTTE Marts across the nation. This project has generated values beneficial to the company, customers, and the environment as each of them enhances the corporate image, improves customer convenience, and reduces carbon dioxide emissions. In addition to EV charging stations, many LOTTE Marts are equipped with solar power systems, as a way to take part in the government's Green New Deal policy and contribute to the nationwide transition to a low-carbon society.



¹⁾ Net zero: State in which the amount of GHG produced equals that of GHG absorbed, thus bringing the net amount of GHG to zero

²⁾ Green store designation system: A government-sponsored system, based on voluntary participation by retailers, encouraging them to sell green products and steer customers toward eco-friendly consumption



Chemical

Meaningful steps
that help protect
the earth

Under the slogan, "Every Step for Green", we are taking vigorous and sincere steps that help protect the earth. Consisting of LOTTE Chemical, LOTTE Fine Chemical, LOTTE Aluminum, and LOTTE INEOS Chemical, LOTTE's Chemical BU declared "Green Promise 2030", an ESG business strategy with the goal of KRW 6 trillion in eco-friendly business sales and becoming carbon neutral by 2030, starting in 2021. Accordingly, it plans to invest about KRW 9.6 trillion in four key tasks - strengthening eco-friendly business, expanding the virtuous cycle of resources, responding to the climate crisis, and building green ecosystems. It will also focus its combined competencies on channeling increases in corporate value toward creating positive social values.



Hospitality & Service

Leading the
inevitable
trend of
eco-friendliness

We are increasing investment in ESG management, going beyond eco-friendliness and leading the inevitable trend of eco-friendliness. Even though the industry was hit hard by COVID-19, we are placing many eco-friendly factors in areas not only accessible, but also invisible, to customers, for we have witnessed the value of eco-friendliness gain greater importance during the pandemic. LOTTE Hotel, for example, runs "Re:think" program, aimed at encouraging customers to "Refuse" unnecessary products, "Reduce" waste, "Reuse" products, and "Recycle" used products. It is also conducting a "Hope For All" campaign in overseas markets, displaying eco-friendly messages on the hotel exterior and highlighting the value of eco-friendliness in LOTTE's services.





Stoking the flame of hope for a better tomorrow

There is special energy in people who envision value.

LOTTE embraces people who dream of building a better tomorrow. For mothers striving for a better future for their children, we establish community-run childcare centers, playgrounds, after-school culture programs, and other facilities that lessen the burden of child rearing, thereby building an environment that promotes a work-family balance. We also help startups turn their innovative ideas into beneficial innovations. Among dreamers of value coming together to make the world a better place, LOTTE strides, sharing our passion for value.



CORPORATE CITIZENSHIP

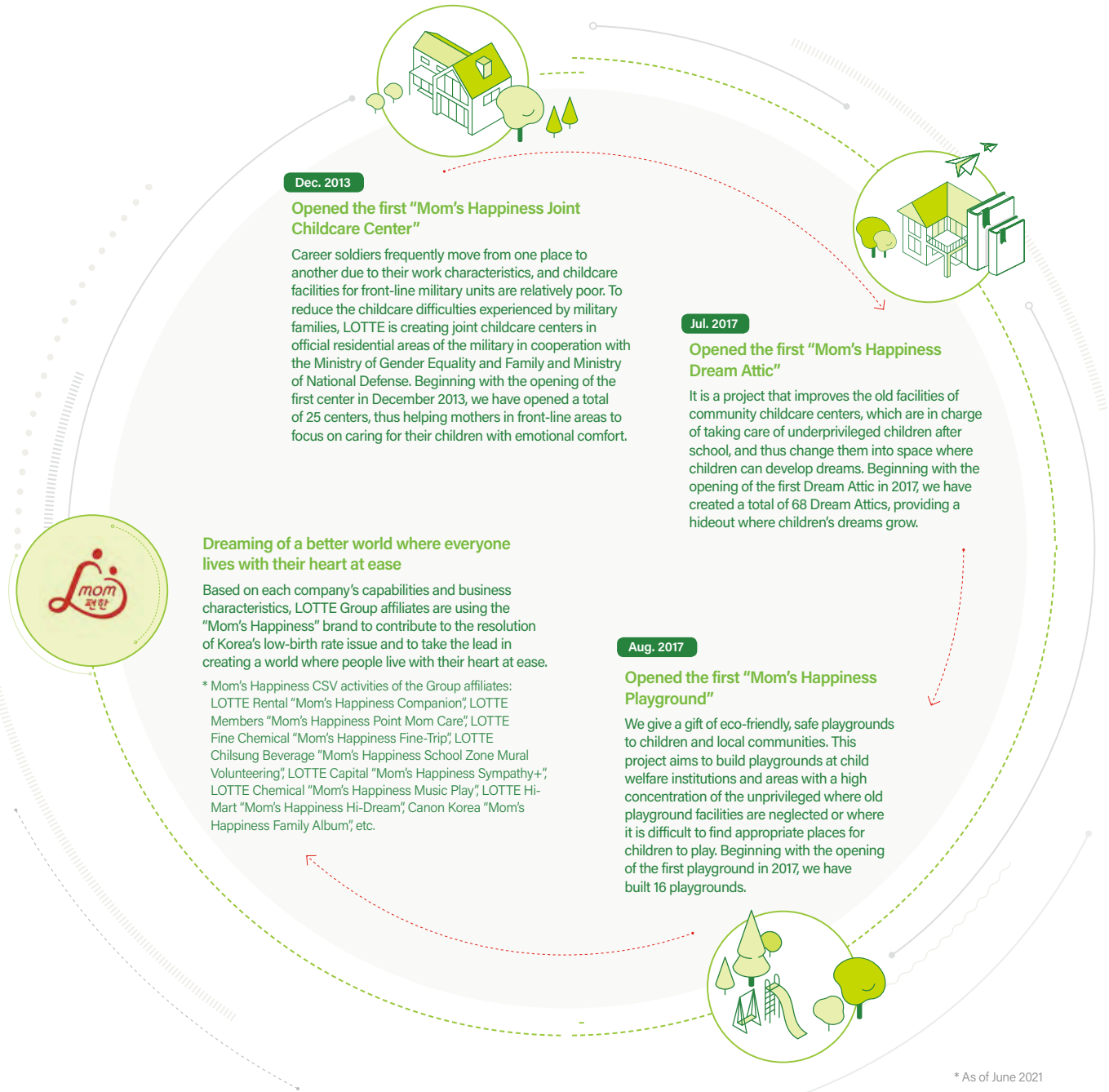


Responsible action, empowering the future

“Mom’s Happiness”, Creating a Future of Emotional Comfort

The smiling Sun logo, “Gift from the Sun”, has been with LOTTE since the establishment of LOTTE Confectionery, the origin of LOTTE Group. The logo symbolizes the warm feeling of a mother looking at her happy child with cookies. LOTTE Group’s journey towards a better future that began in 1967 and social contribution activities started under the theme of “Mom’s Happiness” in 2013 both began with the sincerity of LOTTE in creating a world in which all smile.

“Mom’s Happiness”, LOTTE Group’s CSV¹⁾ brand, embodies our commitment to creating a better world for women as mothers. We understand moms’ heart and identify with the difficulties they experience as a mother, and which is why our social contribution programs for women and children focus on building a social environment with a better work-life balance. Going forward, we will make continuous efforts to scale our social impact for mothers and their children, so that they can enjoy a happy life, and all family members live with their heart at ease.



¹⁾ CSV (Creating Shared Value): A series of corporate policies and management activities that simultaneously pursue the creation of economic value, or profit generation and social value for stakeholders and society

* As of June 2021





Playground where imagination flies and everyone is happy

Playgrounds with a Viking ship and other rides found usually at amusement parks; soft-padded and safe play areas that used to be a parking lot; and empty and neglected spaces converted into a community gathering place built to expectations of all community residents. All this can be found at the "Mom's Happiness Playground" in our neighborhood.

Having fun playing in a safe area is an unalienable right of all children. To protect such a right from the encroachment of economic excuses, LOTTE Group is building Mom's Happiness Playgrounds in old parks or areas without adequate places for children to play. Another important characteristic of Mom's Happiness Playgrounds, made of safe and eco-friendly materials, is the attention paid to the surrounding environment as well as to children's opinions, making them very unique places. For example, the 15th Playground in Siheung City of Gyeonggi-do is built on a global world concept, reflecting the characteristics of the neighborhood that includes a high percentage of foreigner residents. The 16th Playground in Chungju City is built as the "Mom's Happiness Village" based on the results of a workshop conducted at a nearby elementary school to gather children's voices on how the playground should be created. Having opened the first one at the Saeduelwon child welfare center in Busan in 2017, we aim to increase the number of Mom's Happiness Playgrounds to 20 by 2021. We will continue to improve children's right to have fun playing in a safe environment and promote a sound children's play culture.

Chan-Kyung Park
Manager, ChildFund Korea



“*Mom's Happiness Playground is a project LOTTE has launched together with ChildFund Korea, a leading child advocacy organization, to create playgrounds where children can play, irrespective of local or economic conditions.*”

I believe the program has great significance in that children directly participate in the process of designing and creating a playground. I hope to see a greater number of Mom's Happiness Playgrounds be built all across the nation so that children can have fun playing.

KEY DIFFERENTIATORS OF MOM'S HAPPINESS PLAYGROUND



Hope with a mother's heart

An eco-friendly, safe playground that mothers hope for! The playground uses eco-friendly natural materials and has CCTVs and night lighting installed to make sure children are safe and protected.



See with a child's eyes

A participatory playground that reflects children's wishes! Children, who are owners of the playgrounds, take part from the playground design process to result in atypical facilities and themes.



Think as local communities do

A community-type play area for all local residents! We create a rest space for guardians as well as a walking path and rest area in the playground and give a gift to the local community.

▶ **"Mom's Happiness Playground" where children's imagination become reality**



Happy attic – a hideout children wanted and where dreams grow

Community childcare centers provide a safe space to play and learn to elementary, middle and high school students, and perform the important role of offering a daily-life guidance and an aptitude education. LOTTE is creating "Mom's Happiness Dream Attic" at community child care centers across the nation in cooperation with the Salvation Army so that mothers and families can leave their children at community childcare centers with ease of mind and that children and youths can find such centers a fun place to be and play.

What makes Mom's Happiness Dream Attic distinctive is that it is built with an "attic hideout" concept that appeals to children who have wanted their own space. Dream Attic Studies are made of eco-friendly hardwood materials and have a wide selection of books, inviting children and youths to bring friends and enjoy their time reading books together. Dream Attic Movie Theaters have movie projectors and screens installed for watching movies and also function as a classroom. Digital Learning Rooms have PCs and other equipment for learning. In addition, we offer a family program to help children and families develop a sound and strong sense of family ties. Since unveiling the first Dream Attic in Hoehyeon-myeon, Gunsan City in 2017, we have established 68 Dream Attics. We will continue to provide support so that children feel comfortable about visiting a community child care center as if it were their home.

▶ "Mom's Happiness Dream Attic" where children's dream grows



MOM'S HAPPINESS DREAM ATTIC IN NUMBERS

68



Beginning with the first Dream Attic in Hoehyeon-myeon, Gunsan City in 2017, we opened a total of 68 Mom's Happiness Dream Attics as of September 2021

2,047



A total of 2,047 children used Mom's Happiness Dream Attic over the past four years since 2017

Hyun-Jin Yang
Head, Sunwonjaseong Community
Childcare Center in Ulleungdo



Ulleungdo, a distant island in the East Sea of Korea, is known for its awe-inspiring natural sceneries and pollution-free environment. When it comes to internal amenities however, there are many areas to be improved in comparison to those in cities. The place built by LOTTE is way more than what I expected, and the children just love it, telling me it is so much fun playing and learning in such a wonderful place.

I am so grateful to the Mom's Happiness Dream Attic project for creating such a good environment and making a positive influence!



"L-Camp", Base Camp for Future Innovative Growth

Discover startups that dream of new value!

Dreams that have value create something new, which, in turn, benefit all of us. For innovation that is beneficial to all, LOTTE Group roots for and supports a future that is shaped by startups that dream of new value.

In 2016, LOTTE Group established LOTTE Ventures, with an aim of promoting the social value of fostering startups and of achieving open innovation for discovery of new business. We also launched "L-CAMP" and set out to discover startups armed with innovative ideas. Startups that have been with L-CAMP over the last five years number 135. In 2020, we began segmenting and specializing the program by sector, and will expand the program overseas, including Silicon Valley and Vietnam, going forward. Starting with the KRW 272 billion LOTTE Startup Fund I, raised jointly by the Group affiliates, including LOTTE Ventures, in 2018, we are currently operating 12 funds totaling around KRW 250 billion and investing in some 180 startups.

Creating a future together with L-CAMP. How is it possible?

LOTTE Ventures is the only company in Korea to provide both CVC¹⁾ and accelerator²⁾ services, which combined enable LOTTE Ventures to discover and foster startups from a longer and broader perspective, in addition to making direct investments. This also allows participating companies of L-CAMP to receive continued and comprehensive support in the start-up as well as in the scale-up phases.

Companies that participate in L-CAMP are provided with an initial investment that ranges from KRW 50 million to KRW 300 million and office space, and a manager exclusively in charge of a company provides in-depth care. Through the "L-CAMP School", we provide an opportunity for networking between old and new participating companies and offer lectures by financial, human resources, and marketing experts. We also hold a Demo Day to attract follow-up investments. Another factor that makes L-CAMP distinctive is that LOTTE Group's extensive consumer contact points are provided, through which startups are enhancing their corporate value and LOTTE is investing in a greater number of companies by using the generated outcomes. This virtuous cycle is contributing to the healthy growth of the startup ecosystem and sustainable growth of the Korean economy.

¹⁾ CVC (Corporate Venture Capital): Venture Capital, or VC for short, refers to a company that invests funds in venture companies or the fund itself. Corporate-led VC is called CVC.

²⁾ Accelerator: An accelerator enhances the speed at which a startup grows. It provides funds to start business and also helps with the overall process for business establishment and early settlement.





Creating a future together with L-CAMP. What is it for?

The reason LOTTE works hard to support startups is to change the world in a positive way through the innovative ideas and technologies of startups. The noteworthy growth of companies participating in L-CAMP proves that the beneficial future being shaped by LOTTE and startups is receiving a positive assessment in economic and social senses. Over the last five years, a total of 4,317 startups have applied for the L-CAMP program out of which 135 companies have been chosen. The value of invested companies has risen an average of 3.3-fold compared to their value before they joined L-CAMP, totaling KRW 1.09 trillion as of June 2021. The number of employees doubled or so on average, as well. In addition, spurred by the success of L-CAMP, we launched the "Food Changers" project to foster food tech³⁾ startups that will change our future diet. Through this project, we seek to take the lead in the future food and beverage industry ecosystem by going beyond large company-led R&D⁴⁾ and actively exploring C&D⁵⁾ with food tech startups.

As a partner to startups, LOTTE will continue to closely examine future possibilities in the concept of collaboration and joint growth, and make goodwill investments that bring about meaningful changes to society.

³⁾ Food tech: Newly-coined combination of food and technology representing a new industry where food and technology come together
⁴⁾ R&D (Research & Development): Research and development of new technologies or products
⁵⁾ C&D (Connect & Development): An open R&D model that involves connecting outside technologies and ideas with internal research and development capabilities to develop new products



4,317¹⁾

No. of companies applied for the L-CAMP program

Chose 135 startups from among 4,317 startups that applied for the L-CAMP program that were held across a total of 11 times since 2016



KRW 1 trillion+¹⁾

Corporate value of L-CAMP participants

The value of invested companies, up to the 8th group of L-CAMP, has risen an average of 3.3-fold, totaling KRW 1,090 billion from KRW 333.6 billion



x2¹⁾

Job creation effects

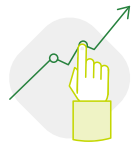
The number of employees grew around 2-fold from 768 at the time of joining L-CAMP to 1,580



57%

Attracting follow-up investments

57% of the startups that received support from the L-CAMP program successfully attracted follow-up investments (Based on 1st-7th groups of L-CAMP and 1st-2nd groups of L-CAMP Busan)



KRW 245.1 billion²⁾

Total assets under management

Created 12 startup support funds totaling around KRW 250 billion and invest in some 180 startups



¹⁾ As of June 2021
²⁾ As of September 2021





Innovation hub that leads a new today to a better tomorrow

Which company do you think most actively supports startup activities in Korea? According to "Startup Trend Report 2020"¹⁾, which is based on results of a survey of 1,116 respondents, including founders and employees of startups, 9.6% answered LOTTE. The figure, which puts LOTTE in a third place, is very significant in view of that large ICT companies that began as a startup took the first and second places.

Why does LOTTE's startup investment receive good grades?

This is because LOTTE walks and stays with startups through the journey of starting and growing a business where too often ideas and passion alone are not enough. For those thinking long and hard of a brand-new product or service, turning their ideas into a reality poses a great challenge. Even with an initial success in product commercialization, startups still have to surmount the challenges of finding a market and sales channels to meet customers. LOTTE Group has accumulated a wealth of experience and know-how through some 90 affiliates in a wide array of business areas, including retail, service, tourism, chemical, and finance, and stands with startups all the way to where they enter a bigger world. LOTTE and startups share their respective strengths and encourage each other as they together create a unique success story. Let's hear some stories of L-CAMP participating company founders.



CASE 01

Made-in-Korea, dreaming of global leadership



It wasn't easy to create a 360-degree wearable camera, but we became the world's first to do so because we've never lost our faith in our technology. We however struggled to increase sales in the early phase and had difficulties with mass production. Nevertheless, we were able to continue to push on thanks mainly to L-CAMP. We were provided with KRW 2.5 billion in funds and office space as well as support from LOTTE Group affiliates. We received help from LOTTE Chemical in developing a special material that is not harmful to the human body; and in cooperation with Canon Korea, we mass-produced the wearable camera on an OEM²⁾ basis. LOTTE Hi-Mart took care of domestic distribution matters, while LOTTE International handled exports. The LOTTE World Tower Counter Terror Team uses our product, 360-degree camera, to ensure the zero-blind-spot security of the Tower 24/7. I hope the support will continue, without any blind spots, for Korean startups on their way to becoming the world's best.



Yong-Kuk Kim
CEO, LINKFLOW



¹⁾ An annual report jointly published by Opensurvey, a mobile research platform company, and Startup Alliance, a startup support network, to keep track of the understanding and reality of participants of the Korean startup ecosystem

²⁾ OEM (Original Equipment Manufacturer): Manufacturing by attaching the trademark of the party placing the order



CASE 02

Catching two hares of eco-friendliness and cost-saving



Food waste is becoming a serious social issue. Korea's daily food waste amounts to 14,314 tons¹⁾. A considerable amount of eatable food is thrown away... I wanted to prevent the waste of resources by linking consumers with products before they are thrown away. It wasn't easy at first. I visited restaurants and tried to persuade the owners, but I was too often turned away. After many twists and turns, I launched "Last Order," a platform for trading soon-to-expire products, and met LOTTE while assessing its potential. I worked together with LOTTE Ventures for six months on refining the business model, and was able to grow the business through cooperation with the Group affiliates in the retail and food sectors. Using Last Order, LOTTE Mart, 7-Eleven, LOTTE Confectionery, and LOTTE Foods are offering food and beverages that otherwise would go to waste to consumers looking for very affordable meals. More consumer means less waste! I hope LOTTE continues its interest and support so that innovative ideas of startups would not go to waste!



CASE 03

A big picture of zero waste that benefits all



Growing public awareness of the natural environment has given rise to the term, "zero waste," aimed at eliminating waste. However, zero waste is still regarded as something inconvenient. How much can we achieve if we just keep urging people to change their old habit? Itgreen's "RETURNit" is an eco-friendly and easy-to-use service that helps individuals and companies change disposables they use every day into multi-use containers. A trial run was optimistic – around 76% of consumers who received food deliveries in multi-use containers during the trial run responded they would ask for multi-use containers going forward. We have received funds from LOTTE and are expanding the service in collaboration with LOTTE, focusing on replacing disposables used by LOTTE World Tower, LOTTE Cinema, LOTTE World with multi-use containers. I feel confident about the future awaiting us, thanks to LOTTE, a growth partner of startups!

Jun-hyung Lee
CEO, Itgreen



Hee-soo Kim
CEO, Wright Brothers

CASE 04

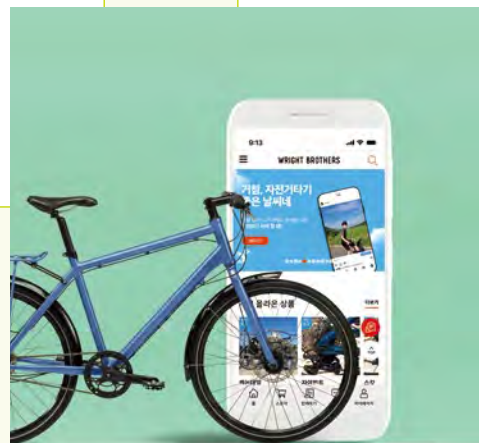
Gas pedal of innovation that soars towards a new dream



I wanted to buy a better bicycle as I become engrossed in bike riding, but didn't know where and how to buy one. Buying a used bicycle seemed like a good idea, but I couldn't find any reliable sellers. Innovation begins with resolving inconvenience. Wright Brothers was launched to offer the first certified used bicycle trading service in Korea, with an aim to improve the business of trading used products, characterized mainly by inconvenience and uncertainty, and taking a step further, to create a better bike riding environment and culture. LOTTE's support provided substantial help in resolving the inconveniences and uncertainty associated with starting a business. In particular, Wright Brothers' joining of "Myomee", LOTTE Rental's lifestyle rental platform, in 2019, was the beginning of consumption innovation in the bicycle market, and we now are preparing to grow into a global used bicycle vertical trading platform. LOTTE's support is also ongoing for our new challenges aimed at quantifying reductions made in carbon emissions from purchasing used bicycles.



Kyung-seok Oh
CEO, MYRO



¹⁾ Source: Year 2019 Waste Generation and Treatment in Korea (Ministry of Environment, Korea Environment Corporation)

Together, we can win

COVID-19, which has hit the entire world, is impacting almost all aspects of our lives. LOTTE is quickly and intelligently responding to changes and repercussions, while paying careful attention to the safety and welfare of all stakeholders, including employees and customers, and unsparingly providing support. We also are focused on overcoming crises and discover opportunities brought on by the pandemic together with our partner companies, and are giving a helping hand to our neighbors so that they can win their fight against COVID-19, thereby sharing the value of uniting for a common cause.



Putting employee safety first

Faced with the pandemic, LOTTE Group established a BCP¹⁾ for employee safety and corporate continuity, and accordingly we are striving to prevent COVID-19 infection among employees and the spread of the virus at all of our business sites.

We made it mandatory to wear a mask inside buildings at all LOTTE business sites, and made hygiene products available, in addition to frequently inspecting whether quarantine rules are properly implemented. We reduced building entrances and set up a thermal imaging camera and non-contact thermometer at the entrances while also frequently disinfecting our business sites and public facilities, including department stores, supermarkets, hotels, and resorts. We strengthen disinfection of public facilities in the winter, when the indoor population density increases. In addition, we provide "guidelines on practicing personal hygiene" and encourage individuals to comply with hygiene rules for everyone's safety. When there is a confirmed case at a business site, we share information in real-time with the respective local government on the status and respective person's movement paths, and observe the government's quarantine policies, in our efforts to block secondary and tertiary infections.

To promote smooth business execution under the unprecedented pandemic circumstances, LOTTE Group identified major businesses and personnel to ensure that business plans are established and business operation support is provided even in the event of a gap at work. By establishing supply chain management measures in preparation for shortage of supplied materials, we built a foundation for overcoming crisis situations by collaborating with partners. We also adopted telecommuting and remote video conferences, thereby changing the way work is conducted. Furthermore, we established group activity-related guidelines, such as minimizing face-to-face meetings, refraining from private gatherings, and observing hygiene rules when visiting public facilities. We restrict business trips to other countries and areas in Korea where COVID-19 is spreading, and if a visit to the respective area is unavoidable, we take such measures as self-isolation and acquisition of information on movement paths, in accordance with each Group affiliate's management guidelines.

¹⁾ BCP (Business Continuity Plan): A series of plans aimed at maintaining a company's business continuity in preparation for a disaster or calamity



Paying close attention to neighbors' well-being

LOTTE Group is taking active part in local communities' recoveries from pandemic-induced damages. In February 2020, LOTTE Corporation made a decision to provide a financial support worth KRW 1 billion for children left in welfare blind spots. Accordingly, we first provided support to 500 children in Daegu, a COVID-19 hotspot, and in March, we delivered grocery packages to around 3,700 children locked out of child welfare institutions closed in response to COVID-19.

Since 2013, LOTTE Corporation has been providing needy neighbors with essential consumer goods through "LOTTE Pleasure Box Campaign." The campaign continued even during the pandemic, delivering pleasure boxes containing 16 daily necessity items to some 1,500 seniors living alone and suffering severe hardships due to wide-spread lockdowns in April 2020. In December, 1,365 children from multi-cultural families nationwide were given Pleasure Boxes, which exceeded a meaningful milestone of 50 thousand Pleasures Boxes delivered by LOTTE.





The Group affiliates are also taking part in local communities' efforts to overcome damages caused by COVID-19. LOTTE Hi-Mart provided hygiene kits to the underprivileged, while LOTTE Duty Free provided funds totaling around KRW 300 million through the Korean Red Cross. LOTTE Rental collaborated with LOTTE Mart in Daegu and delivered daily necessities worth around KRW 30 million to quarantine organizations.

The helping hand that LOTTE offers also reaches global local communities. Four companies that operates in Indonesia – LOTTE Chemical, LOTTE Chemical Titan, LOTTE Shopping, and LOTTE Global Logistics – came together and delivered 30,000 COVID-19 diagnosis kits to the National Agency for Disaster Countermeasure (BNPB). In Vietnam, five companies – LOTTE Mart, LOTTE Department Store, LOTTE Duty Free, LOTTE Rental, and LOTTE Global Logistics – donated around VND 3.7 billion (around KRW 200 million) to the Central Committee of the Vietnamese Fatherland Front (VFF). In Pakistan, LOTTE Chemical donated PKR 36 million (around KRW 261 million) and protective clothing to Sind and Punjab Province governments and the federal government, while LOTTE Confectionery supported 3,700 boxes of Choco Pie.

Providing diverse support to our partners

LOTTE Group strives to look for ways to overcome the COVID-19 crisis and achieve win-win growth with partners. To support partner companies in their efforts to secure liquidity, we used a joint growth fund worth KRW 986 billion and provided loans, while making early payments and providing free quarantine and hygiene products, including masks and hand sanitizers, to build a safe work environment at partner companies.

Preemptively responding to business risks

LOTTE Group has devised diverse countermeasures by scenario in order to take timely measures against business environment changes following the COVID-19 pandemic. In particular, we have divided our business areas into finance, supply chain management (SCM), communication, and marketing & sales, and are systematically managing them.

In the financial aspect, we have established a financial stabilization measure in the form of managing the BS¹⁾ and PL²⁾ as a countermeasure against slowdowns in the economy and cash flow. As for SCM, a supply stabilization measure has been set up by establishing a flexible supply network, based on supporting existing suppliers and establishing an alternative supply network, in order to secure important parts supplies and the shipping network. In the area of communication, we are monitoring COVID-19 situations in Korea and abroad real time and actively cooperating with the government. In the area of marketing & sales, we are proactively responding to changes in the business environment by establishing online strategies and managing inventory and business sites.

¹⁾ BS (Balance Sheet): Balance sheet providing information on a company's financial structure, liquidity, solvency, etc.
²⁾ PL (Profit and Loss): Income statement providing information on a company's management performance, including profit and cost





Toward a sustainable future on the winds of change.

The winds of change are blowing.

We place our hopes on these winds.
We hope that all people of the world become prosperous,
the natural environment becomes more pristine,
and the world thus becomes beneficial to all.

Flying high on the winds of ESG management,
LOTTE Corporation is changing the new today into
something better tomorrow, and staying ahead
in preparation for sustainable future.



Environmental

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Environmental value creation

We pursue clean, green growth by reducing our environmental footprint and increasing the value of infinite resources.

Environmental problems, such as climate change and resource depletion, are issues that are directly connected to the survival of the entire humankind, and businesses should consider the environment in their corporate management process as well, in order to survive. LOTTE Group makes continuous efforts to change and innovate, based on which we develop products and technologies that promote the circular economy and reduce carbon footprint, thereby taking steps forward to realize a sustainable, eco-friendly society of the future.



WHY IT MATTERS

The Paris Agreement, that sets out a global framework to limit global warming to well below 2°C above pre-industrial levels, was adopted by 195 countries at the United Nations Climate Change Conference that was held in December 2015. Since then, the international community's climate change regulations and policies have continually been becoming stricter. Korea also set the 2030 national GHG reduction roadmap, enacted the Framework Act on Carbon Neutrality and Green Growth to Counter the Climate Crisis, and is tightening other GHG emissions regulations, requiring companies to take practical measures. In addition, natural resources are depleting as a consequence of sharp economic growth, leading to growing risks, such as unstable supply and demand of resources and price volatility.

HOW WE RESPOND

LOTTE Group is expediting its implementation of eco-friendly management to take part in the efforts to counter climate change and to minimize its environmental impact, while also striving to reduce GHG with the goal of achieving net zero by 2040. In addition, we launched a "virtuous resource circulation" project to build a model case of resource circulation based on business characteristics that cover the entire value chain, ranging from petrochemicals to processed food manufacturing and retail. We will make increased efforts to improve awareness of resource circulation and to promote a circular economy in Korea.



Leading Eco-friendly Management

Integrated Environmental Management System

Environmental Management Vision and Goals LOTTE Group pursues not only profitability but also environmental sustainability by improving environmental performance across all areas of its corporate activities.

The Group therefore strives to minimize the environmental impact that inevitably stems from its production process and to promote environmentally sound and sustainable development.

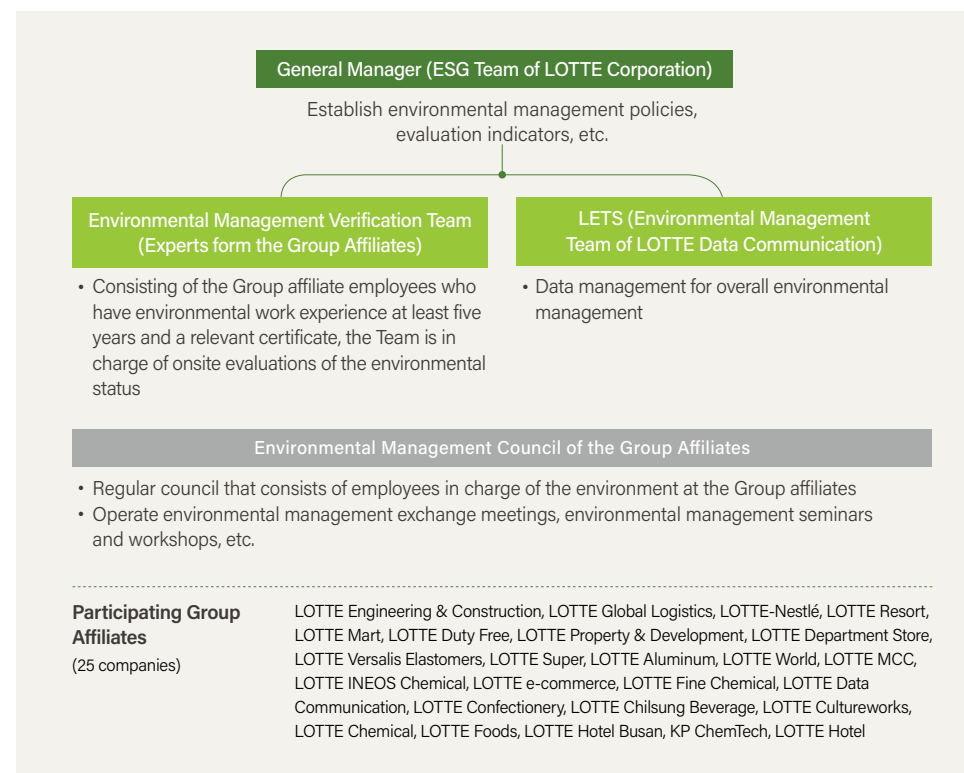
With the ESG Team performing a central role, LOTTE Corporation is focusing on performing leading roles of LOTTE Group as an eco-friendly company and on expanding green businesses.

Key Areas of LOTTE Group's Eco-friendliness and Themes

Areas	Themes
Response to climate change (2040 net zero)	<ul style="list-style-type: none"> Establish eco-friendly production processes Establish low-carbon logistics Build eco-friendly stores
Virtuous resource circulation	<ul style="list-style-type: none"> Establish a virtuous cycle of recycling plastics Expand the use of eco-friendly packaging Reduce the amount of discarded food
Water resource protection	<ul style="list-style-type: none"> Reduce water consumption
Sustainable production and consumption	<ul style="list-style-type: none"> Expand sustainable sourcing and eco-friendly product development

Environmental Management Organizations With the ESG Team performing a central role, LOTTE Corporation established overall environmental management policies that include climate change responses and built a system that is connected with the organization in charge of the environment at the major Group affiliates. We operate an Environmental Management Verification Team that consists of experts from the Group affiliates and regular councils, such as exchange meetings, seminars, and workshops, and also built the LOTTE environment Energy Total Service (LETS) system, thereby systemizing overall work, including data management.

Environmental Management Organizations of LOTTE Group





Environmental Management System Certification To strengthen environmental management operation system of the Group affiliates, we are focusing on expanding EMS (Environmental Management System, ISO 14001) and EnMS (Energy Management System, ISO 50001). As a result, LOTTE Hotel became the first in Asia to receive ISO 50001 certification in the hotel business, while LOTTE Data Communication became the first in Korea to receive the certification as a data center.

Environmental Management System Certification of LOTTE Group

ISO 14001

(15 companies)

LOTTE Engineering & Construction, LOTTE-Nestlé, LOTTE Resort, LOTTE Duty Free, LOTTE Aluminum, LOTTE MCC, LOTTE INEOS Chemical, LOTTE e-commerce, LOTTE Fine Chemical, LOTTE Confectionery, LOTTE Chilsung Beverage, LOTTE Cultureworks, LOTTE Chemical, LOTTE Foods, KP ChemTech

Environmental Management Activities

Environmental Management Indicators LOTTE Corporation set the scope of environmental management as response to climate change (GHG, energy); resource management (waste, water); and environmental pollution and preservation (water quality, air) in consideration of the Group affiliates' major business areas. Based on this scope, we announce "LOTTE sustainable growth environmental management indicators" every year, thereby providing guidelines so that all Group affiliates can check their status and use the indicators, in addition to analyzing and evaluating performance every year and providing feedback on the results.

The LOTTE sustainable growth environmental management indicators consist of five items – organization, strategy, activity, performance, and reporting system – to comply with the government's environmental information disclosure system and GHG emissions trading scheme regulations, and to operate ESG-based environmental management. All indicators are managed in real time through the LETS system, and we improve the credibility of the data a sense of responsibility through monthly performance approval of executives at the Group affiliates.

LOTTE Sustainable Growth Environmental Management Indicators

Items	Detailed Items
Organization, document system, training	<ul style="list-style-type: none"> Designate an environment organization and staff in charge Make division of duties of the environment organization documented Hire managers with professional qualifications Manage performance of training completion organized by the Group
Establishment of strategies	<ul style="list-style-type: none"> Specify a short term (1-year) plan to achieve goals and a roadmap for each phase <ul style="list-style-type: none"> GHG, water quality, air, etc. (quantitative) Whether it has certification systems <ul style="list-style-type: none"> ISO 14001, ISO 50001
Activities	<ul style="list-style-type: none"> Reflect results of an environmental management verification <ul style="list-style-type: none"> No. of adequate/inadequate, recommendations (including verification of achievement rate) Group environmental system reporting (GHG) <ul style="list-style-type: none"> Monthly performance report (approval from an executive in charge in the system is essential)
Performance	<ul style="list-style-type: none"> Water consumption and recycling performance compared to the previous year Waste generation and recycling performance compared to the previous year Activities to improve waste plastics management (including use/production phase, recycling, commercialization, etc.) Reduction of energy consumption and GHG Air pollutant discharge Water pollutant discharge Violation of the government's environmental regulations and the number of violations
Report	<ul style="list-style-type: none"> Results in accordance with the environmental information disclosure system <ul style="list-style-type: none"> Reflecting the Ministry of Environment's verification results



Environmental Management Verification Aimed at examining and upgrading the status of environmental management, LOTTE Corporation conducts “environmental management verification” which includes data management and an internal evaluation that is in the form of an onsite audit. **To make the verification go beyond a simple evaluation and use it as an arena for participation and information-sharing by all Group affiliates, the Environmental Management Verification Team was launched in 2019.** Members of the Team are chosen from the Group affiliate executives and employees who have environmental work experience of at least five years and a relevant certificate. Workshops and training opportunities are provided so that the members can continually develop their competencies. As of October 2021, 20 employees from 13 Group affiliates serve as members.

An environmental management verification is carried out by the Environmental Management Verification Team, with three members forming a single team, on a total of 102 items, twice a year – first half and second half of the year. Improvements that have been taken for matters which were identified as being inadequate and recommended are made according to environmental management guidelines under supervision by LOTTE Corporation. Results of environmental management verification on 25 Group affiliates in 2020 indicated 826 inadequate cases and recommendations, and 87.7% of them have been improved. For some matters, we established mid- to long-term improvement measures and are taking actions accordingly.

Composition of Environmental Management Verification



Set an annual goal and evaluate the grounds, analyze and evaluate goal achievement strategies, analyze the previous year's performance, etc.



Check the progress of the annual goal, whether the strategies are being implemented, improvements and measures taken for items that were found to be inadequate in the first half of the year, etc.

Environmental Education

Environmental Management Seminar LOTTE Corporation holds environmental management seminars to strengthen communication among employees who are in charge of environmental management and their competencies. Government and relevant organization experts are invited as speakers to inform of major trends and professional knowledge, in addition to sharing information on best practices among the Group affiliates. Starting in 2021, we have been inviting ESG-based environmental management experts to focus on improving ESG capabilities. A seminar was held four times in 2019 and three times in 2020 due to COVID-19. A seminar was held three times up to September in 2021.

Fostering of Environmental Experts To foster outstanding environmental management personnel at the Group affiliates, we ran a class for the GHG management engineer-qualifying exam, and also provide qualification exam training to employees who wish to become qualified as a GHG management engineer as a way to foster experts. As of August 2021, 52 employees at major Group affiliates have obtained GHG management engineer qualifications.

Green Procurement LOTTE Corporation promotes green procurement, through which we purchase eco-friendly products that have reduced environmental impact throughout the entire process, including product manufacturing, distribution, and use. Every year, the Group affiliates are accordingly purchasing products that have obtained an Eco-label¹⁾, GR Mark²⁾, or other eco-friendly mark or certification, and our green procurement recorded around KRW 97.7 billion in 2020.

¹⁾ Eco-label: A voluntary certification system to select a green product that can reduce energy and resource consumption and minimize the generation of pollutants throughout the entire process of the product, and to include a logo and explanations.
²⁾ GR Mark: A certification standard provided by the Korean Agency for Technology and Standards to excellent recycled products. The mark is attached to recycled products that offer enhanced quality through existing technology refinement or improvement or new technology development.

Green Procurement of LOTTE Group

(Unit: KRW billion)

Classification	Amount	Group Affiliates
		11 companies
2018	47.2	LOTTE Engineering & Construction, LOTTE Resort, LOTTE Mart, LOTTE Duty Free, LOTTE Aluminum, LOTTE World, LOTTE e-commerce, LOTTE Data Communication, LOTTE Chemical, LOTTE Chilsung Beverage, LOTTE Hotel
		10 companies
2019	71.2	LOTTE Engineering & Construction, LOTTE Mart, LOTTE Department Store, LOTTE Aluminum, LOTTE World, LOTTE Data Communication, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hotel Busan, LOTTE Hotel
		10 companies
2020	97.7	LOTTE Engineering & Construction, LOTTE-Nestlé, LOTTE Mart, LOTTE Duty Free, LOTTE Department Store, LOTTE World, LOTTE Data Communication, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hotel Busan

Facilitating the Circular Economy

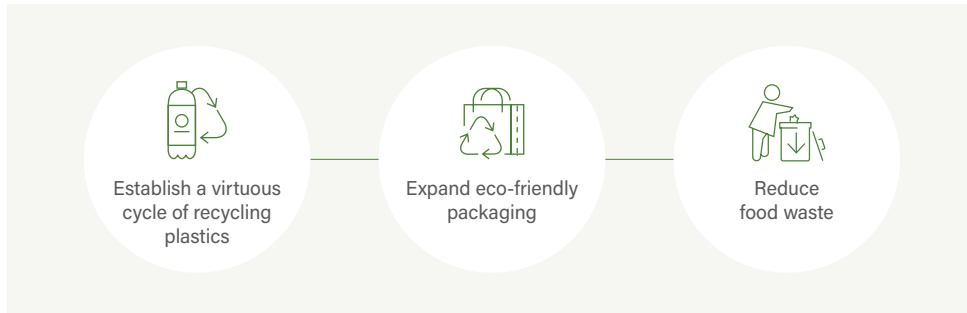
Virtuous Resource Circulation Project LOTTE Group is moving forward with eco-friendliness throughout its entire value chain, ranging from manufacturing to distribution. To this end, the Group is adding eco-friendliness to all its activities, including purchasing of raw materials, packaging, product, shipping, and sales.

In February 2020, the Group announced its plan on the “2020 Virtuous Resource Circulation Project.” This eco-friendly project is jointly reviewed and implemented by LOTTE Corporation and the Retail, Food, Chemical, and Tourism/Service Business Units (BUs), with an aim to consider environmental responsibility with priority in all business areas of LOTTE Group and to minimize impact on the environment.

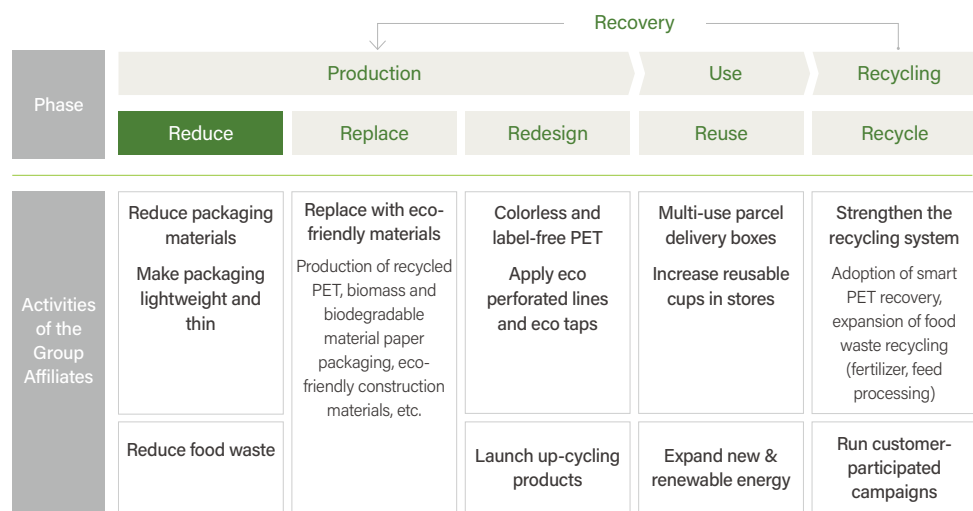
The Group will form a council among relevant Group affiliates for each key task, and set and implement a five-year goal in detail. In the long term, we will apply an execution model for “5Re (Reduce, Replace, Redesign, Reuse, Recycle)”, which is our unique virtuous resource circulation structure, to all business areas and continue to improve it.



3 Major Tasks of the Virtuous Resource Circulation Project



5Re Execution Model



Establish a Virtuous Cycle of Recycling Plastics Taking notice of the fact that the entire value chain of PET, a plastic material, ranging from raw material production, packaging manufacturing, product production, distribution, and sales, exist within the Group, we seek to build a unique virtuous cycle of recycling plastics – reducing the use of plastics, separating and recovering plastics, recycling raw materials, and reducing plastic wastes.

As the first measure to reduce the use of plastics, we will fully launch the production of r-PET (PET that uses waste plastics as a raw material), an eco-friendly material, based on a technology of LOTTE Chemical and supply it to the Group affiliates. In distribution and sales, we are promoting the consumption of r-PET products by publicizing the value of virtuous resource circulation, while setting up “Nephron”, a waste PET bottle recovery device, at LOTTE Mart and 7-Eleven store and running other resource recovery programs, leveraging retail affiliates’ consumer contact points, so as to reuse the resources of LOTTE Chemical’s r-PET raw materials, thereby building a virtuous cycle. cycle of recycling plastics, LOTTE Group plans to increase the percentage of r-PET use to 20% by 2025.

Expand the Use of Eco-friendly Packaging LOTTE Group plans to reduce the use of unnecessary disposables and increase eco-friendly packaging in its efforts to facilitate the circular economy. To this end, we formed a “Packaging Technology Council” that is participated by LOTTE R&D Center, LOTTE Chemical, LOTTE Aluminum, and others, and discuss eco-friendly packaging development and application measures. In particular, we are focused on making meal containers lightweight, unifying materials, and conducting research on biodegradable vinyl materials. We plan to carry out research on the development of eco-friendly delivery boxes and establishment a box recovery and recycling system so as to expand LOTTE Group retailers’ eco-friendly recycled packaging products to 50% within five years.



“Nephron”, a robot that collects PET bottles

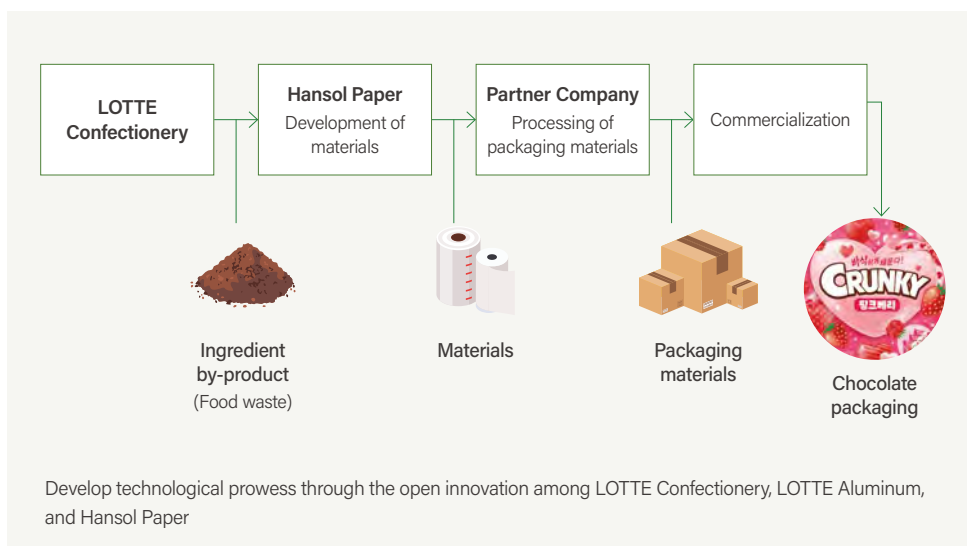




Reduce Food Waste LOTTE Group aims to reduce the amount of discarded food by 30% within five years through R&D on reducing food waste generated by each BU. We will measure the amount of discarded food at each Group affiliate and divide it into the production, processing, and distribution phases, which will be followed by research on ways to reduce the amount of discarded food at each phase and create manuals. We will minimize the amount of discarded food by developing preservation technologies, and will research ways to recycle the food, such as fertilizer and feed processing, to minimize the amount of food waste in landfills. In addition, we are selling food at discounted prices and promoting food donations to minimize the amount of discarded food.

Activities to Reduce Waste Plastics We identify areas to implement activities to reduce waste plastics at the entire process, ranging from manufacturing to consumption. We are devising diverse ideas that can be adopted at various locations, ranging from offices to sales sites, and establishing an atmosphere that promotes the execution of the ideas. Best practices are applied to all Group affiliates in an effort to establish a corporate environment where waste plastics are minimized and to jointly create a clean social environment.

R&D Direction of Packaging that Uses By-products



2020 Plan to Reduce Waste Plastics and Results

Classification	Main Details	Phase
Adopted to be operated (internal)	Change mineral water used for meetings with eco-friendly packaging products	Execution
	Change in-house health meal containers and packaging	Execution
	Adopt eco-friendly umbrella dryers	Plan
	Replace plastic bags used for product packaging to eco-friendly biodegradable bags	Execution
Adopted to be operated (sales)	Operate a waste plastic collection and recycling cycle system	Execution
	Improve the amenity package (synthetic resin → recycled paper)	Plan
	Improve the standardization of mineral water bottles provided to customers	Execution
	Provide eco-friendly, reusable tumblers	Execution
	Replace fork materials (Plastic → wood)	Execution
	Adopt eco-friendly packages for holiday gift sets and other products for sales	Execution
	Reduce the use of packaging box tape and disposal bags in a roll	Plan
	Reduce the use of packaging boxes for shipping	Execution
	Replace packing materials used in goods collection centers (bubble wrap → paper fillers)	Plan
	Replace with pallets made of eco-friendly materials	Plan
Applied to processing	Reduce the waste plastic generation rate by minimizing the defect rate in manufacturing and production processes	Plan
	Set the waste plastic recycling plan	Plan
	Change the packing of drugs added to process coolant	Execution
Product development	Produce products that use waste plastic thread	Execution
	Develop products that apply lightweight PET	Execution
	Apply eco-friendly labels, zero labels	Execution



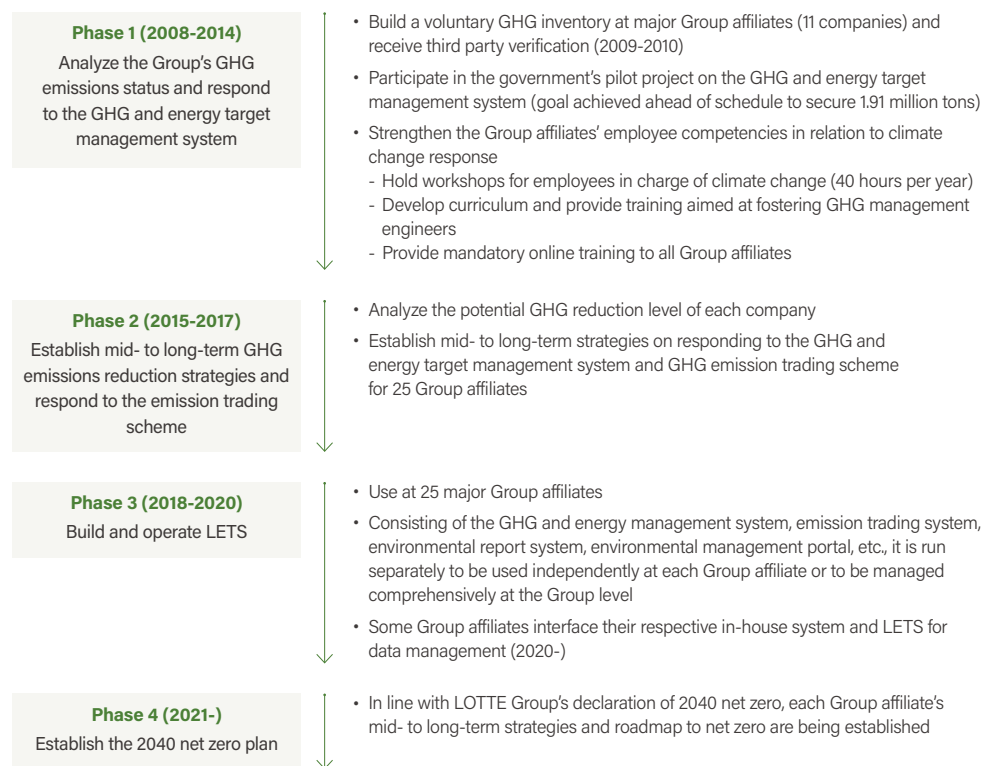
Pursing Low-carbon Management

Responding to Climate Change

Climate Change Response Strategies LOTTE Group analyzes climate risks and opportunities and reflects them in making corporate management decisions. In addition, the Group affiliates that are included in the government's energy and GHG regulations estimate annual expected GHG emissions in consideration of variables that impact business, including new establishments and extensions, and accordingly establish risk and response measures. During the environmental management verification, conducted at the Group level, risk countermeasures are evaluated and the results are verified.

LOTTE Corporation has established mid- to long-term strategies to systematically respond to climate change, based on policies and trends at home and abroad, and is implementing them.

Mid- to Long-term Climate Change Response Strategies



The Group Affiliates Subject to Energy and GHG Regulations

Items	Detailed Items
GHG and energy target management system	<u>2 companies</u> LOTTE Cultureworks, LOTTE Hotel Busan
GHG emission trading scheme	<u>22 companies</u> LOTTE Global Logistics, LOTTE-Nestlé, LOTTE Resort, LOTTE Mart, LOTTE Duty Free, LOTTE Property & Development, LOTTE Department Store, LOTTE Versalis Elastomers, LOTTE Super, LOTTE Aluminum, LOTTE MCC, LOTTE World, LOTTE INEOS Chemical, LOTTE e-commerce, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Confectionery, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Foods, KP ChemTech, LOTTE Hotel

* As of 2021

Energy Management System Certification (ISO 50001) LOTTE Group is striving to manage energy and GHG in a systematic manner. As part of these efforts, we are building an energy management system (ISO 50001) at each Group affiliate, and as of the first half of 2021, seven Group affiliates received energy management system certification and are complying with international standards.

Energy Management System Certification at LOTTE Group

<p style="font-size: 24px; font-weight: bold;">ISO 50001</p> <p>(7 companies)</p>	<p>LOTTE Mart, LOTTE Property & Development, LOTTE Department Store, LOTTE World, LOTTE Data Communication, LOTTE Chemical, LOTTE Hotel</p>
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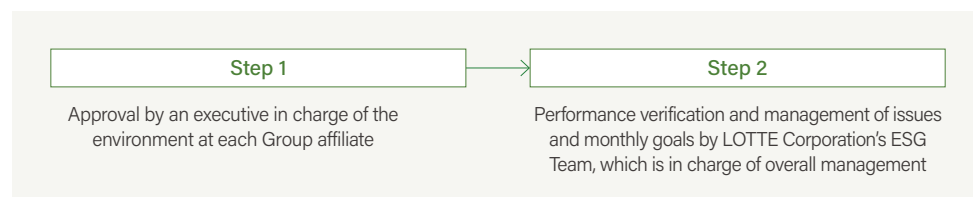


Low Carbon Management Activities

Managing GHG Emissions LOTTE Group built a voluntary GHG inventory of the Group affiliates that consume considerable amounts of major energy in its efforts to respond to climate change, a global challenge that needs to be resolved. We calculate, verify, and report our energy consumption and GHG emissions every month through LETS, and we also receive verification and feedback from the Environmental Management Verification Team on our performance against the target and adequacy of the reporting process for more systematic management.

In 2020, LOTTE Group's GHG emissions went down 2.4% year-on-year to 8.09 million tons, accounting for 1.25% of the nation's total emissions. We plan to reduce emissions every year according to our 2040 net zero strategy.

GHG Emissions Reporting Process



Establishing GHG Reduction Goals Separately from the government's emissions allowance and target allowance for each Group affiliate, LOTTE Group calculates estimated emissions based on an annual management plan and then uses this as the basis for deriving target emissions and carrying out GHG emission reduction activities.

LOTTE Corporation specifies GHG reduction activity indicators in LOTTE sustainable growth evaluation indicators to enhance the Group affiliates' energy efficiency and conduct GHG reduction activities. We separately manage GHG reduction performance that is achieved specifically through direct adoption of energy reduction technologies, rather than natural reduction due to management conditions and external environmental factors, with an aim to reduce GHG emissions 2% every year.

Participating in the Government's Pilot Projects Even before the implementation of the energy target management system in 2011, LOTTE Group has been participating in the government's pilot projects related to GHG reduction and energy management, and striving to voluntarily cut down GHG emissions. As a result, 15 Group affiliates achieved reduction goals totaling 1.91 million tons earlier than planned, and it was used for the first period (2015-2017) of the GHG emission trading scheme. This equals to cost reductions worth KRW 41.3 billion based on the closing price (KRW 21,600 per ton) of Korean Allowance Units allocated by 2017 (KAU17). It is assessed as an outstanding case of preemptively responding to GHG-related risks.

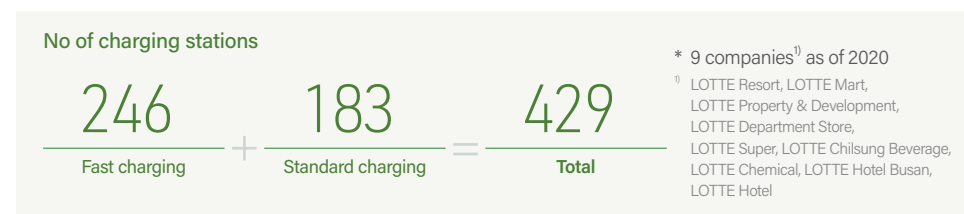
Adopting New & Renewable Energy The photovoltaic installation capacity within the Group affiliates is 6.0 MW, and around an annual 7,700 MWh of electric power can be produced. LOTTE Group actively promotes the adoption of new & renewable energy, such as providing additional points for LOTTE sustainable growth evaluations for cases of new & renewable energy facility construction and operation that fall under the corresponding year. Going forward, we will review policies on increasing the use of new & renewable energy in line with our 2040 net zero strategies.

LOTTE Group's Installation of Photovoltaic Power Generation



Expanding the Installation of EV Charging Stations With a focus on the retail and service businesses, LOTTE Group is moving forward with supplying electric vehicle (EV) charging stations, and as of 2020, we have set up and run 429 EV stations. We will take active part in government policies aimed at increasing the supply of eco-friendly vehicles, and continue to increase the supply of charging stations to increase the use of EVs by our customers and employees.

LOTTE Group's Operation of EV Charging Stations



Development and Production of Low-carbon Products LOTTE Group is striving to reduce the carbon footprint of products that we produce and sell. To this end, each Group affiliate is focusing on developing and producing low-carbon products. LOTTE Aluminum obtained the eco-label for 19 products, while LOTTE Chemical and LOTTE Chilsung Beverage respectively received environmental product declaration certification for one product. Other Group affiliates are also making efforts to increase the number of products that are certified as being eco-friendly.



CASE ENVIRONMENTAL PERFORMANCE OF THE GROUP AFFILIATES

NEW HEIGHTS

LOTTE Property & Development

LOTTE World Tower – raising the bar for high-rise eco-friendly buildings

With a height of 555 meters, LOTTE World Tower is well-known for being the tallest building in Korea. In addition to its record of being the tallest, it has the record of being the first. LOTTE World Tower was designed in an eco-friendly way starting from the planning phase with the goal of achieving new & renewable energy power generation and efficient management, and became the world's first to receive LEED¹⁾ Gold certification in the high-rise new construction category.

LOTTE World Tower was built in an eco-friendly way and is also operated with a focus on eco-friendliness. As a leading example, it installed water thermal storage and geothermal cooling and heating systems, solar panels, and wind and photovoltaic power generation facilities, and is self-generating around 15% of the total amount of energy it consumes. It also runs an "Energy Center" as a way to ensure efficient energy management. Performing roles as the heart of the building, the Energy Center manages, in real time, energy power generation and consumption through the energy monitoring system. In addition, LOTTE World Tower operates the "Water Saving Center" equipped with water reuse facilities and rainwater tanks, using around 100 thousand tons of recycled water which accounts for 15% of the 640 thousand tons of total water used.

Built as an eco-friendly space with a wide array of eco-friendly equipment and facilities, LOTTE World Tower is an eco-friendly power plant in the city center and an eco-friendly complex that strikes harmony with its surroundings, thereby positioning itself as Seoul's eco-friendly landmark.

RESULTS OF ANNUAL OPERATION OF ECO-FRIENDLY ENERGY FACILITIES



Self-generation of **15%** of total energy used

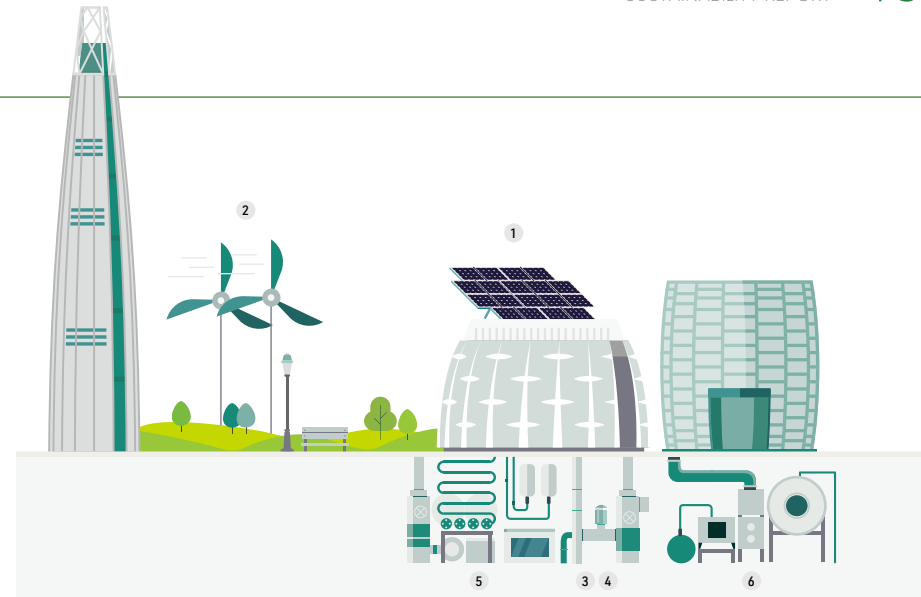
Electric power totaling 28,854 Mwh, which can be used by around 7,900 households in Seoul (based on monthly average usage of 304 kWh)

RESULTS OF ANNUAL ENERGY MANAGEMENT



GHG emissions reduction of **23,113** tons

Creation of environmental value that is equivalent to planting 8.5 million 20-year-old pine trees every year



1 Photovoltaic power generation and solar water heating systems²⁾

- Energy facilities installed at LOTTE World Tower, rooftop of Avenuel, and other various locations of the complex
- Annual electric power generation of 3,151 MWh, reduction of hot water energy consumption of 361 MWh



2 Wind turbines

- Renewable energy power generation facilities installed on the rooftop of LOTTE World Mall and at the grass square of World Park
- Annual electric power generation of 6 MWh; and CO₂ emissions reduction of 3 tons



3 Hydrothermal energy power generation³⁾

- Hydrothermal energy power generation facility, one of the largest in Korea, installed at the basement of LOTTE World Mall
- Supply of 3,000 RT⁴⁾, which is 10% of total cooling and heating; and reduction of annual energy consumption by 35.8% and CO₂ emissions by 37.7% compared to an absorption water cooler and heater with the same capacity



4 Energy Center

- Operate eco-friendly energy facilities (hydrothermal, geothermal, solar heat, etc.)
- Manage the amount of power generation, amount of electricity by date and time, GHG emissions, year-on-year changes, rate of achievement of energy goals, etc



5 Geothermal cooling and heating system

- Geothermal energy heat exchanger, one of the largest in Korea based on a single building, installed at the basement of LOTTE World Tower
- Annual heat production of 115.69 TJ; and reduction of annual cooling and heating energy by 15,117 MWh



6 Water Saving Center

- Water reuse facilities with a capacity of 1,200 tons, rainwater tanks with a capacity of 1,900 tons
- Use of recycled water that accounts for 15% (around 100 thousand tons) of the 640 thousand tons of total water consumption

¹⁾ LEED (Leadership in Energy and Environmental Design): This is an eco-friendly building evaluation and certification system of the US Green Building Council (USGBC). A strict evaluation is conducted on the environmental impact of the entire process of a building, including its materials, production, design, construction, maintenance, and abolition, after which one of four LEED levels (Certified, Silver, Gold, Platinum) is given.

²⁾ Solar water heating system: Technology used to store absorbed solar heat and use it for a building's cooling/heating, hot water supply, etc.

³⁾ Hydrothermal energy power generation: Method of using water's physical properties of being lower in temperature than the air in the summer while being warmer in the winter

⁴⁾ 1 RT: Heat that needs to be cooled to make one ton of water at 0°C into ice at 0°C in 24 hours



CASE ENVIRONMENTAL PERFORMANCE OF THE GROUP AFFILIATES

GREEN PROMISE

LOTTE Chemical

Green Promise 2030 – taking meaningful steps towards a greener planet

In February 2021, LOTTE Group's Chemical BU that includes LOTTE Chemical announced the "Green Promise 2030" initiative, at the center of which are four key tasks – strengthening the green business, responding to the climate change, expanding virtuous resource circulation, and establishing a green ecosystem. Accordingly, LOTTE will increase strategic investments by around KRW 9.6 trillion and concentrate its competencies on eco-friendly business to generate revenues totaling KRW 10 trillion in eco-friendly business by 2030 and to achieve net zero.

The green future that "Green Promise 2030" envisions is given shape by a hydrogen growth roadmap. In July 2021, LOTTE Chemical announced the "2030 Hydrogen Growth Roadmap: Every Step for H2", which involves investing around KRW 4.4 trillion by 2030 to lead eco-friendly hydrogen production, distribution, and use, and thus presented a blueprint for establishing a green circulation ecosystem. Based on LOTTE's key competencies, including large-scale consumers, mass supply chain, and eco-friendly technologies, 600 thousand tons of clean hydrogen will be produced by 2030 to supply

30% of demand in Korea and achieve sales of around KRW 3 trillion. In particular, focus is being placed on initial infrastructure construction to ensure timely supply of green hydrogen¹⁾ to places that require hydrogen energy, thereby preemptively responding to the era of green hydrogen that will become reality in the near future.

Net zero growth that was promised through "Green Promise 2030" will be completed with eco-friendly green technologies. Considering GHG emissions regulations that are becoming stricter across the globe and carbon credit prices that are continuing an upward trend, processing of carbon dioxide is a task that must be resolved. LOTTE Chemical is looking for the answer in carbon capture-utilization-storage (CCUS)²⁾ technology. It is developing carbon capture/utilization technology, becoming the first among petrochemical companies in Korea. In March 2021, it installed a CCUS demonstration facility at the Yeosu Plant 1 and entered the final phase of technology development. Its goal is to complete construction of a commercialization facility by 2023 through which it plans to additionally capture more than an annual 60 thousand tons of carbon dioxide to reduce external carbon

dioxide emissions while using the captured carbon as a raw material for manufacturing products. Moreover, it will expand relevant facilities to the Daesan Plant and Ulsan Plant to use more than an annual 200 thousand tons of carbon dioxide. In this way, LOTTE Chemical is adding momentum to the world through chemistry and taking steps towards a better future.

¹⁾ Green hydrogen: Electrolysis hydrogen that is produced through electrolysis of water with electricity generated from renewable energy, such as photovoltaic or wind power. Green hydrogen has zero carbon emissions during the production process but its unit cost of production is high.

²⁾ Carbon Capture-Utilization-Storage (CCUS): A technology that prevents the emission of carbon dioxide into the air at a site that mass produces carbon dioxide due to the use of fossil fuels, etc. It consists of a technology that separates and captures carbon dioxide from gas that is produced and generated from large-scale industrial process facilities; a technology that compresses the separated carbon dioxide and transports it to a location suitable for storage; and a technology that stores the carbon dioxide in an underground rock formation to use the captured carbon dioxide or prevent its release into the air.

GREEN PROMISE 2030
Every Step for **GREEN**

ECO-FRIENDLY BUSINESS



Generating eco-friendly business revenues of
KRW **10** trillion by 2030

- Eco-friendly specialty materials
- Recycled materials
- Green energy materials

CLIMATE CRISIS RESPONSE



Achieving
Net Zero by 2030

- Improve energy efficiency
- Participate in RE100
- Develop and apply new technologies

RESOURCE CIRCULATION



Increasing recycled products to
1 million tons by 2030

- Sell 100% recycled PET
- Expand PCR
- Develop new uses of recycled items

GREEN ECOSYSTEM



Reducing materials with environmental impacts by
50% by 2030

- Reuse and recycle wastes
- Optimize air pollution prevention facilities
- Recycle wastewater



CASE ENVIRONMENTAL PERFORMANCE OF THE GROUP AFFILIATES

GOING CIRCULAR

LOTTE Chilsung Beverage

ICIS ECO – label-free mineral water that quenches the earth's thirst

Under the motto of "Green survival! Beginning with Small Changes", LOTTE Group is striving to live in harmony with the earth by minimizing our ecological footprint in everyday life. With the Food BU performing a central role, we are developing packaging that enables easy recycling and increasing its application to our products.

LOTTE Chilsung Beverage launched "ICIS ECO" in January 2020, becoming the first company in Korea to enhance eco-friendliness by removing labels from the body of PET bottles, leading eco-friendly consumption. ICIS ECO is eco-friendly for it is easy to be discarded separately for recycling, without having to remove labels, which reduces the cumbersome process of removing labels and the use of plastics while increasing convenience of separate disposal and efficiency of PET bottle recycling. Instead of using a label, the product name is engraved into the body of a PET bottle; and such information as the product name, source, and mineral content that was previously included in a label is now specified on the bottle cap packaging film, and all indicated information is specified on a bundle packaging box. After the launch of ICIS ECO, LOTTE Chilsung Beverage is expanding the application of zero labels to Chilsung Cider and Trevi. Against the backdrop of full implementation of the "system of separate disposal of transparent PET bottles" in June 2021, LOTTE Chilsung Beverage's label-free products are garnering greater attention.

LOTTE Chilsung Beverage also set a plastic recycling roadmap aimed at reducing the use of virgin plastics (plastics produced by using fossil fuels) by 30% by 2030 while increasing the use of recycled plastics. To achieve the goal, the company is making continuous efforts to make its products lightweight and increase the use of r-PET (recycled PET), taking the lead in realizing a circular economy.

REDUCTION OF PACKAGING WASTE THROUGH ICIS ECO



3,020 km

Distance of at least four times of round-trip between Seoul and Busan (straight-line distance of around 325 km)
(Based on one label's horizontal length of 500 ml = 211 cm, 1.5 L = 32.9 cm, 2 L = 0.8 cm)

* Based on 2020 sales volume

LOTTE Confectionery

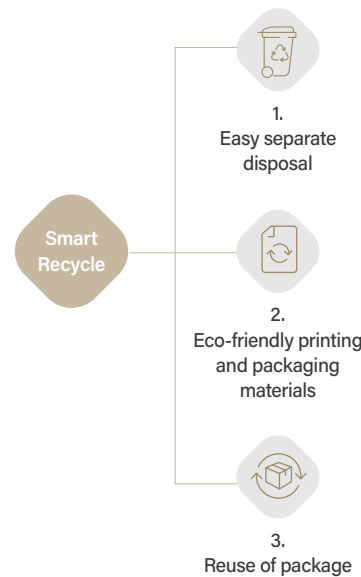
Smart Recycle – smart change to keep the earth clean and green

Smart Recycle Confectionery, including cookies, gum, and ice cream, is favorite food that is liked by many people. However, packaging that is discarded, without being separated out for recycling, leads to environmental pollution. Due to the characteristics of confectionery, there is a mixture of various forms of products and packaging, making separate disposal for recycling difficult and reducing recycling efficiency.

To create products loved by consumers and beneficial to the earth, LOTTE Confectionery is moving forward with the "Smart Recycle" project. The company adds tear lines or label grips on shrinkable film or label paper that is applied to plastic containers, making it easy to separate the film or paper. Folding lines are placed on paper packages so that they could be folded flat when they are discarded to reduce volume. It also uses eco-friendly printing that reduces the amount of used ink, and has applied "Smart Recycling" to around 150 products as of April 2021.

In addition, LOTTE Confectionery featured an up-cycling¹⁾ product by developing a package with useful content in packing materials for reuse, thereby delivering a message of eco-friendliness to consumers and leading virtuous resource circulation.

Recycled Paper Using Cacao LOTTE Confectionery developed a cacao cardboard in collaboration with Hansol Paper. The cacao cardboard is eco-friendly paper that is made by processing the by-products of cacao pods, which are discarded after being used as a chocolate ingredient, into powder form and then mixing them with recycled pulp. LOTTE Confectionery began applying the cardboard to limited edition products in spring, 2021 with the goal of recycling discarded resources and enhancing consumer awareness of environmental protection, and plans to expand use to diverse products.



¹⁾ Up-cycling: Adding a design or use to a recycled item to make it into a product with enhanced value



Social

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Social value creation

We strive to grow together with our stakeholders by having more dialogue with them and expanding communication and collaboration.

In a rapidly-changing management environment, it is essential for sustainable business growth to cooperate with various stakeholders, including partner companies and local communities, not to mention the importance of recruiting key talent. LOTTE Group continues to take on challenges and move forward with innovation, at the center of which are talents who have a sense of passion and responsibility. We are also expanding the scope of stakeholder cooperation and making efforts for more sustainable development of our society in addition to our own business growth.



WHY IT MATTERS



The Fourth Industrial Revolution and a reduction of the economically active population are leading to changes in how we work. The COVID-19 pandemic and digital technologies are accelerating the pace of change, demanding preemptive responses by the government and companies. In response, the Korean government is legislating various systems, including the 52-hour workweek system, and companies are striving to foster professional talent and enhance the quality of life of employees. In the meanwhile, cooperation with local communities to resolve social issues has become important agenda for corporate management. Against this backdrop, many companies are seeking ways to grow together with local communities through social contribution activities leveraging their competencies.

HOW WE RESPOND



Based on a corporate culture that respects diversity and places importance on cooperation and win-win, LOTTE Group operates a fair, transparent recruitment system and provides opportunities for growth, while offering systematic training and evaluations to nurture global leaders with professional capabilities. In addition, we have established family-friendly systems and employee welfare systems, creating a great workplace. In addition, for better lives of local community members, we carry out CSV activities, leveraging our competencies and resources, thereby creating a happier world.



Increasing Innovation and Workplace Inclusion

Respecting Human Rights and Diversity

Human Rights Policy When human dignity, value, and rights are respected, humankind's common goals of freedom, justice, and peace can be realized. **LOTTE Group makes utmost efforts to create an organizational culture in which employees unlock their potential and respect one another, without any prejudice or illegal discrimination, and respects human rights, which are all people's basic rights and freedom.**

LOTTE Corporation supports the "UN Guiding Principles on Business and Human Rights" at all locations where we operate, and we respect the human rights of employees as well as all stakeholders within our value chain. Furthermore, we prohibit all forms of forced labor and child labor, and do not allow discrimination that is related to unique characteristics that cannot be changed by an individual's effort, such as gender, age, race, nationality or region of origin, generation, religion, and disability.

Respecting Diversity **Based on the management philosophy that the creation of working environment that enables talent with different mindsets to be respected is important for developing future competitiveness, LOTTE Group became the first company in Korea to stipulate and declare the "Diversity Charter" in 2013, to ensure employee diversity and abolish discrimination.**

LOTTE Group's Diversity Charter consists of content on respecting gender, cultural, physical, and generational diversity, among which we have been placing particular focus on recruiting and nurturing female talent for gender diversity, while making corporate-wide efforts to remove the glass ceiling in the workplace by establishing working environments that enable female talent to unlock their full potential. In addition to increasing the number of female talents, we have made continued efforts to foster female leaders by taking such measures as increasing duty diversity, establishing a female leader pipeline, and operating female leadership programs. LOTTE Group is thus fully establishing a corporate culture that embraces diversity, thereby leading creativity and innovation.

Principle on Respecting Human Rights and Action Plans

Principle Human rights are the basic rights and freedoms to be granted to everyone. The members of LOTTE shall support and respect the "United Nations Guiding Principles on Business and Human Rights" declared internationally and guarantee human rights in places where we are conducting our business.

- Action Plans**
1. Regarding our business, we shall respect human rights anywhere at any time.
 2. We shall follow our values and standards regarding respect for human rights and spread them to our partners.
 3. We shall work to prevent a negative impact on human rights, which may be caused by our business.
 4. We shall guarantee and support human rights in the coal community which we belong to.
 5. We shall be well aware of and comply with local laws regarding labor.
 6. We shall not allow child labor in the workplace of our company and partners and shall follow the local laws and international standards regarding the minimum working age.
 7. Consult with the Compliance Officer and check the requirements of the minimum working age in accordance with the related laws, when an employee below 18 is required to be employed.
 8. Coercion, confinement or other forced labor, etc. shall not be allowed.

Diversity Charter

All LOTTE employees shall embrace diversity; pursue an open, impartial organizational culture where anyone can become a leader depending on his or her skills; and provide products and services that our customers love and trust, creating social value needed at this time. We therefore make pledge as follows:

1. We respect gender diversity.

We shall provide equal opportunities to men and women, offer active support so that they can sufficiently demonstrate their capabilities within the organization, and take the lead in implementing women-friendly systems, including childbirth and infant care.

2. We respect cultural diversity.

We shall take the lead in transcending nationality and race when recruiting and fostering talent who will lead our global business, and do our best to establish an open organizational culture so that our employees can unlock their full potential.

3. We respect physical diversity.

We shall embrace physical differences due to innate, acquired disabilities and provide optimal working environments so that our employees can demonstrate their unique skills. We also shall fulfill our social responsibilities and thus feel a sense of accomplishment in contributing to the company and society.

4. We respect generation diversity.

We shall strive to establish an organizational culture of communication and harmony where our employees can freely express their opinions and take action, irrespective of their job position and age.



LOTTE Diversity Forum (formerly LOTTE WOW Forum) We have been holding the "LOTTE WOW (Way of Women) Forum" every year since 2012 as a way to help female talent grow and enhance their self-esteem. In 2020, the Forum was held in the form of a webinar under the slogan, "More Diverse, More Innovative". The number of participants was increased to 1,500, with male employees and HR staff attending the Forum, in addition to female employees, in order to more extensively share the message that we should respect workplace diversity that serves as the basis of innovation amid sharp changes in the environment. The Forum consisted of programs that were designed to help employee think thoroughly ways to ensure workplace diversity and inclusion. At the recent WOW Forum, female talent who was excellent in her field as well as leaders and six team members who achieved results within the organization by embracing diversity were awarded. In 2021, the 10th Forum was expanded and reorganized to a new name, "LOTTE Diversity Forum", and it is now being operated as a forum that practices diversity with a broader meaning, including generation, disability, race, and nationality, in addition to gender.

Fostering Female Leaders The "Female Leader Mentoring Program" that we have been offering to female executives since 2014 was reformed in 2020, to better support female leaders' continued growth and network expansion. Accordingly, female executives are serving as mentors and are mentoring two female talents. Also, a new course for team leaders was created and necessary training is being provided. In addition to a leadership diagnosis program, we created a module by leader capability to help female talent choose and take required training courses in a self-initiated way.

Participation in the UN Global Compact's TGE Program In 2019, LOTTE Group officially declared its support for the UN's "Women's Empowerment Principles (WEPs)". Since 2020, we have been taking part in "Target Gender Equality (TGE)" program organized by the UN Global Compact, aimed at increasing the ratio of female executives, and are researching various cases for development of women's leadership and establishing relevant measures for female leadership.

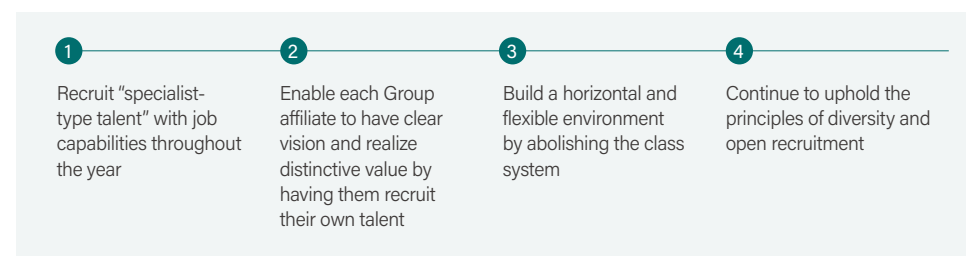
Fair Employment

Recruitment

Full Adoption of Year-round Recruitment Against the backdrop of accelerating economic and social changes as well as greater management uncertainty caused by the COVID-19 pandemic, there is an emerging need to recruit the right people who are specialists. LOTTE Group therefore abolished the regular open recruitments that were carried out at the Group level twice a year in March 2021. Instead, each Group affiliate determines the number of employees it needs and when, and hires talent throughout the year.

We test-operated a year-round recruitment model, beginning with LOTTE Duty Free, in the first half of 2020, and reformed the recruitment system in the second half of the year, so that the Group affiliates can handle their own recruitment. In addition, we built a process that enables each Group affiliate's compliance department to regularly monitor if recruitment is fair and to inspect and improve relevant matters. **Starting from the first half of 2021, when year-round recruitment was fully adopted, we are working on the full establishment of year-round recruitment policies that are led by each Group affiliate and diversification of each company's strategies, while continuing to uphold the principles of fairness, openness, and diversity.**

Policy Reform through Full Adoption of Year-round Recruitment



"Spectacle/Spec-tackle" Recruiting System Launched in 2015, "Spectacle/Spec-tackle" is LOTTE Group's unique blind recruiting system. With the name that reminds of "spectacle" and signifies "tackling specification", **Spectacle/Spec-tackle enables us to hire right talent by evaluating only job skills, rather than such qualification as academic background and certificates.**

If there is a pondering task, a relevant department asks for opinions on the task through the "Spectacle/Spec-tackle", which was systematized so that only the "person" can be seen throughout the entire process from receiving a project to joining the company. If personal information is directly and/or indirectly specified when a project is received, it is excluded from the evaluation, and we also strictly prohibit direct/indirect check of applicants' qualification for interviews and even intern recruitments. In addition, a blind survey is carried out on applicants after their interviews to check whether they received questions that were related to qualification. To ensure interview fairness, we draw lots on the day of interviews to assign interviewers. Also, real-time online evaluations are conducted through system evaluations to block arbitrary changing of scores after the interview.



Results of analyzing the work performance of employees who joined the company through Spectacle/Spec-tackle recruitment indicate that, in case of special duties such as IT and advertising planning, the work performance and departments' preference levels are relatively high. They show a high degree of attachment and engagement toward the company and duty, which is in line with the characteristics of the screening process, and thus initially indicate a strong sense of organizational loyalty. LOTTE Group will further advance Spectacle/Spec-tackle and spread the capability-centered recruitment culture.

Full-scale Renewal of "L-TAB" In April 2021, LOTTE Group fully renewed "L-TAB", a personality and aptitude diagnosis test of LOTTE, breaking away from the previous multiple-choice problems, aimed at identifying cognitive ability, and instead adopting a method of verifying job capabilities by using a simulation exercise, with the goal of responding to year-round recruitment and strengthening talent verification. This recruitment method has never before been attempted at home and abroad, and its focus is placed on verifying applicants' ability to respond to situations and to execute work by having them handle exercises in a "virtual working environment" that is similar to the actual working environment. To increase applicant convenience, the process that was conducted offline was fully changed to be online.

Feedback on Results to Unsuccessful Applicants LOTTE Group made sure the fairness in the recruitment process by declaring "Fair and Square", which promises impartial recruitment, in 2016. We systematized all recruitment stages so that interviewers' evaluation scores are transparently calculated into results without distortion, and automatic feedback is given on the results. By providing feedback on evaluation results to unsuccessful applicants, we help them develop into better talent, while internally and externally solidifying our determination towards fair recruitment.

LOTTE Group has been striving for fair recruitment and applicant convenience, and was chosen in August 2021 as a member of the "Youth Employment Support Membership"¹⁾, organized by the Ministry of Employment and Labor and Korea Enterprises Federation. As a leading company in providing support for youth employment, we will perform active roles for the establishment of a platform for spreading youth employment support projects.

Outline of Feedback on Results to Unsuccessful Applicants



- LOTTE became the first company in Korea to provide such feedback in the second half of 2014.
- LOTTE provides scores of unsuccessful applicants and successful applicants to those who were not able to pass the personality and aptitude diagnosis test and interview, as a way to enable them analyze their strengths and weaknesses, based on which they can develop necessary capabilities for better development opportunities.

¹⁾ Youth Employment Support Membership: Having been joined by companies that actively expand youth employment support programs or implement new programs, this membership was established based on voluntary participation with four preferred members, including LOTTE Group

²⁾ Web Award Korea: An awards ceremony for choosing outstanding websites with top prestige in Korea that is hosted by the Korea Internet Professional Association

"Fair and Square" Impartial Recruitment By declaring "Fair and Square" in 2016, LOTTE Group publicly announced that fairness is its key principle of talent recruitment, and we also adopted an interviewer certification process, in our concentrated efforts to conduct structured competency evaluations and secure interviewers with right attitudes. We have fostered some 2,500 interviewers as of September 2021. In addition, we systematized entire recruitment process so that interviewers' evaluation scores are transparently calculated into results without distortion, and automatic feedback is given on the results. Once recruitment comes to an end, each Group affiliate's compliance department mandatorily conducts a recruitment audit in accordance with LOTTE Group's internal "fair recruitment guidelines" as part of efforts to further enhance fairness. Going forward, we will continue to transparently and fairly operate all recruitment processes and make utmost efforts to recruit talent who will lead our sustainable growth.

Renewal of the Recruitment System To increase applicant convenience, expand communication with applicants, and make the recruitment process more elaborate and to computerize it, LOTTE Group launched a renewed recruitment system and website in September 2020, which received the Grand Prize in the corporate talent recruitment category at 2020 Web Award Korea²⁾. We improved the webpage in various ways with regard to visual clarity, mobility, auditory, and cognitive aspects so that disabled persons and the elderly can use the recruitment homepage without any inconvenience. As a result, we received "web accessibility quality certification" for two consecutive years. We will continue to strive to build an IT environment that prevents persons who are weak in accessing information from encountering obstacles.

L-RecruiTV In February 2020, LOTTE Group opened "L-RecruiTV", a YouTube channel exclusively for recruitment to provide diverse, up-to-date recruitment and duty information to applicants. It offers recruitment counseling for each company and also shows LOTTE to viewers in a fun way, for example, by uploading Vlogs of daily life of employees in charge of specific duties and videos in which employees play a game to provide information about the company.

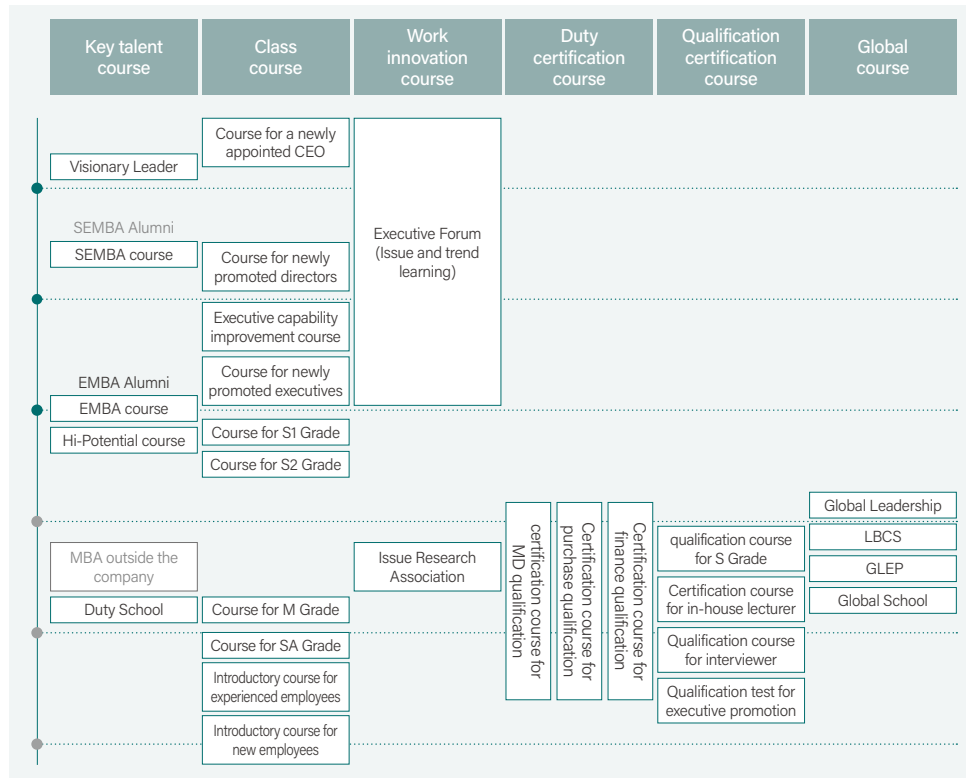


L-RecruiTV,
a YouTube channel for recruitment

Human Resources Development

Training System LOTTE Group runs systematic training programs that consider positions and duties to motivate employees to independently learn and grow and to enable them to develop the capabilities that are suitable for their respective role.

Training System of LOTTE Group

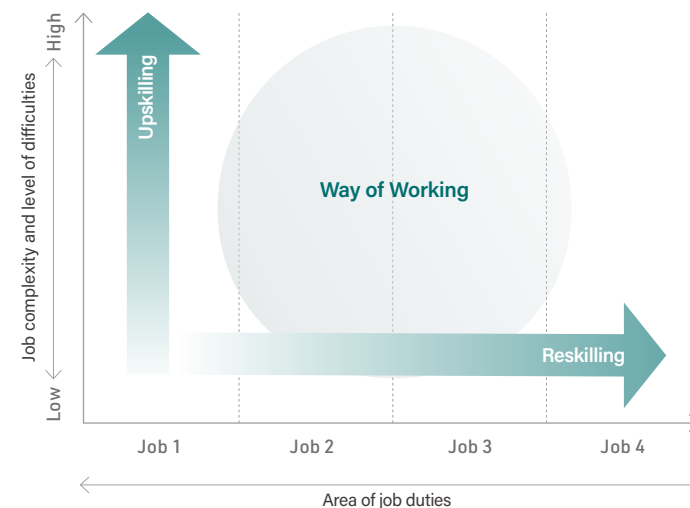


Fostering Digital Talent As the pace of digital transformation (DT) has been accelerated in overall industry, preemptive recruitment and systematic fostering of talent for relevant duties is emerging as an important topic. In particular, a shift to non-face-to-face work is rapidly taking place with the spread of COVID-19, and DT has accordingly become a prerequisite for corporate survival. LOTTE Group operates a wide array of training courses to foster DT talent, and uses diverse channels to communicate the LOTTE digital business vision and to continue efforts to provide information on duties and growth potential.

Fostering Internal DT Experts LOTTE Group established and runs a reskilling¹⁾ course for new skill acquisition and an upskilling²⁾ course that is focused on improving skill levels to foster internal DT experts.

Reskilling Course	Upskilling Course
<ul style="list-style-type: none"> We run the “DT talent qualification certification system” for employees who are not performing DT-related duties, such as sales, through which employees learn three areas – software engineering, AI engineering, and data analysis – for around a year via online and offline, and then go through an evaluation to receive certification for practical capabilities. The certification system is divided into steps as a three-level process, and after completing each step, employees are provided with an opportunity to receive a final certification evaluation. Employees who successfully pass the process are offered with such opportunities as a change in duty, according to company conditions, if they desire. 	<ul style="list-style-type: none"> We run this course for around 1,200 employees who are handling DT work, with a focus on fostering experts who can perform higher level work. It includes three duties related to the DT talent qualification certification system and DT strategy planning duty, and the course for UX and UI will be opened. It consists of three levels, and an employee undergoes a prior level assessment to complete a course that is appropriate for his/her respective level. Focus is especially placed on fostering DT talent who understand DT technology trends based on field expertise, and uses this understanding to improve current work processes and discover new business models.

Basic Concept of Fostering DT Talent



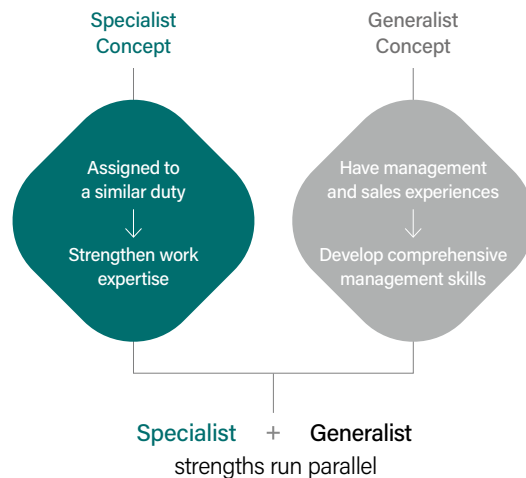
¹⁾ Reskilling: Learning a new skill to perform a duty and roles that are different from those of the past
²⁾ Upskilling: Enhancing the skill level to be better at the same work or to perform more complex roles



Living in LOTTE Valley To preemptively recruit DT talent, LOTTE Group disclosed "Living in LOTTE Valley," a PR video that targets new/experienced job seekers in the fields of DT and IT, through "L-RecruiTV" in June 2020. The video is in the format of LOTTE Group's DT and IT duty employees looking at Vlog of their own daily lives with other employees and telling their respective story. It delivers information that job seekers are interested in, such as duty information and tips on preparing for employment, the corporate culture, and welfare systems. A total of 84 videos have been created as of September 2021 to share information on duties and corporate life, and we plan to continue to meet with applicants through L-RecruiTV.

Online Hackathon Contest To recruit outstanding DT talent and strengthen its recruitment brand, LOTTE Group held an online hackathon contest in October 2020 together with "LIKE LION," a leading on/offline programming training institution in Korea. The contest was held for around 1,000 members of LIKE LION who are attending 49 schools across the nation. The applicants created web or app services of various innovative ideas in line with the theme of "improving inconvenient aspects of LOTTE's distribution, logistics, and manufacturing services or adopting new services." LOTTE Group's DT experts and LIKE LION members evaluated them, selecting 12 teams as winners, including a winner of Grand Prize. LOTTE Group provided them with prize money and a recruitment privilege that excludes the document screening process and vocational aptitude test if they apply for a development duty that is a part of LOTTE Group's new employee recruitment by 2022.

Career Development LOTTE Group's principle is to assign employees to the right place in consideration of an individual employee's capabilities, aptitude, and development potential. **In addition to a two-track talent-fostering system (manager track and expert track), aimed at reflecting the characteristics of each duty and facilitating employee growth, we operate the self-led career development program (CDP) that enables employees to explore and plan their own growth path.** When a new business is implemented or if there is demand for personnel within the Group, the Group's internal employees fill the positions first. This system allows smooth movement of employees among the Group affiliates.



Personnel Management

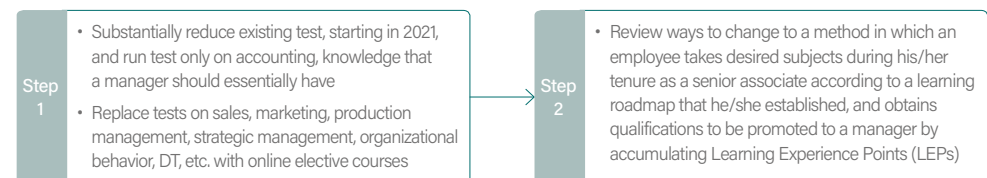
Personnel Evaluation Personnel evaluation is the most fundamental step of employee transfer, placement, promotion, compensation, and training. It is designed to precisely measure the outcomes generated by employees to realize differential compensations according to performance contribution levels, and to clearly identify employee capabilities to support employee growth. In addition, employees consult with their team managers to establish their respective goal, after which they receive coaching and feedback throughout the year which strengthens organizational competitiveness and promotes individual growth.



Reform to the Role-centered Position System LOTTE Group is integrating positions to improve such matters as vague positions and roles, continued decrease of the promotion rate as a result of maintaining the position-level personnel structure, and decreased work engagement. We first completed the integration of M1 (Manager 1) and M2 (Manager 2) in 2018, which will be followed by the integration of S1 (Senior Manager 1) and S2 (Senior Manager 2) starting in 2022 to enhance organizational efficiency and build an environment in which employees can engage in their work. We completed system design and compensation simulation for S1/S2 integration, and are holding presentations for employees on system improvements, with a plan to be applied on January 1, 2022.

Improving the Qualification Course for M Grade Promotion LOTTE Group's qualification course for M grade promotion (formerly qualification course for executive promotion) has been in place for 38 years since its adoption in 1983 as a system for checking basic knowledge (strategic management, accounting, organizational management, LOTTE's core values, etc.) to be promoted from a senior associate to a manager. This business management-centered promotion test was suitable for the "rotational assignment" system, in which employees accumulated experience across different duties, but we are now reforming the promotion qualification course by reflecting the recent HR trend of placing importance on fostering experts as well as changes of the era. We will listen to the opinions of employees, HR managers, team managers, and 21 Group affiliate CEOs to change the test-centered M Grade promotion qualification course to a course that enables employees to establish a learning roadmap and make preparations in a self-initiated way.

Roadmap to Obtain Promotion Qualifications



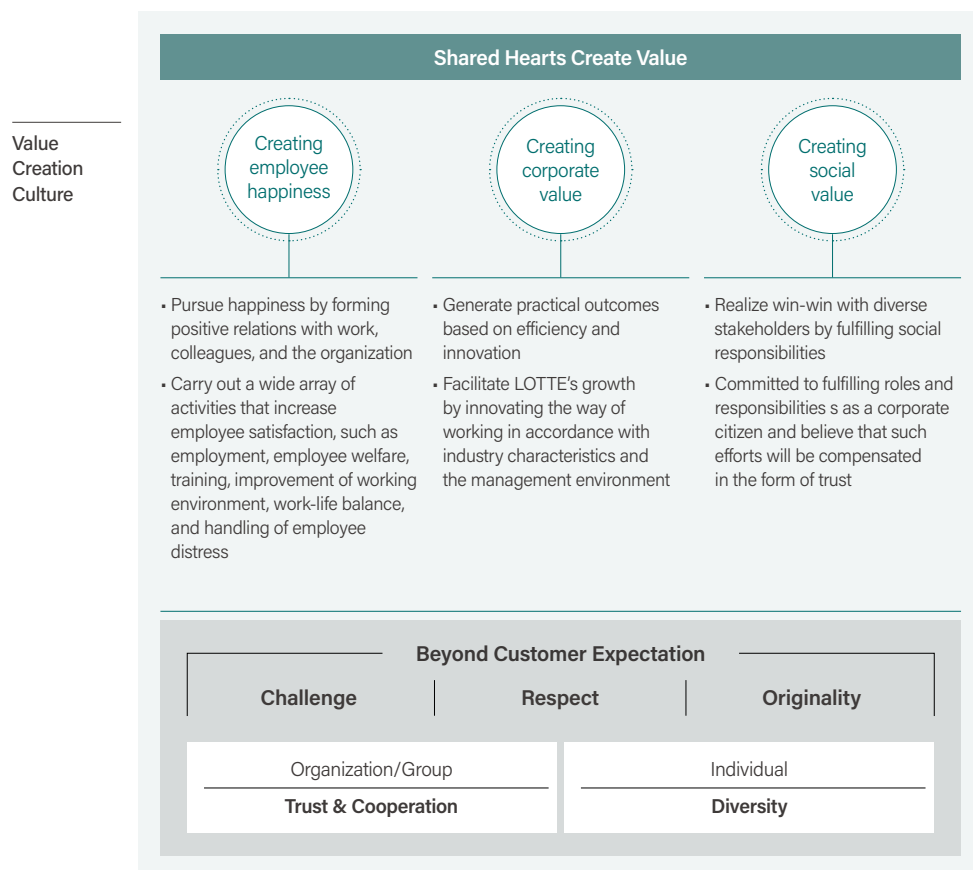


Creating a Great Workplace

Great Company Culture

Establishing a Value Creation Culture LOTTE Group aims to build a corporate culture in which all employees gather their minds and strengths to create greater value. With this as the foundation, we are building unique value creation culture that enhances "employee happiness" through respect for different lifestyles, "corporate value" through innovation and convergence of different thoughts, and "social value" through win-win with various stakeholders.

Corporate Culture System



Corporate Culture Committee Launched in September 2015, aimed at improving corporate culture, the Corporate Culture Committee consists of 10 members – internal executives and outside experts in diverse fields, including organization, women, labor and management, win-win, and society. The Committee strives to establish LOTTE Group's value creation culture by having dialogue with field employees and discussing various agenda items at regular meetings. Outside experts who participate in the Committee create and submit a research consultation document once a quarter. In 2021, three regular meetings (meetings were held in March and July, and one is planned to be held in December) were held to discuss strengthening of the recruitment brand, and organizational management and leadership in line with the changing environment. In addition, to make improvement to be field-centered, we formed a corporate culture TFT (TFT head: CEO of each Group affiliate) as an execution organization that is participated by 39 Group affiliates.

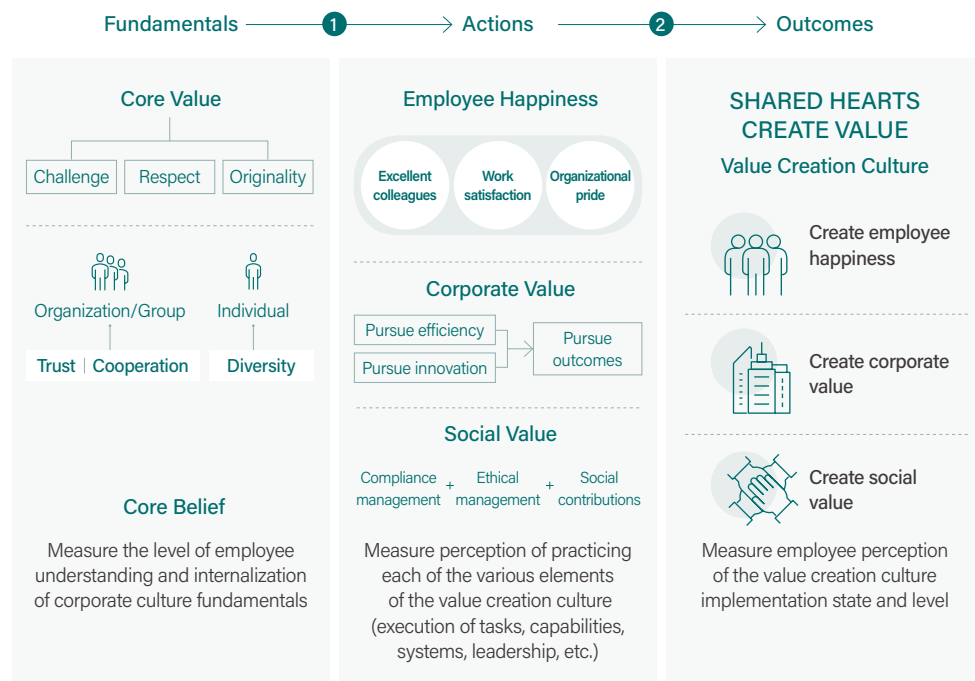
Formation of CAs and Activities LOTTE formed Change Agents (CAs), who plan and lead all changes required in the corporate culture innovation process that is being implemented across all Group affiliates. Also, each Group affiliate autonomously selects a top priority task and carries out activities aimed at making focused improvements. Major tasks include removing the largest barriers that cause work inefficiencies and reviewing and improving the effectiveness of systems related to the existing organizational culture.

Junior Board All affiliates of LOTTE Group operate the Junior Board, a communication channel to bridge field employees and management. The Junior Board consists of senior associates and manager-level employees in their 20s and 30s from various departments, including management support, marketing, and production. They have direct conversation with the CEO on ideas to improve corporate culture, such as innovating the way of working and promoting communication among generations and classes, thereby leading practical changes in corporate culture.

Diagnosis of the Value Creation Culture Every year, LOTTE Group conducts a "value creation culture diagnosis," an employee satisfaction level survey aimed at identifying the corporate culture's strengths and areas of improvement. The value creation culture diagnosis is a survey on "creating employee happiness, creating corporate value, and creating social value" which is the key to LOTTE Group's corporate culture, and on the "winning spirit". In 2020, the diagnosis was participated by around 40 thousand employees of 39 Group affiliates. LOTTE Corporation is using the value creation culture diagnosis to identify areas that require improvements and as a criterion to derive practical improvements.



Composition of the Value Creation Culture Diagnosis



Internalizing the Winning Spirit At LOTTE Group, winning spirit means that all employees share corporate value and unlock their full potential to derive the best outcomes. At the first half of 2020 "LOTTE Value Creation Meeting (VCM)" held in January 2020, discussions were made on the need to fully establish the winning culture within the organization to take the lead in responding to changes.

To spread the winning spirit within the company, the Corporate Culture Committee carried out an organizational culture diagnosis on around 1,600 Group employees starting in March 2020 and analyzed factors that influence employees' voluntary outcome generation. Based on this analysis, the Committee established the "Winning Rule" that employees must observe in accordance with each Group affiliate's circumstances in April 2020, and also defined 552 tasks, such as adopting winning coach evaluation items and operating a cross-sell organization at the project level. In addition, various events are held, such as "Discovering a Hidden Hero" and "Choosing a Fearless Leader", to identify colleagues who are fully committed to their teams and improve the company's growth and organizational culture.

LOTTE Group plans to reflect the advice of outside advisors and take active measures to internalize the winning spirit among all employees so that it can fully take root in the company as a corporate culture. To this end, we will strengthen PR and training for employees and continue to examine the progress of tasks to lead changes in employee behavior.

Concepts of the Winning Spirit



LOTTE Awards LOTTE Group created the "LOTTE Awards" by integrating internal individual award ceremonies that were held separately for each duty, including sales and marketing, and presents an award to a team that made utmost efforts to practice the winning spirit in the field and generated an outstanding management performance to result in LOTTE's enhanced brand competitiveness. At the first LOTTE Awards held in April 2021, the Grand Prize was presented to the Bottled Water Support Team of LOTTE Chilsung Beverage that launched "ICIS ECO" in 2020. The Team was recognized for achieving packaging reduction effects by unveiling a mineral water product that removed labels from the body of PET bottles for the first time in Korea as well as contributing to changes in consumers' environmental awareness and corporate image enhancement.

Leadership Changes

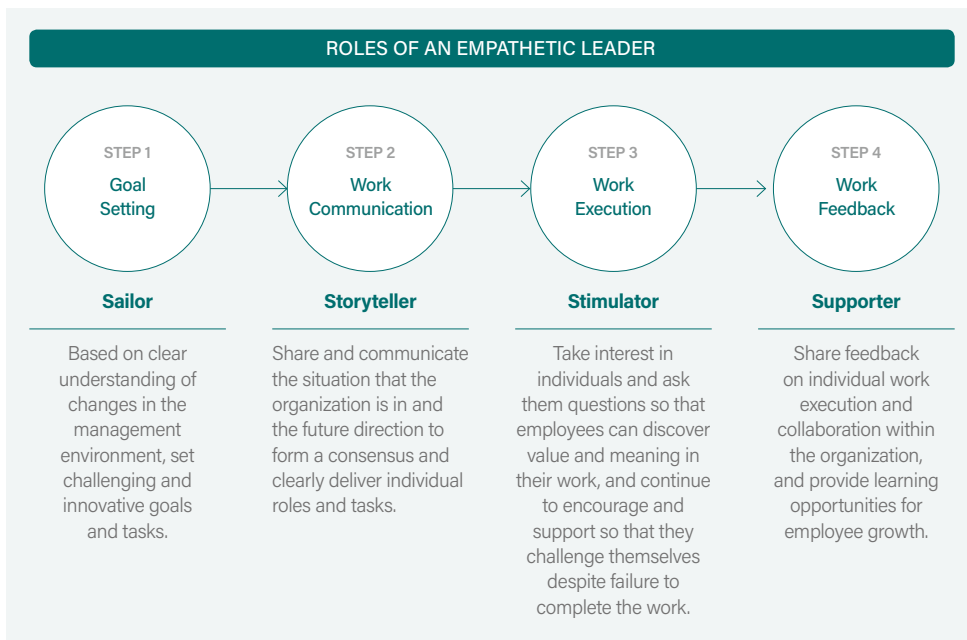
Diagnosing Leadership Since 2014, LOTTE Group has been conducting a leadership diagnosis on some 3,000 team managers and higher position employees every year. An online survey is held to assess the level of competencies that the Group leaders should have and to identify the style of leadership and characteristics of behavior that are mainly demonstrated to exercise influence on employees. This provides leaders with an opportunity to identify differences in thoughts between them and the employees who work for them, thus helping them grow as leaders.



Shifting to Empathetic Leadership Quick identification and responses to customer needs are becoming important amid sharp changes in the management environment. **LOTTE Group is therefore striving to create a culture where employees continue to take on challenges based on a winning spirit and to derive maximum performance.** There is growing importance of "empathetic leadership", motivating employees so that they understand organizational goals and their duties, and to lead others to generate outcomes.

LOTTE Group defined various roles and capabilities of leaders that are needed to spread the winning culture. To internalize empathetic leadership, in particular, we established the "empathetic leadership diagnosis and feedback, self-learning system". In October 2021, we conducted a Group leadership diagnosis by including an "empathetic leadership diagnosis", and then provided an individual report so that leaders can identify strengths and weaknesses. This will be used as the basis to provide training content that enables leaders to independently overcome their leadership weaknesses, thus facilitating self-learning.

Roles of an Empathetic Leader by Work Step



Innovating the Way of Working

Implementing "ERRC" for Work Efficiency **To raise employees' work efficiency and innovate the work culture, LOTTE Group is running the "ERRC campaign", aimed at eliminating unnecessary work and focusing on key work to strengthen productivity and efficiency.** ERRC is a strategic tool that discovers and uses four factors, including elements that should be "eliminated" from work, and elements that should be "reduced", "raised" and "created". Through the ERRC campaign, we are listening to employee opinions, inspecting work processes, and performing field audits to achieve the effect of improving inefficient practices, increasing productivity, and reducing work hours.

Smart Office and Remote Work LOTTE Corporation operates a Smart Office that enables employees to work irrespective of their location. We adopted an autonomous seating system so that employees can choose a desired seat every day. Also, employees can choose a location outside the office where they can most effectively engage in their work. In particular, by strengthening the preemptive non-face-to-face work culture based on our remote working system amid COVID-19 circumstances, we were able to contribute to the health and safety of organizational members and their families. By continually encouraging remote working at least twice a week, we are increasing work satisfaction levels among organizational members and fully establishing a culture of more effective, flexible communication.

Digital Workplace By building an integrated Digital Workplace within LOTTE Group, we are strengthening communication and collaboration among the Group affiliates. We adopted various collaboration tools, such as the cloud-based video conference system, Cisco Webex, and Microsoft 365, and thus reduced the working environment gap among companies and enabled the Group affiliates to focus on operating their own business system. In addition, by providing a working environment to all Group affiliate employees that allows them to be connected to each other and engage in effective communication and collaboration at all times, irrespective of location, we are strengthening the digital experience and raising work efficiency.

Selective Working Hours System LOTTE Corporation operates the selective working hours system in which individual employees choose when they come to and leave work as long as the monthly-set total work hour requirement is met. Employees autonomously adjust daily work hours according to their respective work characteristics and workload without having to receive approval from the department manager, aimed at building an atmosphere where employees can work in a self-directed way. The system is also connected to the "PC-OFF system", in which a PC automatically turns off once work hours that are set by an individual are over, ensuring actual operation of the selective working hours system. **Through the selective working hours system, employees at LOTTE Corporation are effectively allocating hours that are given in a day, thereby striking the right balance between work and life.**

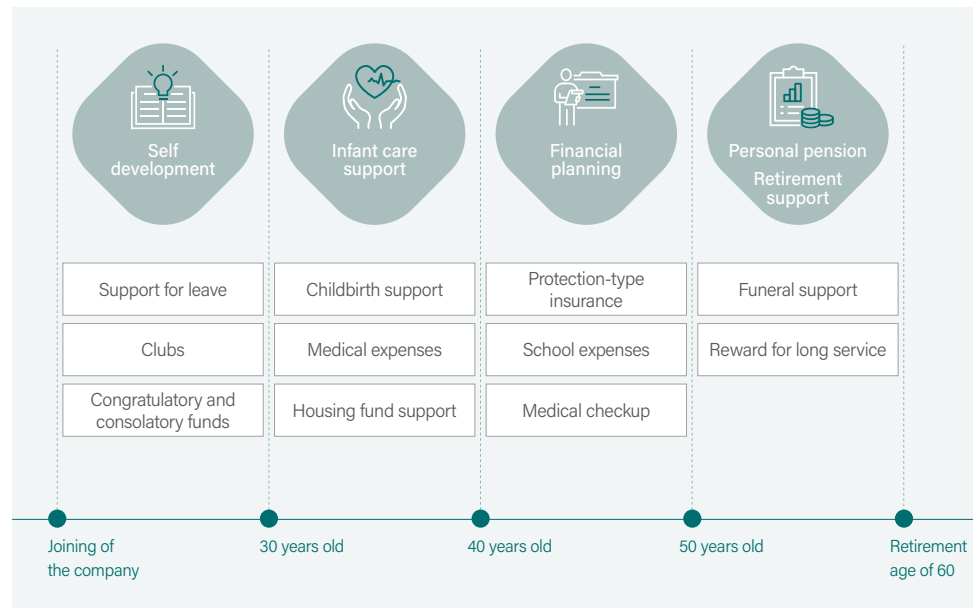


Enhancing Employee Satisfaction

Welfare System LOTTE Group operates the "LOTTE Lifetime Welfare System", which consists of customized welfare systems for different age groups of employees, including single, married, post-natal, and middle-aged employees. It especially rearranges welfare systems in consideration of employees' lifecycle stage, such as the maternity leave system and reduced work during pregnancy, expansion of childcare centers, and system of taking a leave 100 days before the national college entrance exam.

In addition to establishing a work environment where all employees can work with a sense of enjoyment and motivation, LOTTE Corporation manages various welfare systems to improve the quality of life of employees, raise work satisfaction levels, boost morale, and encourage work engagement.

Lifetime Welfare System of LOTTE Group



Welfare System of LOTTE Corporation

Family events	<ul style="list-style-type: none"> Support for funeral service in case of death of parent, spouse's parent, spouse, employee him/herself, or child Various family event leaves, and congratulatory and consolatory funds 	Education support	<ul style="list-style-type: none"> Tuition support for an MBA program outside the company Support for expenses for foreign language learning Support for e-learning education and duty training expenses Support for child school expenses Support for childcare expenses
Health and post-retirement management	<ul style="list-style-type: none"> Full medical checkup Purchase of group insurance policies Support for medical expenses of the employee him/herself, spouse, and child Support in case of a disability or serious illness of parent or spouse's parent Personal pension support system 	Leisure and leave, etc.	<ul style="list-style-type: none"> Long service leave and reward Selective welfare Operation of company resorts Support for driver's insurance and gas and oil expenses

Family-Friendly System

Pregnancy and Childbirth Support LOTTE Corporation provides leaves for infertility treatment and supports infertility procedure expenses. In addition, to guarantee a comfortable and safe work environment during pregnancy, we operate maternal protection rest areas and a system of shorter working hours during the pregnancy period. We also provide congratulatory funds and gifts when a baby is born, and provide a childbirth congratulatory fund of KRW 2 million per child in case of birth of two or more babies.

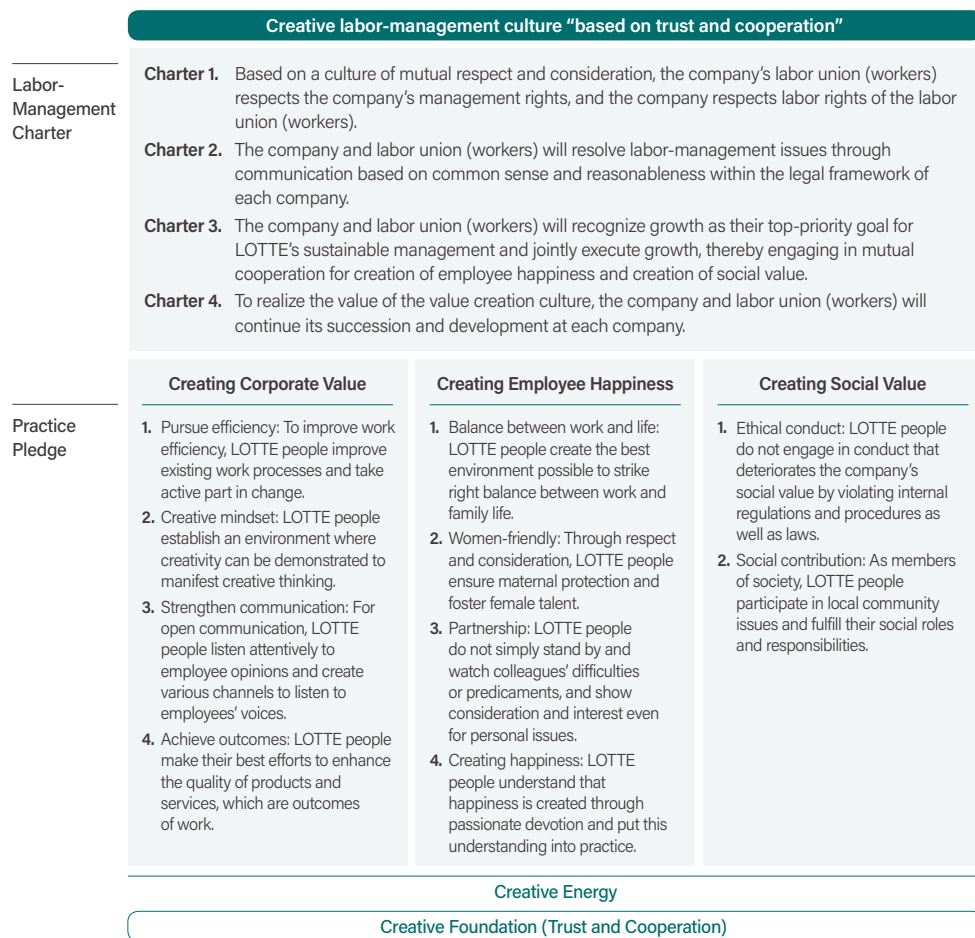
Parental Leave An working environment where female employees can use their parental leave with their mind at ease should be established to foster female talent. This is why LOTTE Group adopted the automatic parental leave system in 2012, which automatically processes a parental leave after a maternity leave, without having to submit a leave form. We increased female employees' parental leave period to as long as two years in January 2017, and we also became the first company in Korea to adopt the "mandatory parental leave system for male employees" that makes it mandatory to use a parental leave within three months of childbirth and increases leave pay support. Between the adoption of the system and 2020, a cumulative number of 5,913 male employees used the parental leave, accounting for 90% of employees who became a father. Furthermore, we operate "Mom's Healing" and "Daddy School", training programs that help employees quickly adapt to life at work after coming back from their parental leave. We also operate in-house maternal protection rooms and in-house childcare centers to help employees reduce the burden of infant care.

Childcare Leave LOTTE Group adopted the childcare leave system that enables employees to use a leave from a month to a year when their child enters elementary school – when a sense of burden is high among employees who have to work while raising a child. We also increased the parental leave period to two years, thus providing an environment where work-family balance can be achieved.



Building a Creative Labor-Management Culture LOTTE Group defined its unique growing, cooperative labor-management culture as “creative labor-management culture”, and is systematically and continually strengthening the culture. **The creative labor-management culture that we aim at refers to establishing a virtuous cycle in which we achieve continued growth through creative activities that are jointly carried out by labor and management, leading to the creation of employee happiness.** To realize this creative labor-management culture, LOTTE Group established “LOTTE’s creative labor-management culture system” that includes a labor-management charter and a practice pledge. Labor and management are gathering their strengths to achieve corporate growth, employee happiness, and also to make social contributions based on trust and cooperation.

Creative Labor-Management Culture System



Win-Win Labor-Management Relations After the launch of LOTTE Corporation, a holding company system, we set up the Labor-Management Council at our business site in December 2017. The Council is a consultation body that aims at promoting the enhancement of worker welfare and sound corporate development through employer and worker participation and cooperation.

In July 2020, LOTTE Corporation’s labor and management (worker representative: Labor-Management Council, employer representative: Vice Chairman Yong-Dok Song) announced their joint aim at engaging in mutual cooperation to overcome the crisis together and develop competitiveness for continued growth amid difficulties in the business environment that were caused by COVID-19. The company agreed to reform the wage system and work system and improve the welfare system in line with changes to promote win-win with employees, while employees agreed on a wage freeze in 2020 and temporary suspension of some welfare systems. To actively respond to the management environment and achieve goals, the labor and management made a resolve to make utmost efforts from their respective positions; establish a foundation of mutual trust through transparent, ethical management; and do their best to fulfill social responsibilities. More faithful efforts will be made to further solidify labor-management relations based on the joint labor-management declaration and to use this as an opportunity to enhance corporate competitiveness.

Establishment and Operation of the LOTTE Corporation Labor-Management Council

Classification	Details
Composition	<ul style="list-style-type: none"> Consist of 12 members, with the same number of members from labor and management who have the authority to discuss and make decisions on matters that are directly/indirectly related to workers’ labor conditions
Meeting cycle	<ul style="list-style-type: none"> Quarterly
Major activities	<ul style="list-style-type: none"> Share information and form labor-management partnership <ul style="list-style-type: none"> Share information on the management plan and situation, which is an essential precondition for worker participation Build a participative organization and high-commitment human resource management system <ul style="list-style-type: none"> Discuss what all workers should do for improved productivity, what workers need, and what should be done for workers to actively take part in change



Safe Working Environment

Safety Management Innovation LOTTE Group implements safety management that is stricter than legal requirements based on the belief, "safety cannot be emphasized enough" and "all safety incidents can be prevented."

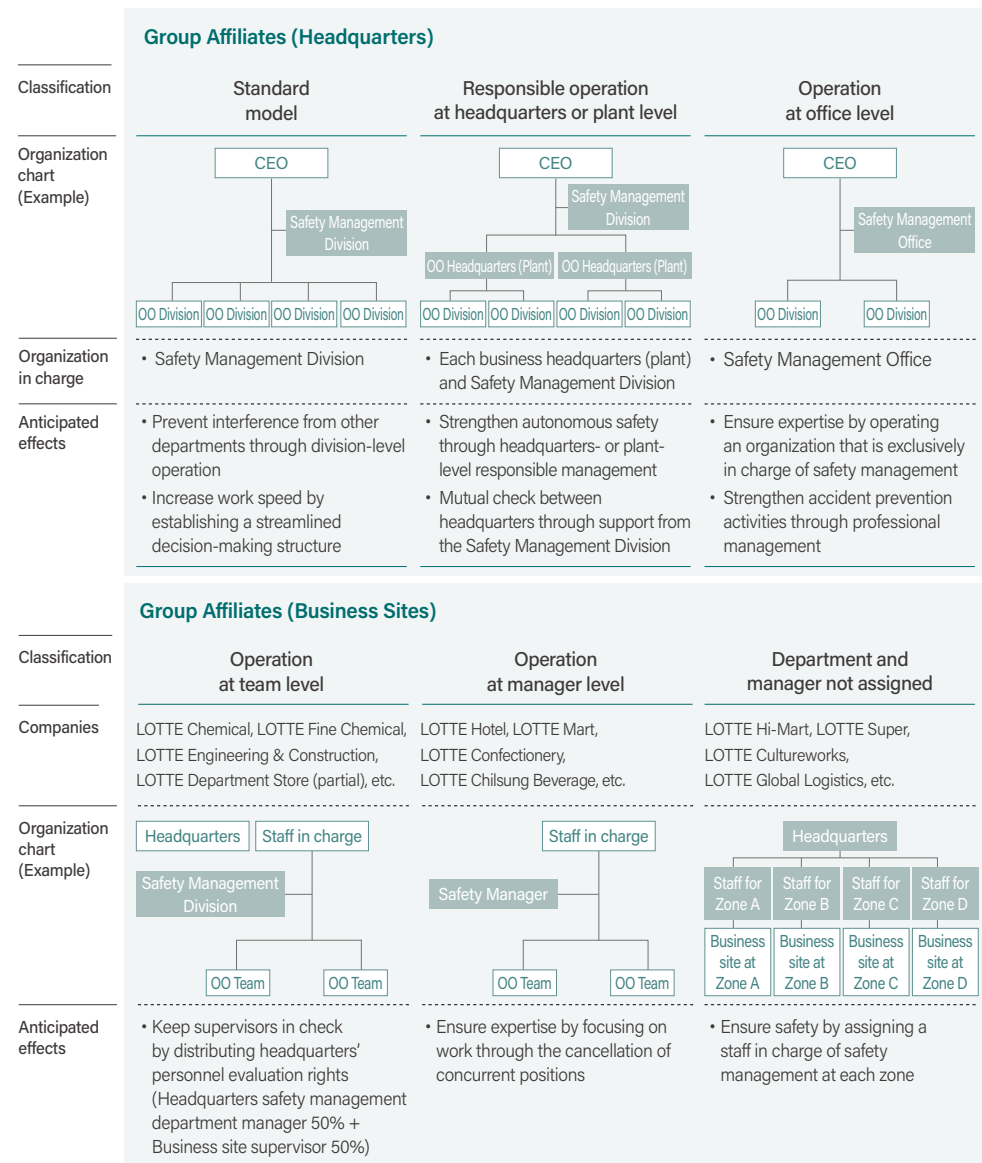
In July 2021, LOTTE Corporation announced the "LOTTE Group safety management innovation measures" to strengthen serious industrial accident prevention activities and improve initial response capabilities. Through the measures, we plan to raise the status of each Group affiliate's safety management organization to be under direct control of the CEO and also advance safety management systems and manuals.

LOTTE Group Safety Management Innovation Measures

Goal	Minimize serious accidents by strengthening serious industrial accident prevention activities and improving initial response capabilities		
Strategy	Specialize the organization	Strengthen prevention activities	Strengthen initial response capabilities
Tasks	<ul style="list-style-type: none"> Operate an organization exclusively in charge of safety management that is under direct control of the Group affiliate CEO Assign station safety managers under direct control of business site supervisors (plant manager, store manager, etc.) Give departments in charge of safety management budget authority and HR authority 	<ul style="list-style-type: none"> Strengthen safety diagnosis: Establish a triple safety diagnosis system to include business sites, the Group affiliate headquarters, and the holding company Strengthen construction site management: Conduct prior review by the Safety Department before commencing construction and an agreement before expense settlement Strengthen support for partners: Conduct a risk assessment twice a year on partners stationed at LOTTE business sites and make improvements Operate a safety management council twice a year of safety managers of the Group affiliates by BU and business sites 	<ul style="list-style-type: none"> Have employees with a manager's position mandatorily complete "Safety Master Training" once a year (planned for implementation in 2022) Create an integrated manual that provides standard Group safety management guidelines (planned for announcement in January 2022) Hold Group safety management slogan and best practice contests Advance LOTTE Safety by building big data and adding AI (planned for completion in June 2022)

Establishing an Organization Committed to Safety Management For more systematic safety management, we designated an employee in charge for each BU at LOTTE Corporation's Safety Secretariat, set a CEO safety management organization at each Group affiliate, and stationed safety managers who are under direct control of business site supervisors, including plant managers and branch managers. This has enabled us to establish a streamlined decision-making structure and steps by arranging departments exclusively in charge of safety management under direct control of supervisors, which in turn led to independence without work interference by other departments and the establishment of an autonomous safety management system.

Safety Management Organization Chart



* Formed and operate a safety management organization of an appropriate type in consideration of each Group affiliate's situation



Safety Management Activities

Group Safety Management Evaluation LOTTE has been conducting annual safety management evaluations on the Group affiliates their business sites since 2017 with the goal of increasing the level of interest in safety, expanding autonomous safety management, and improving safety management through the concentrated management of the Group affiliates and business sites that are in the risk group. In 2020, we conducted the safety management evaluation on 615 business sites of 74 Group affiliates. We performed the evaluation through the "LOTTE Safety" system in 2017, and have been including the evaluations in Group affiliate sustainable growth evaluations (system of reflecting ESG performance in Group affiliate's CEO evaluations) since 2018. Based on evaluation results, we present outstanding Group affiliates with a commendation and reward, thus encouraging continued safety management. Group affiliates that require improvements carry out a comprehensive safety diagnosis on headquarters and business sites, under supervision of LOTTE Corporation's Safety Secretariat. Support is provided so that these Group affiliates analyze areas that need improvement and establish their own safety management improvement measures.

Safety Management Evaluation Method of LOTTE Group and Risk Rating Categorization

Target	Headquarters evaluation (40%)			Business site evaluation (60%)		
Item	Level of interest	Organization in charge	Safety activities	Safety diagnosis	Safety activities	Level of interest
Scoring	50 points	30 points	20 points	50 points	30 points	20 points

Classification	Level S	Level A	Level B	Level C	Note	
Headquarters and business sites	Evaluation	90 points or higher	80-90 points	70-79 points	Less than 70 points	Absolute evaluation
	Risk level	Excellent	Average	Interest	Caution	

"LOTTE Safety", a Safety Management System We formed and are operating "LOTTE Safety", a safety management system at the Group level, for real-time identification and systematic management of the safety management status and issues. Around 2,700 employees use LOTTE Safety as members, including Group affiliate CEOs, managers in charge and managers of business sites, safety department staff, and safety managers. System users can examine required information and materials, such as safety diagnosis results and other risk factors and improvement outcomes, status of activities, including business site safety education/training and major schedule, and safety management work guidelines. Also, the Safety Situation Room can be used to share information on the situation regarding the occurrence of safety accidents and accident analysis materials.

Major Components of LOTTE Safety



Safety diagnosis

Share risk factors and improvement outcomes of all Group affiliates, including the holding company's safety diagnosis and internal safety diagnosis



Safety activities

Business site safety education/training, outcomes of safety events, and sharing of information on major safety management schedule



Work sharing

Sharing of information on the Group safety standardization, work guidelines, manuals, best practices, etc.



Safety Data Room

Notices, Safety Sinmungo, work reports, document collection, etc.



Safety Situation Room

Share information on the situation regarding the occurrence of Group and other company safety accidents as well as accident analysis materials



Analysis of statistics

Analyze statistics, including those related to safety diagnosis and education/training, and share information on the development of changes





Dissemination of Safety Management Measures by Vulnerable Period To prevent safety accidents during vulnerable periods and in the event of issuance of special weather reports, we disseminate safety management measures that business sites should prepare for each vulnerable period and provide special training to employees, resulting in accident prevention.

Safety Management Measures by Vulnerable Period

Classification	Period	Details
Vulnerable period	<ul style="list-style-type: none"> Two weeks prior to the New Year holiday February May 	<ul style="list-style-type: none"> Safety management measures for the New Year Safety management measures for the thawing season Safety management measures for the summer
	<ul style="list-style-type: none"> Two weeks prior to the Chuseok October December 	<ul style="list-style-type: none"> Safety management measures for the Chuseok Safety management measures for the winter Safety management measures for the end of the year and beginning of the new year
Storm and flood damage	<ul style="list-style-type: none"> In the event of issuance of special weather report 	<ul style="list-style-type: none"> Safety management measures for typhoon, cold wave, heavy rain, heavy snowfall, and dry weather alert

Signing of an MOU with the Korea Industrial Safety Association In June 2021, LOTTE Corporation signed a memorandum of understanding (MOU) with the Korea Industrial Safety Association on joint cooperation for prevention of industrial accidents and spread of the safety culture, and is strengthening cooperation for the establishment of a safety management system ahead of the enforcement of the Serious Accident Punishment Act. Based on the MOU, LOTTE Corporation will establish standard guidelines on safety management with the Association, conduct safety inspections on the work environment, and engage in technological cooperation for operation and facilitation of the safety and health management system, through which we will improve our safety management capabilities and make increased efforts to secure worker safety.

Safety Master Training We are making preparations for "Safety Master", a Group-level mandatory training, to prevent safety accidents by enhancing employees' safety awareness and safety management capabilities through safety training. With the goal of implementing the training in the first quarter of 2022, we have completed the establishment of system management measures and are developing training content as of the third quarter of 2021.

Measures to Implement Safety Master Training

Target	Headquarters and business site managers	<ul style="list-style-type: none"> Department members who handle work related to safety at headquarters Business site supervisors (plant managers, store managers, directors, etc.) Business site managers (managers, part leaders, etc.)
	Business site safety managers	<ul style="list-style-type: none"> Senior members with safety manager qualifications Staff who handles safety management work (safety department members) Staff who handles similar work (fire safety, dangerous articles, etc.) Relevant departments (public affairs team, facility team, environment team, etc.)
	Recommended	All employees
Training hours	4 hours (30 minutes per class, online training for all classes)	
Training content	Understanding the Serious Accident Punishment Act and Occupational Safety and Health Act, safety management measures at construction sites, partner safety management measures, safety management measures for hazardous and dangerous instruments, measures for accident prevention and management related to the environment, safety management measures for dangerous articles, etc.	
Operation standard	<ul style="list-style-type: none"> Obligatory completion by all employees subject to mandatory training only for October 2022 Obligatory receipt of training within three months for new recruitments and appointments (position holders are recommended to complete training before assignment to a position) Refresher training once a year (reflect the rate of training completion by employees subject to mandatory training in the "safety area" of the sustainable growth evaluation) 	



Building a Sustainable Partnership

Win-Win Growth with Partners

To grow together with partners based on trust, LOTTE Group actively makes improvements to unfair trade practices, if any, and strives to fully establish a fair trade culture. Also, we view win-win with partners as a driving force of sustainable growth and implement practical partner support systems, while expanding the scope of support to include micro businesses and local farms and promoting win-win growth with partners.

Support Programs for Partners

Early Payments to Partners Considering cases in which partners need temporary funds, such as for salaries and bonuses ahead of the holidays, including New Year's and Chuseok, LOTTE Group makes early payments for delivered goods on holidays every year.

- In January 2020, 33 Group affiliates, including LOTTE Department Store, LOTTE Data Communication, and LOTTE Chilsung Beverage, participated and made early payments totaling around KRW 820 billion to approximately 19,000 SME partners
- In September 2020, 35 Group affiliates, including LOTTE Department Store, LOTTE e-commerce, LOTTE Data Communication, LOTTE Engineering & Construction, and LOTTE Chemical, participated and made early payments amounting to around KRW 600 billion to approximately 13,000 SME partners
- In January 2021, early payments of around KRW 640 billion were made to approximately 18,000 SME partners that do business with 30 Group affiliates, including LOTTE Shopping, LOTTE Data Communication, LOTTE Engineering & Construction, and LOTTE Chemical

Forming Shared Growth Fund As part of efforts to improve partners' business infrastructure, one of major shared growth strategies, LOTTE Group operates various financial support programs, such as the Shared Growth Fund and win-win payment system. The Shared Growth Fund is a system in which a large company contributes funds to reduce partners' loan interests. By raising a Shared Growth Fund that amounts to KRW 986 billion, we help SMEs ease their financial difficulties.

In 2018, LOTTE Group signed an agreement with the Korea Foundation for Cooperation of Large & Small Business, Rural Affairs and adopted the 'win-win payment system' at the Group level that helps with SME partners' smooth credit payments. The win-win payment system is where a large company issues bonds with no right of recourse, and all primary and lower partners that seek early liquidation carry out early liquidation of payment for delivered goods at a discount rate that is as low as that offered to a large company. We changed credit payments that exclude cash payments from among all payments to 100% win-win payment, and thus became the first company in Korea to adopt the win-win payment system at the Group level.

Contribution to the Korea Foundation for Cooperation of Large & Small Business, Rural Affairs Fund

To find various measures for win-win with SMEs and local communities, LOTTE Corporation made a contribution totaling KRW 15 billion to the Korea Foundation for Cooperation of Large & Small Business, Rural Affairs. The raised fund is being used to provide support to the underprivileged in the local community and to help SMEs open up markets.



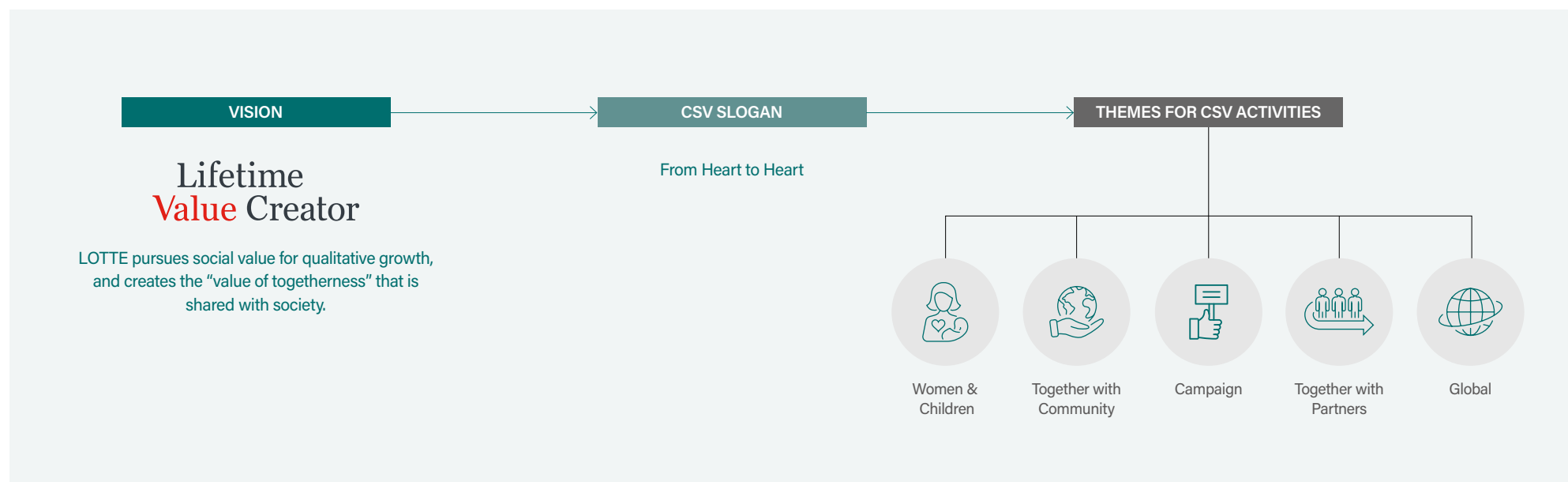
Contributing to Local Community Development

Creating Social Value (CSV) System

CSV Directions LOTTE Group's CSV activities are aligned with the Group's vision, "Lifetime Value Creator", which embraces our will to pursue social value for qualitative growth and generate value that is shared with society. In 2020, we announced the slogan, "From Heart to Heart", which describes the company's heart touching the hearts of members of society to form ripples of empathy. In addition, we defined major themes of our CSV activities as five areas – women & children, together with community, global, together with partners, and environment – and are making efforts to provide more systematic, practical support by leveraging our business capabilities and resources.

CSV Implementation Organization With LOTTE Corporation's CSV Team performing a central role, we have established the Group CSV strategy system and activity direction, and are carrying out relevant activities. In addition, we formed the "Charlotte Volunteer Group" participated by the labor and management of 31 Group affiliates to practice the value of win-win and sharing. We carry out more than an annual 1,500 local community contribution activities, such as sharing kimchi for the winter and donating briquettes.

CSV System of LOTTE Group





CSV Activities

Women & Children We are carrying out such activities as playground and community childcare center remodeling projects and infant development support, at the center of which is our integrated CSV brand, "Mom's Happiness", aimed at contributing to resolving low birth rate issue and creating a better world for women and children. More information as well as relevant activities and outcomes can be found on pages 26 to 28 in the ESG Essentials part.

Infant Development Diagnosis Project LOTTE Group carries out the "Infant Development Diagnosis Project" for infants in an environment that makes it difficult for them to receive a regular diagnosis of the development status and therefore may not be able to receive timely treatment. In partnership with the Korea Welfare Services' care facility network and Bobath Children's Hospital's medical staff, LOTTE Corporation is supporting outpatient and inpatient treatment. Developmental treatment is provided by the Bobath Children's Hospital under the LOTTE Medical Foundation. If treatment cannot be smoothly provided because an infant resides far away, we offer treatment in connection with each region's developmental treatment center. Since 2019, when the Infant Development Diagnosis Project was commenced, we have been raising funds totaling KRW 200 million every year and supported development diagnosis and early treatment of around 100 children (cumulative). In 2022, we plan to also present baby products that employees directly made as gifts.

Mind Heat 37°C Campaign Since 2016, LOTTE Group has been running the "Mind Heat 37°C" campaign participated by customers to spread the culture of sharing. It is a fundraising campaign conducted by LOTTE Group, LOTTE Scholarship Foundation, and the Salvation Army to cover winter heating expenses of children from underprivileged families, with the intent of adding 0.5°C of a warm heart to the normal body temperature of 36.5 °C. We provide a "sharing muffler kit" to sponsors who donate KRW 10,000 or more, and also donate mufflers that are made by sponsors.

Together with Community LOTTE Group operates various charity programs to remember people who contribute to the nation's development and devote themselves to their nation.

A Cultural Platform to Prepare for Tomorrow, the Youth Library Launched based on an agreement with the Army Headquarters in 2016, the "Youth Library" is a project to establish a space for reading and rest for front line units. We are also building an electronic book space and music-listening space in the units. Considering the high level of interest demonstrated by military personnel, we have been setting up the Youth Library at the air force as well starting in 2018. We have established a total of 57 libraries since the launch of the project to 2020, and plan to open more libraries to reach the 65th library by the end of 2021.

Support for Memorial Month On the occasion of Memorial Month in June 2021, LOTTE Corporation, LOTTE Confectionery, and Korea Seven delivered snack boxes with beverages and a LOTTE Confectionery snack vending machine worth around KRW 55 million to some 2,000 soldiers who were at the front lines of overcoming the COVID-19 crisis, such as supporting COVID-19 quarantine and transporting vaccines.

We also delivered messages of support that were written by consumers through the LOTTE CSV website (csv.lotte.co.kr). In addition, for soldiers who are committed to preventing COVID-19 all across the nation, we are providing free entrance to LOTTE World Adventure when they are on leave.

Official Sponsor of the Korea Ski Association As the chair company of the Korea Ski Association, LOTTE Group is taking the lead in strengthening Korea's competitiveness in winter sports. In preparation for the PyeongChang Winter Olympics, we made active efforts to improve the skills of national team members and to provide diverse infrastructure. We also signed an MOU with the ski associations of such world powers in winter sports as the U.S., Canada, and Finland, and took the lead in technology and information exchange. We thus contributed to Korea's first winning of an Olympic medal in winter sports at the PyeongChang 2018 Winter Olympics, and now we are making thorough preparations for the Beijing 2022 Winter Olympics.

Global LOTTE Group is carrying out education and support activities together with the Group affiliates in countries where we operate, striving to resolve such social issues as education and environmental problems in lagging regions.

Vietnam Service Training Center In partnership with the Ministry of Trade, Industry and Energy and KOICA, LOTTE Group established the "LOTTE-KOICA Service Training Center" in Ho Chi Minh City, Vietnam in 2016 and will continue to operate it through 2022. It is transferring LOTTE Group's capabilities and know-how to Vietnam's low-income class, high school graduates, and SME merchants through basic training that is needed in the distribution and service industries, including foreign language, computer skills, service training, and store management. Since the establishment of the Center to 2020, around 1,100 people completed training, including Vietnam's low-income class, job seekers, and small business owners.

Support for Disasters and Calamities In 2020, LOTTE Group provided a total KRW 1 billion to prevent the spread of COVID-19 and to take part in damage recovery of local communities. We provided meals and hygiene products to children who were not being cared for due to the spread of COVID-19, and also provided meals and supplies to underprivileged seniors who were at risk of becoming undernourished due to the closure of soup runs. Information on COVID-19-related support activities and outcomes is available on pages 33 to 35 of the ESG Essentials part.

In August 2020, LOTTE Group donated KRW 1 billion to the Community Chest of Korea to restore local communities that suffered great damage from heavy rainfall that continued throughout the nation and to support flood victims from localized heavy rain. The Group affiliates provided additional support in line with each company's characteristics, including donations made to the Community Chest of Korea by Chemical BU, including LOTTE Chemical, and delivery of various relief goods to damaged regions by Retail BU, including 7-Eleven, using their nationwide distribution network.



CASE SOCIAL PERFORMANCE OF THE GROUP AFFILIATES

HAPPY TOMORROW

LOTTE Shopping

**RE:JOICE – encouraging women
live joyful life**

"RE:JOICE" is LOTTE Shopping's leading CSV activity aimed at helping women live happy life. Launched in 2017 by taking notice of the fact that 70% of customers and employees are women, initial focus of the campaign was placed on improving perceptions about women's depression. In 2021, the campaign's key message was changed to supporting women's self-esteem, dreams, and challenging spirit, and it is not carried out by all business units of LOTTE Shopping (Department Store, Mart, Super, LOHB's, e-commerce), reaching a greater number of customers.

In March 2021, in celebration of the International Women's Day (March 8), we announced "For You, Shining", the theme song of the campaign, together with famous artists so that a greater number of people can more easily identify with the message of RE:JOICE. We plan to use a part of the proceeds from the sound source as donations to help neighbors in need. Our focus in the first half of 2021 was to communicate the new message of RE:JOICE, and starting in the second half of the year, we will implement programs that provide more practical help to support women's dreams and challenging spirit.

RE:JOICE
Campaign that supports women's self-esteem, dreams, and challenging spirit



Mind-Caring Program

We are running the "Mind-Caring" Program to comfort the minds of low-income, underprivileged women. From the first group in the first half of 2020 to the third group in the first half of 2021, a total of 650 women took part in various psychological care activities. The satisfaction level was assessed as being extremely high among participating organizations. Starting in the second half of 2021, we plan to maintain the existing program composition while separately choosing a small number of people for one-on-one in-depth counseling.



RE:JOICE Psychological Counseling Center

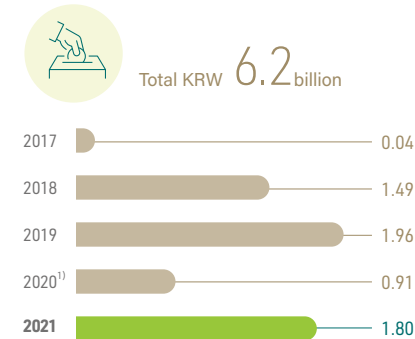
We run the "RE:JOICE Psychological Counseling Center" where customers can receive psychological counseling by visiting a nearby store of LOTTE Department Store or LOTTE Mart. Customers who visit the Center can receive personality tests, family and childcare counseling, art therapy counseling, and child IQ tests at lower costs than general psychological counseling centers. All proceeds from the Psychological Counseling Center are returned as RE:JOICE campaign funds for low-income, underprivileged women.



Lectures by Well-known Female Speakers

To have employees first experience the RE:JOICE campaign, LOTTE Shopping has been holding relay lectures since 2021 by choosing well-known female speakers who are top in the nation to talk about women's self-esteem, dreams, and challenging spirit.

RE:JOICE CAMPAIGN DONATIONS
(Unit: KRW billion)



¹⁾ Relevant activities could not be carried out in the first half of 2020 due to COVID-19, and therefore the budget was not executed.



CASE SOCIAL PERFORMANCE OF THE GROUP AFFILIATES

HEALTHY TOMORROW

LOTTE Confectionery

Sweet Dream – dreaming of a happier tomorrow for children



Business Essene + Customer Value

LOTTE Confectionery is running a wide array of CSV programs to create "Sweet Sharing with People - Delicious Sharing, Warmhearted World" based on its business essence and customer value. The "Sweet Dream Campaign", in particular, is the company's leading CSV program for children that uses funds raised based on love received from customers. Through Sweet Dream, LOTTE Confectionery is building community childcare centers, supporting cultural experiences, providing cookies as gifts, and supporting Sweet Factory experiences as well as school environment improvement projects.

NO. OF SWEET DREAM BENEFICIARIES



5,470,850 persons

* Cumulative figure from 2010 to 2020

Sweet Sharing with People
Delicious Sharing, Warmhearted World

"Sweet Dream" – an integrated social contributions for children's lifecycle support

- Sweet Home
- Sweet Picnic
- Sweet Box
- Sweet Factory
- Sweet School

Sweet Home

LOTTE Confectionery, in partnership with Save the Children, a child aid NGO, and local governments, is building or remodeling community childcare centers in farming and fishing communities through the "Sweet Home" project. Using some of the proceeds from Pepero sales as funds for the project, we established the first Sweet Home in 2013 in Wanju-gun, North Jeolla Province, and have since then been adding one each year with the plan to build the ninth Sweet Home in Saha-gu, Busan in November 2021.



1,069 persons

No. of Sweet Home Beneficiaries

* Cumulative figure from 2013 to 2020

Sweet Picnic

LOTTE Confectionery has been helping children in regional areas enjoy cultural experiences since 2014 through its "Sweet Picnic". Every year, children are invited to Seoul to visit the Sweet Factory and to experience LOTTE Group affiliates, aimed at improving cultural inclusion.



208 persons

No. of Sweet Picnic Beneficiaries

* Cumulative figure from 2014 to 2020

Sweet Box

LOTTE Confectionery systematized its product donations into the "Sweet Box" in 2017, in order to benefit more underprivileged children across the nation. Moreover, the company has been expanding the scope of beneficiaries to include not only children but also the disabled, seniors, and military personnel.



5,049,160 persons

No. of Sweet Box Beneficiaries

* Cumulative figure from 2013 to 2020

Sweet Factory

In March 2010, LOTTE Confectionery became the first in the confectionery industry to open the "Sweet Factory", an edutainment facility that provides enjoyment and educational functions to children through diverse experiences. It is garnering considerable attention from children, parents, and educational institutions, and has established itself as a leading venue for children's onsite learning of food.



419,363 persons

No. of Sweet Factory Beneficiaries

* Cumulative figure from 2010 to 2020

Sweet School

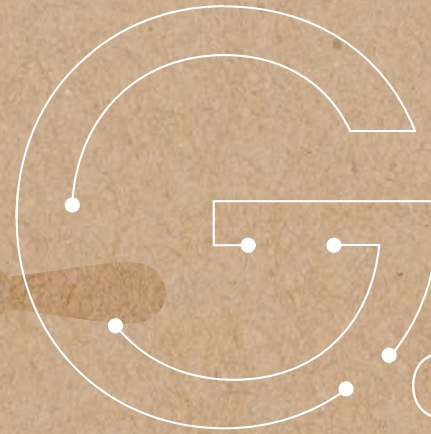
LOTTE Confectionery has been building amusement facilities in idle spaces at elementary schools. The company created the first Sweet School at Bang-gok Elementary School in Busan in October 2020, and is building the second Sweet School, after signing an MOU with Save the Children in June 2021, which is planned to be constructed in Inje-gun, Gangwon Province in November.



1,050 persons

No. of Sweet School Beneficiaries

* As of 2020



overnance

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Good governance & compliance

We are committed to running our business in a way that is ethical and responsible based on transparent and sound corporate governance.

The global community is undergoing sharp changes owing to the climate crisis, digital transformation, and the COVID-19 pandemic. Against this backdrop, a company's efforts and capabilities to respond to change enable it to thrive. By establishing advanced corporate governance, at the center of which is a BOD that consists of experts, and making decisions in a responsible way, LOTTE Corporation is promptly responding to changes and solidifying the foundation for sustainable growth.



WHY IT MATTERS

Amid rapid changes in the social and industrial environment, non-financial risks regarding social and environmental issues are emerging in addition to traditional financial risks, such as credit and liquidity, thereby increasing complexity of risks and opportunities that businesses must respond to and manage. In addition, there is stronger stakeholder demand for non-financial matters, including energy, workplace safety, respect for human rights, compliance, and information security, in addition to financial performance, making it more important for businesses to have integrated response capabilities against diverse risks. In response, companies are examining various risks and opportunities and reflecting them in the management decision-making process based on professional governance, leading to sustainable growth.



HOW WE RESPOND

LOTTE Corporation formed its board of directors (BOD) based on the principles of transparency, fairness, and diversity, striving to enhance stakeholder rights and interests, raise corporate value, and promote sustainable development of the Korean economy. The BOD is increasing management transparency and efficiency by identifying various financial and non-financial risks and opportunities from an objective stance. In addition, it strives to manage the company in a responsible way by focusing on business ethics and compliance as well as fair trade. In addition, in this digital era, it is solidifying the management system for safe protection and appropriate use of information, which is the company's important asset, thereby securing business stability.





Building Advanced Corporate Governance

Sound Corporate Governance

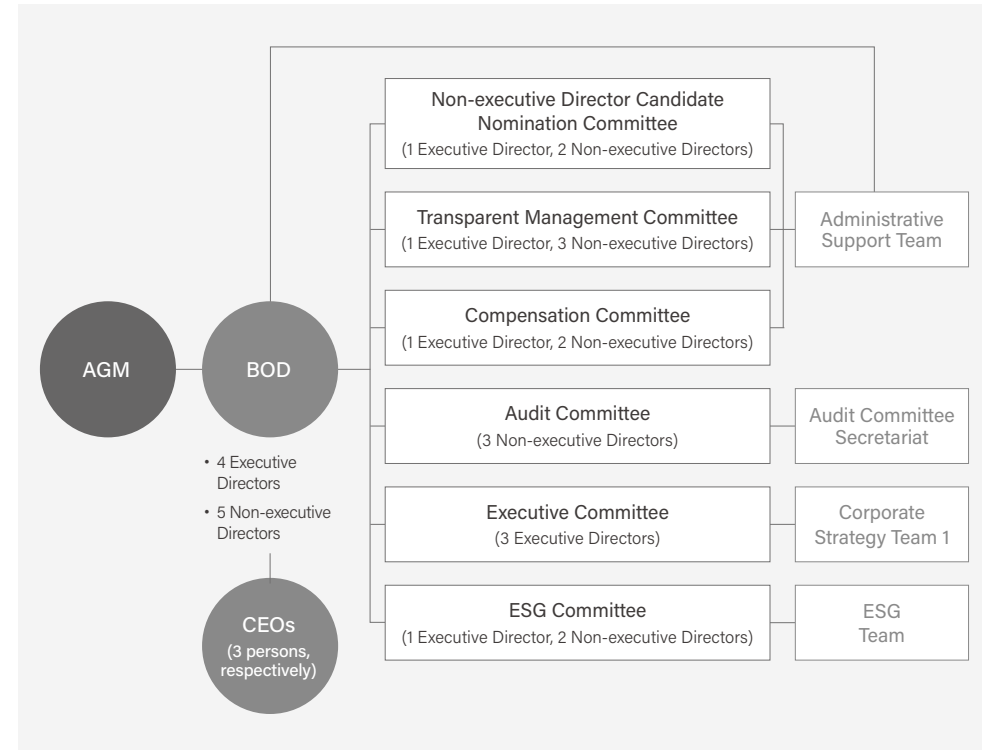
BOD Composition Based on a management policy of transparent management, LOTTE Corporation is striving to enhance its corporate value as well as the rights and interests of shareholders and other stakeholders. LOTTE Corporation's BOD makes decisions on matters stipulated in laws and the Articles of Incorporation, matters delegated through annual general meetings (AGMs), and important matters related to basic policies on company management and execution of work, and also supervises work carried out by management.

As the company's top standing decision-making body, the BOD has the authority to appoint the CEO. It consists of at least a majority of non-executive directors so that it can perform its functions independently from management and controlling shareholders. As of June 2021, five out of nine directors are non-executive directors, accounting for 55.6% of total members. We have set the Non-executive Director Candidate Recommendation Committee in place to ensure independence and fairness in the director candidate recommendation and appointment process. The Committee chooses persons who have qualifications stipulated in relevant regulations, based on internal rules, and among them, it recommends a candidate who is in line with the interests of shareholders and the company after examining whether the candidate is independent from the company and controlling shareholders and whether the candidate has professional capabilities that are required by a global company.

The Chairman of the Board and the CEO are not separated – the CEO, who can smoothly perform roles specified in BOD-related regulations and internal rules, serves as the BOD chairman to enable more efficient BOD operation and quick execution of BOD decisions.

LOTTE Corporation's BOD is comprised in a way that enables effective, prudent discussions and decision-making, and consists of a sufficient number of non-executive directors so that it can perform its functions independently from management and controlling shareholders. Going forward, we will make continuous efforts to enable the BOD to make decisions effectively and independently.

Organization of the BOD





BOD Composition

Classification	Name	Position	Expertise	Major Career	Date of Appointment	Date of Termination
Executive Director	Dong-Bin Shin	CEO	Management	Chairman, LOTTE Group	Oct. 12, 2017	Mar. 27, 2022
Executive Director	Yong-Dok Song	CEO	Management	(Former) CEO, LOTTE Hotel Co., Ltd. (Former) Head of Hotel & Service BU	Mar. 27, 2020	Mar. 27, 2022
Executive Director	Dong-Woo Lee	CEO, Chairman of BOD	New business and M&A	(Former) CEO, LOTTE World (Former) CEO, LOTTE Hi-Mart	Oct. 8, 2020	When the AGM for settlement of accounts of 2022 comes to an end (Scheduled for March 2023)
Executive Director	Gwang-Sik Chu	Executive Director	Finance	(Former) Finance Department / Director, LOTTE Confectionery Co., Ltd. (Former) Head of Finance Team 1 /Director, LOTTE Corporation	Mar. 26, 2021	Mar. 26, 2023
Non-executive Director	Youn-Ho Lee	Director	Economics, Finance, and Management	(Former) Minister, Ministry of Knowledge Economy (Former) President, LG Economic Research Institute	Oct. 12, 2017	Mar. 27, 2022
Non-executive Director	O-Gon Kwon	Director	Korean and international laws	(Former) Judge & Chairman of Criminal Law Development Committee, Supreme Court of Korea (Former) Deputy Director, International Court of Justice	Oct. 12, 2017	Mar. 27, 2022
Non-executive Director	Byung-Do Kim	Director	Marketing and Strategic management	(Former) Dean, Seoul National University School of Business	Oct. 12, 2017	Mar. 27, 2022
Non-executive Director	Jang-Yung Lee	Director	Finance	(Former) Vice President, Financial Supervisory Service (Former) President, Korea Banking Institute	Mar. 27, 2020	Mar. 27, 2022
Non-executive Director	Chang-Soo Kim	Director	Accounting and Management	(Former) President of Chung-Ang University and Director of School Corporation	Mar. 26, 2021	Mar. 26, 2023

* As of the end of October 2021

Expertise, Responsibility, and Diversity of the BOD LOTTE Corporation has established policies to ensure BOD expertise, responsibility, and diversity through the Corporate Governance Charter, and appoints directors through reviews performed by the Non-executive Director Candidate Recommendation Committee and AGMs. **The BOD consists of four executive directors who are corporate management experts and five non-executive directors who have expertise in accounting, audit, finance, law, and management, which ensures that the BOD performs management supervision functions in an objective way, based on the diverse perspectives of members.** In particular, we consider, with priority, candidates who can make independent judgments from diverse perspectives, without placing a limit on race, nationality, gender, region of origin, religion, and field of expertise. Also, **non-executive directors who have no significant interests in the company are appointed to perform the function of supervising and keeping management in check, to result in increased transparency and responsibility.**

In accordance with the Corporate Governance Charter, LOTTE Corporation's non-executive directors can request for the provision of information that is needed to perform duties to the company or receive advice from outside experts. In addition, regular training is provided to non-executive directors on major matters related to management of the holding company and the Group affiliates as it is important to understand company characteristics as a holding company, thereby helping them execute their duties effectively.



BOD Committees To raise BOD operation expertise and efficiency, LOTTE Corporation established and operates six committees (Transparent Management Committee, Executive Committee, Audit Committee, Non-executive Director Candidate Recommendation Committee, Compensation Committee, and ESG Committee) within the BOD. The Executive Committee is the company's work execution organization. Of matters determined by the BOD, the BOD entrusts the Executive Committee to make decisions on matters based on a BOD resolution, with the exclusion of matters stipulated in regulations and the Articles of Incorporation. Because the Executive Committee deliberates and decides on such matters, it consists only of executive directors. All members of the Audit Committee are non-executive directors, and a majority of the Compensation Committee, Non-executive Director Candidate Recommendation Committee, and Transparent Management Committee are non-executive directors. The Compensation Committee comprises one executive director and two non-executive directors to raise understanding of the company and secure expertise. We plan to review committee composition changes in consideration of operational efficiency and expertise.

BOD Operation The BOD must be operated efficiently and reasonably so that the best management decisions can be made for corporate and shareholder interests. To this end, LOTTE Corporation has the Articles of Incorporation and BOD Regulations, and is establishing BOD Operation Regulations that specify, in detail, the Board's authority, responsibilities, operation process, and others. BOD meetings are categorized into regular BOD meetings, held at least once a quarter in accordance with the BOD Regulations, and extraordinary BOD meetings held frequently. We hold a regular BOD meeting to approve financial statements every quarter and to convene AGM, and an extraordinary BOD meeting frequently in the event of an urgent matter.

Committee within Board of Directors

Committee Name	Chairman	Member	Roles
Director Candidate Nomination Committee	Non-executive Director Youn-Ho Lee	Executive Director Yong-Dok Song, Non-executive Director O-Gon Kwon	<ul style="list-style-type: none"> Recommend non-executive director candidates to AGMs
Transparent Management Committee	Non-executive Director O-Gon Kwon	Executive Director Gwang-Sik Chu, Non-executive Directors Byung-Do Kim and Chang-Soo Kim	<ul style="list-style-type: none"> Enhance transparency in transactions between the Group affiliates and specially related parties, and realize transparent management Examine and approve large-scale internal trading and trading between specially related persons stipulated in Article 11-2 of the Monopoly Regulation and Fair Trade Act
Compensation Committee	Non-executive Director Byung-Do Kim	Executive Director Dong-Woo Lee, Non-executive Director Jang-Yung Lee	<ul style="list-style-type: none"> Approve the registered director remuneration limit that will be submitted to an AGM Approve individual remunerations of registered directors (including bonuses)
Audit Committee	Non-executive Director Jang-Yung Lee	Non-executive Directors Youn-Ho Lee and Chang-Soo Kim	<ul style="list-style-type: none"> Review financial statements Demand directors to provide business reports, and investigate the company's state of assets and business Appoint, change, and dismiss external auditors
Executive Committee	Executive Director Yong-Dok Song	Executive Directors Dong-Woo Lee and Gwang-Sik Chu	<ul style="list-style-type: none"> Deliberate and make decisions on matters entrusted to the Executive Committee based on BOD resolutions, excluding matters specified in regulations and the Articles of Incorporation, among BOD resolution matters Deliberate matters that require prior review for submission to the BOD Manage and supervise corporate-wide risks, including financial and non-financial risks, as well as management strategies
ESG Committee	Non-executive Director Chang-Soo Kim	Executive Director Gwang-Sik Chu, Non-executive Director Byung-Do Kim	<ul style="list-style-type: none"> Establish mid- to long-term ESG strategies and action plans, and monitor major executed matters Make decisions to maximize ESG-based business opportunities and minimize risks

* As of the end of October 2021



Details on BOD Meetings in 2020

No.	Date	Type	Agenda		Approval	Attendance
			Classification	Details		
1	Jan. 20	Regular	Resolution	<ol style="list-style-type: none"> 1. Approval on disposal of shares of a Southeast Asian corporation 2. Approval on annual bond issuance limit for 2020 3. Execution of donations 	Approved	6/7
2	Feb. 13	Regular	Report	<ol style="list-style-type: none"> 1. Report on the operation status of the internal accounting system in 2019 	Approved	6/7
			Resolution	<ol style="list-style-type: none"> 1. Management bonus payment for 2019 2. Approval of CEO remuneration 3. Approval of Yangpyeong company building lease contract 4. Renewal of common system contract 5. Approval of the 53rd Business Report 6. Approval of the 53rd Financial Statements 7. Approval and delegation of the 2020 payment guarantee limit 		
3	Mar. 12	Regular	Report	<ol style="list-style-type: none"> 1. Report on an evaluation report on the operation status of the internal accounting control system 2. Report on the completion of LOTTE Chemical share purchase 3. Investment in an overseas venture capital (VC) fund 	Approved	6/7
			Resolution	<ol style="list-style-type: none"> 1. Approval of change to the Financial Statements and Business Report 2. Approval of borrowing 3. Convocation of an AGM and determination of meeting purpose 		
4	Mar. 27	Regular	Resolution	<ol style="list-style-type: none"> 1. Appointment of the CEO 2. Appointment of the Chairperson for an AGM 3. Appointment of the BOD Chairperson 4. Appointment of members of BOD Committees 	Approved	8/9
5	May 14	Regular	Report	<ol style="list-style-type: none"> 1. Payment guarantee of overseas Group affiliates 2. Change to director remuneration 	Approved	9/9
			Resolution	<ol style="list-style-type: none"> 1. Payment guarantee of overseas Group affiliates 2. Capital increase in Riau, Indonesia 		
6	Jun. 11	Regular	Resolution	<ol style="list-style-type: none"> 1. Approval of LOTTE Global Logistics' share purchase 2. Approval of LOTTE Foods' share purchase 	Approved	9/9
7	Aug. 13	Regular	Report	<ol style="list-style-type: none"> 1. Payment guarantee of overseas Group affiliates 2. Report on the holding company's organization/executive reshuffle 	Approved	8/9
			Resolution	<ol style="list-style-type: none"> 1. Approval of share disposal of the Group affiliates 2. Approval of a BOD Regulations amendment 3. Convocation of an extraordinary shareholders' meeting and determination of meeting purpose 4. Setting the base date for closing of shareholder list 5. Changing the Chairperson of a shareholders meeting 		



No.	Date	Type	Agenda		Approval	Attendance
			Classification	Details		
8	Sep. 10	Regular	Resolution	1. Matter regarding changing a member of the Executive Committee and making a regulation amendment 2. Matter regarding participating in a paid-in capital increase through investment in kind and signing a contract on investment in kind	Approved	9/9
9	Oct. 08	Regular	Report	1. Report on completion of LOTTE Chemical share purchase	Approved	9/9
			Resolution	1. Appointment of the CEO 2. Appointment of a Compensation Committee member		
10	Nov. 26	Regular	Report	1. Report on regular executive reshuffle of 2021	Approved	8/9
			Resolution	1. Treasury stock repurchase of LOTTE Chilsung Beverage 2. LOTTE Chemical share purchase 3. Amendment to the Executive Remuneration Regulations		
11	Dec. 15	Regular	Report	1. Report on payment guarantee of Group affiliates 2. Report on the 2021 management plan	Approved	8/9
			Resolution	1. Execution of donations 2. Amendment to Compliance Committee Regulations and Compliance Control Standards 3. Appointment of a new compliance officer 4. Amendment to the Executive Committee Regulations and change in a member 5. Approval of major internal trading among Group affiliates 6. Delegation of bond issuance to the CEO		

BOD Evaluation and Remuneration In relation to evaluation of non-executive director activities, LOTTE Corporation conducts a comprehensive review every year on the BOD attendance rate, degree of putting forth opinions and contributing to BOD agenda, whether effective advice was provided as an expert in a specific field, and level of contribution in relation to internal control of the company's financial risks as an Audit Committee member. The results are used to promote and support efficient non-executive director activities and to examine reappointment after the end of a tenure. LOTTE Corporation does not make a connection between non-executive director evaluation and remuneration in consideration of the possibility of harming non-executive director independence, and operates a separate remuneration policy.

Non-executive directors' remuneration is paid within the director remuneration limit that was approved at a general shareholders' meeting pursuant to Article 388 of the Commercial Act, Article 43 of the Articles of Incorporation, and Article 10 of the BOD Regulations. LOTTE Corporation reviews adequacy of the non-executive directors' remuneration that will be submitted to a general shareholders' meeting through the Compensation Committee, and makes efforts so that the non-executive directors' remuneration is determined at an appropriate level in consideration of the responsibility and risk of duty execution, time spent, and other factors. Remuneration is the same amount among non-executive directors. In case of Audit Committee members, work-related expenses have been separately provided since April 2020 in consideration of the workload and legal responsibilities that are required for the position. Separate stock options are not provided to non-executive directors.



Enhancing Shareholder Value

Shareholder Status

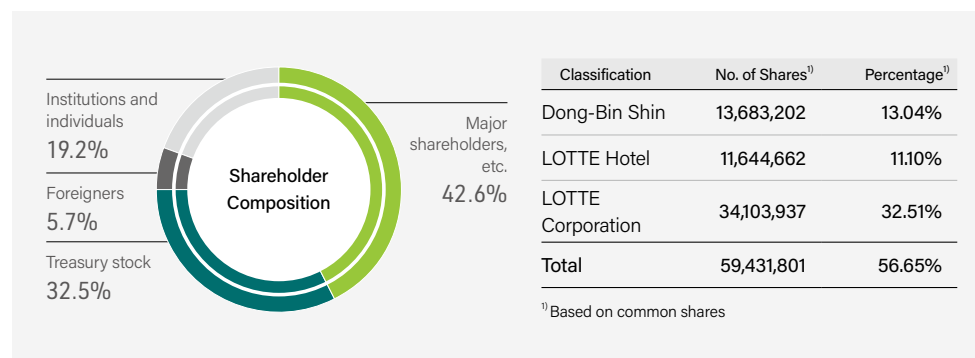
Issuance of Shares LOTTE Corporation specifies that a shareholder has one voting right per share in accordance with its Articles of Incorporation, and there are no voting rights for preferred shares. This reflects that **LOTTE Corporation provides fair voting rights according to the types and number of shares owned by shareholders.** As of the end of June 2021, LOTTE Corporation issued 104,909,237 common shares and 987,623 preferred shares, and the number of shares for which voting rights can be exercised is 70,805,300, which accounts for 66.8% of issued shares.

Share Issuance of LOTTE Corporation

Classification	Type	No. of Shares	Note
Total number of shares issued	Common share	104,909,237	-
	Preferred share	987,623	-
No. of shares without voting rights	Common share	34,103,937	Treasury stock pursuant to the Commercial Act
	Preferred share	987,623	-
No. of shares with voting rights	Common share	70,805,300	-

* As of the end of June 2021

Shareholder Composition and Ownership



* As of the end of June 2021

Shareholder-friendly Management

Protection of Shareholder Rights and Interests **When LOTTE Corporation convenes an AGM, we make a notice on the date and time, venue, and meeting purpose no later than two weeks prior to the AGM, so that shareholders have sufficient time to review agenda items before exercising their voting rights.** We also adopted the electronic voting system in February 2021 to enhance shareholder convenience, and are helping shareholders exercise their voting rights through diverse methods. We listen attentively to opinions of shareholders and other stakeholders at all times, and will continue to collect diverse opinions, irrespective of whether they satisfy the legal shareholder suggestion requirement, as part of our utmost efforts for the development of shareholders and our own.

Shareholder Return Policy LOTTE Corporation pursues a stable dividend policy based on the company's management performance, and strives to enable corporate value to lead to shareholder value from a long-term perspective. **We determine dividends by comprehensively considering investment, management performance, and other matters, for the company's continued growth.** As part of our shareholder return policy, we aim at a dividend payout ratio of at least 30% based on separate profit and loss.

Communication with Shareholders We make sure that all shareholders are provided with sufficient, timely information through the company website at <http://www.lotte.co.kr>, electronic disclosure system "DART" at <http://dart.fss.or.kr>, disclosure system of the Korea Exchange "KIND" at <http://kind.krx.co.kr>, and other disclosure inquiry systems. In addition, after submitting an audit report every quarter, we post earnings results on our IR website. Also, we hold non-deal roadshows (NDRs) for major institutional investors in Korea and abroad after performance announcements and also IR meetings by making visits. We constantly engage in IR activities, including meetings with securities firm analysts and investors.

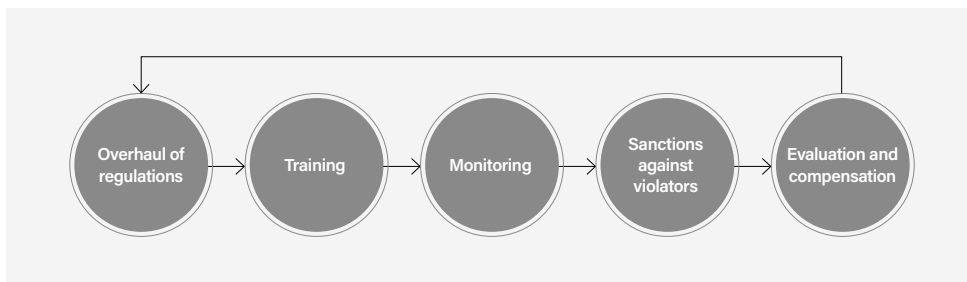


Creating a Culture of Compliance and Ethics

Compliance Management

Administrative Compliance Charter Since declaring compliance management in 2016, LOTTE Group has been continually implementing diverse compliance policies. In this process, we established the Administrative Compliance Charter, with key compliance-related details, in August 2017, and provide compliance training on a regular basis so that our employees develop a strict understanding of relevant regulations and internalize the regulations. Moreover, we built an inspection system which enables our employee to independently inspect compliance with regulations, regularly managing and supervising their implementation status.

Obligations and Responsibilities to Build a Compliance Management System



LOTTE Personnel Code of Conduct In March 2015, LOTTE Group established the "LOTTE Personnel Code of Conduct", a code of ethical behavior that all LOTTE Group employees must observe, and translated it into six languages and distributed it to all Group affiliate employees in Korea and abroad. The LOTTE Personnel Code of Conduct contains principles on ethical conduct that should be observed by LOTTE personnel, covering various regulations and social/ethical requirements at home and abroad, including provision of the best products and services to customers; honest marketing; prohibition of workplace harassment, sexual harassment, and discrimination; prohibition of unfair trade with partners; prohibition of corruption and improper solicitation; and prohibition of insider trading.

In April 2020, we added "General Principles," which specify obligations that the company should fulfill for compliance with the Code of Conduct as well as whistleblowing methods and whistleblower protection principles, and also made an amendment to add "Trust with Our Stockholders," which specifies enhancement of shareholder value and strengthening of accounting transparency.

Training on the Code of Conduct In 2020, we have made it mandatory to provide training on the LOTTE Personnel Code of Conduct to all Group affiliate employees every year. In 2021, we created a curriculum with a particular focus on reasons why they should comply with the LOTTE Personnel Code of Conduct for ESG management, and provided training to all employees.

Campaigns to Comply with the Code of Conduct To communicate the importance of the Code of Conduct to employees and encourage their participation in training, LOTTE Group conducted a campaign in October 2021 that involved posting content on the importance and role of the Code of Conduct and the need for all employees to comply with the Code of Conduct for continued growth of Group affiliates through the company newsletter.

LOTTE Personnel Code of Conduct - Featured on the October 2021 Company Magazine

01. Path to ESG Management: Internalization of the COC

Complying with the Code of Conduct (COC)
How everyone participates in ESG management

02. Customer Trust

- | | |
|--|--|
|  <p>1. Best products and services</p> |  <p>2. Honest marketing</p> |
|  <p>3. Protection of customer information</p> |  <p>4. Protection of brands</p> |





Advancing Compliance System

Global Compliance Work Guidelines We established the "Global Compliance Work Guidelines" in July 2020 in order to establish a compliance management system of LOTTE Corporation and the Group affiliates at home and abroad. The Guidelines consist of major matters needed for systematic and effective implementation and handling of various compliance-related work, including establishment of an organization exclusively in charge of compliance, risk identification methods, training, monitoring, and activity reporting system.

Global Anti-Corruption Guidelines To build an anti-corruption system at all Group affiliates, LOTTE Corporation established "Global Anti-corruption Guidelines" in July 2020 that include observance of overseas anti-corruption-related laws, including FCPA¹ and the UK Bribery Act², and principles on prohibition of entertainment and bribery aimed at an inappropriate influence on a government official, including a public official, or partners.

Global Compliance Management System



Compliance Committee LOTTE Group has set the Compliance Committee in place as an independent organization that performs such roles as establishing Group-level compliance policies and evaluating activities of the Group affiliates. As of June 2021, the Committee is headed by Chairman In-bok Lee (former Supreme Court Justice), and consists of three outside members who are experts in the field of law and accounting and three internal members, including a director of LOTTE Corporation. The Compliance Committee holds a regular meeting every quarter to deliberate and determine the establishment of a compliance system, establishment of Group compliance policies, and evaluation of the Group affiliates' compliance activities, and informs the results to each Group affiliate. If needed, it recommends the implementation of various compliance programs through LOTTE Corporation's Legal & Compliance Division.

Composition of the Compliance Committee

Chairman	Internal Members	External Members
In-bok Lee, Former Supreme Court Justice	<ul style="list-style-type: none"> Park Eun-jae, Head of Legal & Compliance Division, LOTTE Corporation Bu-ok Chung, Head of HR Innovation Division, LOTTE Corporation Gwang-shik Choo, Head of Financial Innovation Division, LOTTE Corporation 	<ul style="list-style-type: none"> Seong-won Chang, Lawyer at the Lee & Ko Law Firm Kyung-hoon Lee, Lawyer at Bae, Kim & Lee LLC Seung-ho Ahn, Professor at the School of Business of Soongsil University

Major Activities of the Compliance Committee

Classification	Major Matters of Deliberation and Decision
2018	<ul style="list-style-type: none"> Decision on recommendations regarding building a compliance system at major Group affiliates Decision on recommendations regarding adoption of a General Data Protection Regulation (GDPR) compliance program Deliberation of compliance training programs
2019	<ul style="list-style-type: none"> Deliberation of the establishment of a global compliance system Deliberation of the improvement of the internal accounting control system Decision on workplace harassment prevention regulations Deliberation of the progress regarding recruitment work process inspections
2020	<ul style="list-style-type: none"> Decision on plan on adopting the global compliance work guidelines Decision on plan on adopting the global anti-corruption guidelines Deliberation of the results of establishing the holding company's compliance system Deliberation of the Group's compliance policy direction in consideration of COVID-19 situation
2021	<ul style="list-style-type: none"> Decision on recommendations regarding adoption of the Governance Charter by listed companies within the Group Decision on all Group affiliate training plan on the LOTTE Personnel Code of Conduct Deliberation of the progress of monitoring Group affiliates' compliance

Compliance Level Assessment In September 2021, LOTTE Group conducted a compliance level assessment on all employees at the Group affiliates, including LOTTE Corporation, supervised by LOTTE Academy aimed at identifying employees' level of awareness of the LOTTE Personnel Code of Conduct and measuring the company's compliance level. We will establish and implement necessary policies to address shortcomings based on the assessment results, and also provide training to employees.

Compliance Training To internalize employee awareness of compliance, we regularly provide compliance training for each of the diverse positions, including new employees without experience as well as experienced workers who joined the company. All training is provided without omission, including sexual harassment and workplace harassment prevention training and information protection training.

¹ FCPA (Foreign Corrupt Practices Act): US law that punishes the act of offering a bribe to a foreign public official

² UK Bribery Act: UK law that specifies punishment regulations regarding providing and receiving bribes



Fair Trade – Foundation for Responsible Business In 2020, LOTTE Corporation sorted out risks related to fair trade that was required for the company's business. **A holding company's volume of trade with other affiliates generally accounts for a high percentage of sales, and this is why building a proper prior management system in this regard is extremely important for removing risks. We have therefore established operational regulations on fair trade compliance and internal trading guidelines.**

LOTTE Corporation is making diverse efforts to spread compliance program (CP) within the Group, thereby preventing fair trade-related risks and establishing a transparent corporate culture of LOTTE Group. **As a result of providing policy support since 2014 to facilitate major Group affiliates' adoption of CP as part of our fair trade risk management policy, around 40 major Group affiliates have adopted and are operating CP.** To comply with the Fair Trade Commission's CP operation regulations, the Group affiliates established and are implementing risk evaluation and sorting, training and monitoring, and evaluation and reporting work procedures. By doing so, they are building a virtuous work cycle that is needed to eliminate fair trade risks. In addition, to spread and enhance the level of Group affiliates' CP activities, LOTTE Corporation is evaluating fair trade competencies, training Group affiliates, supporting Group affiliates' internal monitoring, and supporting Group affiliates' policy on eradicating unfair trade conduct.

Evaluation of the Group Affiliates' Fair Trade Competencies **LOTTE Corporation conducts a fair trade competency evaluation every November to assess the degree of fair trade competency enhancement of around 40 Group affiliates that are judged as having high fair trade risks, and reflects the results in the respective company's executive and employee KPI evaluations, including top management.** Fair trade competency evaluations focus on whether a system is in place that enables appropriate responses to the Group affiliates' potential risks and negative factors, considering that fair trade work has a significant social influence in the aspect of ESG management.

Fair Trade Training for the Group Affiliates To strengthen the Group affiliates' fair trade capabilities and enhance the expertise of departments in charge, LOTTE Corporation established and implements diverse, in-depth training programs in consideration of the business characteristics of the company that is subject to training, position/rank of the trainees affiliated with the company and relevant work, and other factors. Leading examples are the Group affiliate team manager workshop and intensive fair trade course by type of unfair trade. In addition, to satisfy various training demands of Group affiliates, LOTTE Corporation creates video training content that was produced per area of fair trade and provides it in a timely manner. Raising professional capabilities is important in fair trade compliance activities, and this is why we will continue to form diverse training methods and content and provide them to the Group affiliates.

Fair Trade Training of the Group Affiliates in 2021

Month	Course Name	Topic
1	Group affiliate team manager workshop	Communication, including major policy information
3	Training of the Group affiliate employees in charge	Lecture on main details of each law, etc.
5	Training per type of business – Training on the Franchise Business Act	In-depth training related to the Franchise Business Act
6	Training of newly assigned employees in charge	Training on basic matters of the Fair Trade Act to newly assigned employees in charge of fair trade work
6	Training per type of business – Training on the Large Retail Business Act	In-depth training related to the Large Retail Business Act
7	Group affiliate team manager workshop	Information on major policies and work communication
8	Training per type of business – Training on the Agency Act	In-depth training related to the Agency Act
9	Training per type of business – Training on the Subcontracting Act	In-depth training related to the Subcontracting Act

Support for the Group Affiliates' Internal Monitoring Activities At the beginning of each year, LOTTE Corporation establishes the direction and theme for internal monitoring of various areas, including unfair trade conduct and internal trading, together with the Group affiliates, and supports relevant activities. **In particular, we carry out customized activities that are suitable for a Group affiliate's status and level in case of small- to mid-sized Group affiliates that find it difficult to conduct an internal fair trade risk assessment, as a way to upgrade the compliance management level.** The results of the Group affiliates' internal monitoring activities are reported to the respective company's top management, and policy recommendations are made so that actual work improvements are achieved. We also provide fair trade compliance guidelines in relation to the results, and work together with the Group affiliates to ensure preemptive risk prevention activities.

Policy Support to Eradicate Unfair Trade Conduct **To more fundamentally address unfair trade conduct that may occur while trading with suppliers, LOTTE Corporation is collaborating in various areas, such as checking trade progress with the Group affiliates in relation to fair trade, providing a fair trade alert service to suppliers, and establishing work communication channels.** To remove labeling and advertising violation risks that may arise under COVID-19 circumstances, we recently adopted the self-risk detection RPA¹⁾ system. By doing so, it seeks to actually reduce fair trade risks of Group affiliates that engage in business.

¹⁾ RPA (Robotic Process Automation): Applying software to a repetitive, simple work process, from among business processes, and automating it as a result



Ethical Management Activities

Ethical Management Training LOTTE Corporation provides mandatory training on business ethics to strengthen and internalize ethical management at the Group level. The target of training is newly-appointed CEOs, newly-hired employees, and promoted employees. Employees in a job group or position that falls under an ethical management theme that is set every year also receive ethical management training. In addition, trainings with a particular focus on various cases of incidents and prevention activities are provided to divisions or job groups that are expected to have a high level of ethical management risks, thereby strengthening prevention activities.

Ethical Management Training of the Group

Classification	2019	2020
Newly-appointed CEOs	18 persons	9 persons
Newly-hired Employees	575 persons	730 persons (online)
Promoted Employees	1,313 persons	1,094 persons
Themes & Positions	995 persons (investment, public disclosure, etc.)	Not held due to COVID-19 situation

Sharing Information on Workplace Ethics Among the Group Affiliates A meeting is held every quarter with employees of an Ethical Management Team, which has the biggest ethical management responsibility and management obligation, at each Group affiliate, so as to share information on ethical management activities among companies that engage in a similar business and to strengthen prior inspection activities. In addition, all employees in charge of ethical management hold a workshop every November, and they establish an action plan to strengthen ethical management and share information on cases and ideas on minimizing risks.

Workplace Ethics Sharing Activities of the Group

Classification	2019	2020
Ethical Management Team Meeting per BU	4 times/136 persons	2 times/68 persons
Ethical Management Team Workshop	150 persons	Not held due to COVID-19 situation

Written Pledge on Anti-Corruption Compliance All employees of LOTTE Corporation, including regular, contract, and dispatched workers, sign and submit a written pledge on anti-corruption that specifies compliance with domestic and overseas regulations, including those related to corruption prevention. In 2020, all employees subject to the written pledge submitted the pledge.

Corporate Ethics Counseling and Reporting LOTTE Corporation operates the "Sinnungo", a corporate ethics counseling center, where employees and even third parties can receive counseling and report conducts that promote one's own or a third party's interests through abuse of duty-related authority; conduct that is in violation of internal accounting management regulations, sexual harassment conduct, corrupt conduct, and workplace harassment conduct; and other matters that go against social responsibility. The Sinnungo is available in Korean and English at the LOTTE Corporation website, and reports can be made either anonymously or under one's real name. Also, reports can be made via email and regular mail. A whistleblower protection program is run so that anyone can receive counseling and make a report with his or her mind at ease. A total of 310 reports were received through the Sinnungo in 2020, and they were handled 100% in accordance with an internal process.

Status and Types of the Sinnungo Reporting

	Classification	2019	2020	Note
Important matters	Corruption	61	25	
	Partner complaints	34	48	
	Safety	6	1	
	Quality	11	1	
	Sexual harassment	4	4	
	Unfair recruitment	0	1	
	Workplace harassment	-	26	New item in 2020
	Sub total	116	106	
Simple matters	Customer complaints	215	101	
	Customer inquiries	7	0	
	Unfriendliness	29	0	
	Compliment	2	0	
	Suggestion of ideas	12	0	
	Others	147	99	
	Suggestions	48	4	
	Sub total	460	204	
Total		576	310	

* Based on LOTTE Group



Strengthening Risk Management

Integrated Risk Management

Risk Management Process LOTTE Corporation is strengthening risk management functions to effectively respond to business environment changes in Korea and abroad. As part of these efforts, **we added a corporate-wide risk management function to the Executive Committee under the BOD in December 2020 and strengthened the function of managing and supervising major non-financial risks that the company faces, including disaster/industrial safety/environment, information security, anti-corruption, and ethical management, in addition to the function of reviewing management strategies and major pending financial issues.** Each risk was categorized into detailed risk factors according to the unique work of each department managed by business departments. The business departments identify risks through close cooperation and regularly evaluate the risks. For risks that exceed a certain level, the Executive Committee deliberates the risks for in-depth discussions at the management level.

Company-wide Risk Management Process



Risks Deliberated by the Executive Committee in the First Half of 2021

Risks related to management activities	In relation to the holding company's roles of a management support commission – identified and evaluated risks related to the holding company's roles of a commission for supporting management of the Group affiliates; conducted an assessment; and shared the outcomes per department, provided training to working level staff, and distributed a manual
Risks related to information protection	In relation to security, including personal information protection and IT infrastructure vulnerabilities – identified risks related to non-compliance with information protection laws, such as personal information collection and IT operation, and leakage of important information; and established countermeasures, such as inspecting IT infrastructure vulnerabilities, performing a diagnosis on the operation of information protection, and establishing a process for autonomous information protection inspections

Internal Control System

Internal Monitoring System LOTTE Corporation's internal monitoring system consist of the BOD, the Internal Audit Department, and other internal monitoring bodies. The BOD deliberates and decides on matters set forth in laws and the Articles of Incorporation, matters entrusted by general shareholders' meetings, and major matters related to the basic policy of company management and work progress. A separate Internal Audit Department performs audits related to the company's work, including daily, regular, frequent, special, and inventory audits. Other internal monitoring systems include an approval process for execution of trade, approval and recording of trade; division of duties related to protection of relevant assets; documentation of documentary evidence of trade or ledger; ranking of authority to access and use assets or documents; independent and regular measurement, comparison, and adjustment; and other internal verification processes.

A report on matters that were identified as a result of an audit is immediately made to the respective department manager and management. Measures are taken according to the audit guidelines and follow-up management is carried out at each appropriate time. The Audit Committee evaluates and presents its opinion every year on these internal monitoring systems and discloses the opinion by attaching it to a business report. LOTTE Corporation performs internal monitoring through organizations and processes that are set forth in laws, the Articles of Incorporation, and the company's various rules, and continually improves and complements these overall internal control policies.



Internal Accounting Management Regarding risks related to financial reporting, LOTTE Corporation designed and operates an internal accounting control system pursuant to Article 8 of the Act on External Audit of Stock Companies, developing and disclosing credible accounting information. We also have an organization exclusively in charge of managing and operating the system in place. The Audit Committee Secretariat, which directs management of the internal accounting control system, manages internal accounting control regulations, examines the status of operation, trains employees, and handles change management work.

In October 2018, LOTTE Corporation established the Audit Committee Secretariat under direct control of the Audit Committee as an organization exclusively in charge of management and evaluation of the internal accounting control system and support for the Audit Committee. The Secretariat independently performs risk analysis, and evaluation and reporting of the operational status of internal control. We have been operating a council of organizations that are exclusively in charge of the internal accounting control system participated by major Group affiliates since 2019, as a way to enable the Group to disclose transparent, credible financial statements and implement sustainable management through sound internal accounting control system. In preparation for internal accounting control system audits based on consolidated financial statements that will be enforced starting in 2023, we have been preemptively establishing an internal accounting control system for consolidated subsidiaries since 2021.

LOTTE Corporation examines the operation status of the internal accounting control system every business year and reports the results to the AGM, BOD, and Audit Committee. Pursuant to Article 8, Paragraph 5 of the Act on External Audit of Stock Companies, the company's Audit Committee members evaluate the operation status of the internal accounting control system and report the results to the BOD every business year. We evaluated the operation status of the internal accounting control system in 2020 based on the internal accounting control system design and the concept of its operation, and determined that the system was effectively designed and operated from the perspective of significance. Audit Committee members who received a report also came to the same judgment. Samil PwC, which is the external auditor, also presented an unqualified opinion.

Evaluation Results of the Operation Status of Internal Accounting Control Systems

Fiscal Year	The Company	Audit Committee	External Auditor
2018	Unqualified	Unqualified	Unqualified
2019	Unqualified	Unqualified	Unqualified
2020	Unqualified	Unqualified	Unqualified

Thorough Information Security

Information Protection Policy Information security threats are becoming increasingly intelligent and advanced in the Fourth Industrial Revolution era. In response, LOTTE Group established an information protection governance system, responding to complex threat factors. We established the "Group Information Protection Policy" as the highest information protection regulation and stipulated relevant work to ensure stable system operation against hacking, ransomware, and other cyberattacks and to comply with laws and systems related to system users' personal information protection. In addition, based on the "Group Information Protection Principles" that were established by incorporating the latest laws and relevant systems, internal and external environment changes, and IT and business changes, the Group affiliates established and manage information protection regulations and are actively responding to various security risks.

LOTTE Corporation has established and enforces information protection regulations, guidelines, and detailed rules that cover all areas of security management, including management, physical, technical, and personal information, based on the principle of protecting the company's key information and personal information. We conduct reviews and amendments every year by incorporating the latest laws and relevant systems and the internal and external environment, and finalize them after CEO approval. We set basic security principles that should be observed by the company and all employees as well as detailed compliance methods for each area, and share the information through the company's intranet.

Information Protection Principles of the Group



We shall consider information protection in achieving management goals.

Our employees shall be responsible for abiding by the responsibilities and obligations stipulated in the Group Information Protection Regulations and relevant laws.

As a principle, information protection-related laws that apply based on the company's type of business and size are applied with top priority. Regarding measures that are not stipulated in relevant laws, the Group Information Protection Regulations are applied with priority.

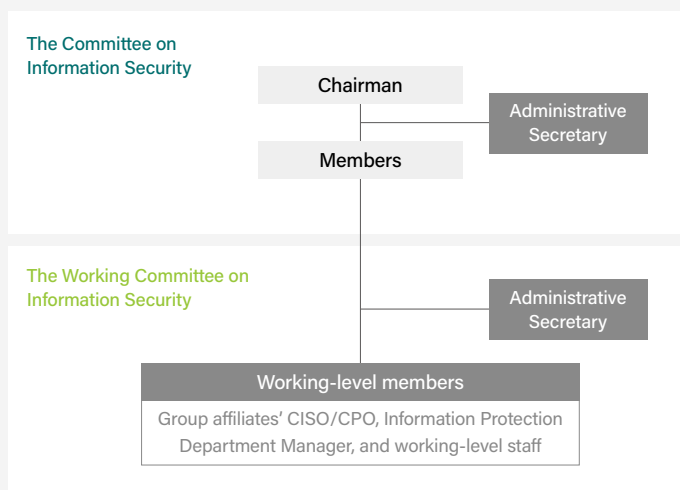


Information Protection Organization

Information Protection Committees of LOTTE Group LOTTE Group has formed an information protection system that is in line with its environment and culture through "The Committee on Information Security", chaired by the CEO of LOTTE Corporation, and "The Working Committee on Information Security", based on which we discuss and operate information protection policies and major security status and issues.

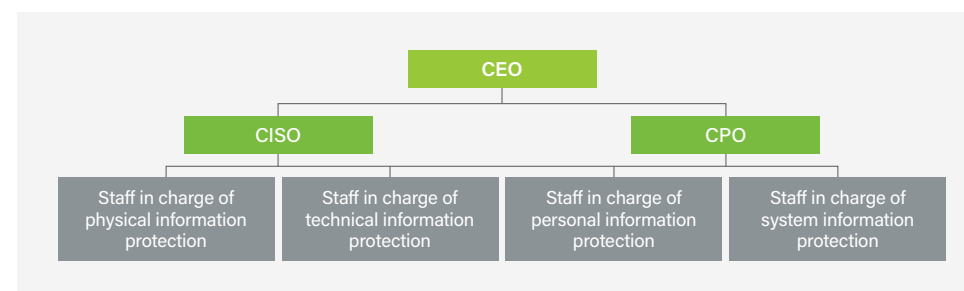
Organization Chart of the Group's Information Protection Committees

<p>The Committee on Information Security</p>	<ul style="list-style-type: none"> Composition Chairman, members, administrative secretary Roles Approve Group-level information protection policies and regulations; announce the Group's information protection tasks; evaluate the Group's security level and manage implementation; operate the Group's security incident warning system and countermeasures headquarters; conduct the Group's phishing email simulations and other mock attacks, etc.
<p>The Working Committee on Information Security</p>	<ul style="list-style-type: none"> Composition Group affiliates' Chief Information Security Officer (CISO), Chief Privacy Officer (CPO), Information Protection Department Manager, and working-level staff Roles Share information on the latest security-related trends; establish measures on strengthening security levels; makes information protection improvements and enhance protection levels, etc.



Information Protection Organization of LOTTE Corporation LOTTE Corporation separated its information protection organization into the CISO and CPO organizations in accordance with the Information and Communications Network Act in Korea, and thus further strengthened expertise and responsibility. We also have the organizations comprehensively direct and supervise corporate and personal information protection, thereby preventing information leakage and responding to security compliance issues. In addition, as part of a unified information protection management system, we hold a "Working Council on Information Security" every quarter to raise the ability to execute information protection. Staff in charge of such security areas as physical information protection, technical information protection, personal information protection, and system personal information, attend the Council to discuss internal and external security incidents, compliance trends, security policies, and measures to strengthen information protection, and make improvements.

Information Protection Organization Chart of LOTTE Corporation



Information Protection Management System LOTTE Group's Information Protection Committee performs a diagnosis on four areas –management, physical, technical, personal information – once a year to enhance the Group affiliates' information protection levels and strengthen the information protection management system. It also handles execution management and consulting regarding improvement tasks after a diagnosis.

In addition to diagnosing the Group's information protection level, LOTTE Corporation performs an internal evaluation to derive tasks needed to strengthen the information protection management system and make improvements accordingly. To protect information assets, we also operate security solutions, such as vaccines, document encryption, media control, and network/server access control and a network and email advanced persistent threat (APT) defense system to block the inflow of malicious code through email and the Internet. Moreover, we run a security control system at all times to defend against external cyberattack attempts. For abnormal signs that are discovered by this defense system, we take follow-up measures, such as determining whether there is an infringement or attack and conducting an investigation. In case of newly developed and renewed systems, we conduct a security inspection before the launch of service, including mock hacking and inspection of infrastructure vulnerabilities. We also perform mock hacking and infrastructure vulnerability inspections on major systems every year to inspect vulnerabilities and make improvements.



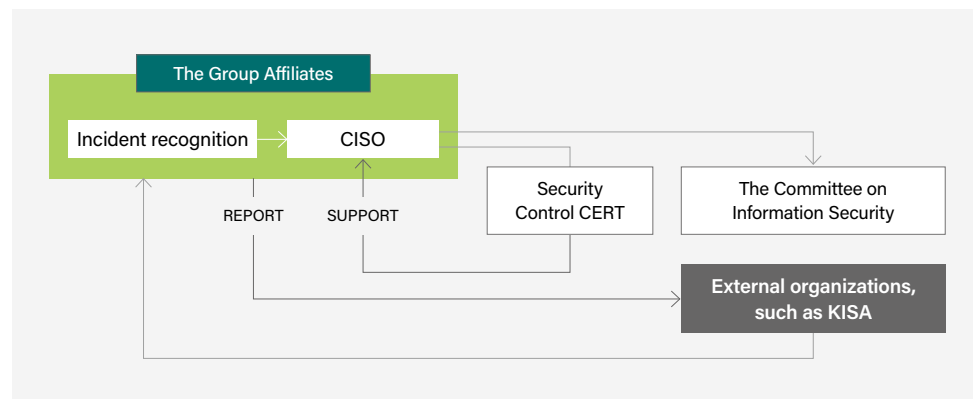
Personal Information Protection Management System LOTTE Corporation formulates a plan on internal management of personal information and systematically manages the personal information of employees and customers. The plan on internal management of personal information reflects overall matters for personal information protection, such as personal information encryption and collection and destruction management policy, as well as criteria on measures to secure personal information safety. For personal information processing systems, analyses of abnormal signs in processing records, such as information access, inquiry, and edit, were systematized to automate control and inspections of unauthorized access. Also, employees in charge of personal information processing for different systems report monthly inspection results to managers.

In addition, we conduct annual inspection of entrusted companies for the handling of personal information, in order to check whether customers' and employees' personal information that we have entrusted to the third party is managed safely. We also make sure that these companies' personal information management system is managed to be at the same level as that of LOTTE Corporation. As a result of these efforts, there was no personal information leakage from 2018 to 2020. In the meanwhile, LOTTE Corporation purchases a personal information liability insurance policy every year, in order to provide adequate damage relief, in the event of personal information leakage, demanded by the Information and Communications Network Act.

Security Incident Prevention Activities

Security Incident Response System The Group affiliates quickly make a report on the Group's information protection portal system in the event of a security incident. For received reports, the "Security Control Computer Emergency Response Team (CERT)" provides support to analyze incident details and cause. Moreover, to prevent the recurrence of similar incidents, we have set a system in place that organizes the incident process, cause analysis, and countermeasures, and then quickly shares the information with all Group affiliates.

Security Incident Response System of the Group



Operation of the Disaster Recovery System In preparation for the occurrence of disasters that may threaten operational continuity of major systems, LOTTE Corporation built and operates a disaster recovery system through analyses of the size of damage per system and influence on work. To determine effectiveness of the disaster recovery system and scheme per quarter, disaster recovery training is provided to conduct reviews to ensure normal system operation even in the event of an emergency situation and make improvements in necessary areas.

Enhancing Employee Awareness of Information Security LOTTE Group's Information Protection Committees produce an information protection poster once a year to raise employee awareness of information protection and arrange it at each Group affiliate's offices and business sites, increasing security awareness. In addition, a newsletter is published every month to share information on the latest security threats and issues. A training course that consists of the latest laws and the Group policies is provided to employees in charge of information protection at the Group affiliates at least once a year to strengthen their professional information protection capabilities.

LOTTE Corporation runs campaigns, provides campaigns, and conducts security inspections to improve employee awareness of security, and has designated the last Friday of every month as "Information Protection Day". We provide legally required information protection training once a year to raise employee awareness of information protection, and in 2020 we established and are implementing telecommuting security rules that reflect changes to the non-face-to-face work environment. In addition, we conduct phishing email simulations every quarter, amid a recent rise in cyberattacks, provide additional training to employees who are categorized as being infected, and make other diverse efforts to enhance employees' security awareness and prevent security incidents.

Personal Information Protection Trainings

Classification		Unit	2018	2019	2020
Employees	Hours of training	Hours	1	1	1
	No. of trainees	Persons	207	164	148

* Based on LOTTE Corporation



LOTTE Group information protection posters created in 2020 (left) and 2021 (right)

* Produced in four languages – Korean, English, Indonesian, and Vietnamese – and provided to domestic and overseas subsidiaries



CASE ESG MANAGEMENT SYSTEM OF THE GROUP AFFILIATES

GOOD GOVERNANCE

LOTTE Group

ESG Management System – a driving force for “New Today, Better Tomorrow”

ESG Committee At the “ESG Management Declaration Ceremony” held in July 2021, LOTTE Group announced a plan to establish an ESG Committee at the Group’s listed companies aimed at practical and systematic ESG management implementation. Accordingly, **LOTTE Corporation made a decision to create the ESG Committee at a BOD meeting held on September 2, 2021, which was followed by the establishment of the ESG Committee at all ten¹⁾ listed companies, including LOTTE Corporation, by October.**

As the top decision-making body regarding ESG management, the ESG Committee at each of the Group affiliates presents a direction so that ESG factors are aligned and integrated with business management decisions, with the goal of internalizing sustainability and enhancing corporate value. To this end, the ESG Committees consist mostly of non-executive directors who have expertise in diverse fields, and increase the ability to execute ESG management by reviewing ESG risks

and opportunities, establishing ESG strategies and tasks, reviewing execution results, discovering sustainability-based businesses, and making investment decisions. The ESG Committee’s activities and outcomes will be transparently disclosed through ESG information disclosure materials, including a sustainability report published by each Group affiliate.

Transparent Management Committee LOTTE Group takes the lead in observing local fair trade laws across the globe. The principle of impartiality, fairness, and disclosure has been playing important roles in developing our society. LOTTE therefore adopts the principle as the most fundamental principle in its relations with all partners and stakeholders around the world. Further developing LOTTE’s capabilities through competition in good faith and fair competition is the most desirable way for development of customers, society, and LOTTE Group.

Ten listed Group affiliates²⁾, including LOTTE Corporation, established a “Transparent Management Committee³⁾ under the BOD, and strive to establish a reasonable and fair trade culture. The Transparent Management Committee examines and approves large-scale internal trading and trading between specially related persons that are set forth in the Monopoly Regulation and Fair Trade Act and reviews major policies related to compliance and ethical management as well as implementation details, thereby preventing unfair trade risks and enhancing corporate management transparency.

¹⁾ 11 companies, when including LOTTE Global Logistics, a non-listed company
²⁾ LOTTE Rental, LOTTE Shopping, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Confectionery, LOTTE Corporation, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Foods, LOTTE Hi-Mart
³⁾ LOTTE Chilsung Beverage operates the Related Party Transaction Committee

ESG Committee Composition of the Group Affiliates

Company Name	Committee Name	Date of Establishment	Member Composition	Meeting Period
1 LOTTE Fine Chemical	ESG Committee Committee within the BOD	Jul. 29, 2021	2 executive directors, 3 non-executive directors	Regular: Quarterly Extraordinary: In case of emergence of an agenda item
2 LOTTE Data Communication	ESG Committee Committee within the BOD	Jul. 29, 2021	1 executive director, 2 non-executive directors	Regular: Quarterly Extraordinary: In case of emergence of an agenda item
3 LOTTE Chilsung Beverage	ESG Committee Committee within the BOD	Aug. 10, 2021	5 non-executive directors	Regular: Semi-annually Extraordinary: In case of emergence of an agenda item
4 LOTTE Confectionery	ESG Committee Committee within the BOD	Aug. 23, 2021	1 executive director, 5 non-executive directors	Regular: Quarterly Extraordinary: In case of emergence of an agenda item
5 LOTTE Corporation	ESG Committee Committee within the BOD	Sep. 2, 2021	1 executive director, 2 non-executive directors	Regular: Quarterly Extraordinary: In case of emergence of an agenda item
6 LOTTE Shopping	ESG Committee Committee within the BOD	Sep. 9, 2021	1 executive director, 2 non-executive directors	In case of emergence of an agenda item
7 LOTTE Chemical	ESG Committee Committee within the BOD	Sep. 16, 2021	1 executive director, 4 non-executive directors	In case of emergence of an agenda item
8 LOTTE Hi-Mart	ESG Committee Committee within the BOD	Sep. 16, 2021	1 executive director, 2 non-executive directors	Regular: Annually Extraordinary: In case of emergence of an agenda item
9 LOTTE Rental	ESG Committee Committee within the BOD	Sep. 27, 2021	1 executive director, 2 non-executive directors	Regular: Quarterly Extraordinary: In case of emergence of an agenda item
10 LOTTE Foods	ESG Committee Committee within the BOD	Oct. 8, 2021	1 executive director, 4 non-executive directors	Regular: Annually Extraordinary: In case of emergence of an agenda item

* As of the end of October 2021



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Materiality Analysis

Materiality Analysis Process

LOTTE Corporation conducted a materiality analysis to identify issues in economic, environmental, social, and governance areas that impact stakeholders and the company, and to select key issues. To identify issues, we analyzed the evaluation criteria of major global ESG evaluation organizations, press releases of major media outlets in Korea and abroad, ESG trend analysis reports, and material issues and priorities of advanced companies in the same industry that engage in global sustainable management, based on which we selected 20 reporting issues that have a high level of relevance with LOTTE Corporation. We afterwards comprehensively analyzed the degree of impact on our business performance, level of interest in each issue by six key stakeholders, and level of social and environmental impact to evaluate the materiality of "LOTTE Corporation's reporting issues." The top eight issues derived as a result of the evaluation were chosen as our "key issues", and we developed this report with a particular focus on them.





Materiality Analysis Results

As a result of a materiality analysis on 20 reporting issues, eight issues were chosen as key issues – responsible management and compliance, attracting and nurturing outstanding talent, responding to climate change, contributing to local community development, protecting and respecting human rights, diversifying the Group portfolio and developing new growth drivers, creating a great workplace culture, and strengthening stakeholder communication.





Stakeholder Engagement

Definition of Stakeholders and Stakeholder Communication

LOTTE Corporation defines shareholders and investors, the Group affiliates, employees, government, local communities, and non-profit organizations and associations as major stakeholder groups. Based on communication channels for each stakeholder, we listen to their opinions, identify main subjects of interest, and reflect them in our management process.



	Shareholders and Investors	Group Affiliates	Employees	Government	Local Communities	NGOs and Associations
Main Interests of Stakeholders	<ul style="list-style-type: none"> Maximizing shareholder value Stable financial performance Business outlook Governance transparency ESG risk management 	<ul style="list-style-type: none"> Directions for the Group operations Sharing information among the Group affiliates Fair trading 	<ul style="list-style-type: none"> Fair performance evaluation and compensation Grievance handling Employee benefits Respecting female leadership Supporting employees' capacity building 	<ul style="list-style-type: none"> Obedying the law Job creation Tax payment 	<ul style="list-style-type: none"> Communication with local communities Contributions to local communities Support for COVID-19 response 	<ul style="list-style-type: none"> Governance transparency Social responsibility toward local communities and the environment Expanding investments in eco-friendly management
Communication Channels	<ul style="list-style-type: none"> Annual general meeting and extraordinary general meeting Corporate day IR disclosure materials (business report, corporate governance report, sustainability report) 	<ul style="list-style-type: none"> Regular VCM (Value Creation Meeting) ESG Working-Level Council LOTTE Personnel Code of Conduct 	<ul style="list-style-type: none"> Labor-Management Council Corporate ethics counseling center (Simmungo, etc.) Smart working platforms People of LOTTE Group LOTTE WOW Forum 	<ul style="list-style-type: none"> Policy meetings and seminars 	<ul style="list-style-type: none"> Local government briefings and meetings Employee volunteering (Charlotte Volunteer Group) 	<ul style="list-style-type: none"> Corporate governance report Press releases Relevant councils or meetings

* Due to holding company characteristics, customers and partners are excluded from stakeholder groups, while LOTTE Group affiliates are included considering the high level of business connection

ESG Facts & Figures

Environment

Social

Governance

Environment

		Indicator	Unit	2018	2019	2020
Status of GHG emissions	GHG emissions	Total	tCO ₂ e	97.89	119.46	109.15
		Direct (Scope 1) GHG emissions	tCO ₂ e	16.64	14.76	11.87
		Indirect (Scope 2) GHG emissions	tCO ₂ e	81.25	104.70	97.28
		GHG intensity ¹⁾	tCO ₂ e/ KRW trillion	13.60	13.58	12.13
Status of energy consumption	Energy consumption ²⁾	Total	TJ	2.00	2.45	2.23
		LNG	TJ	0.33	0.29	0.23
		Electricity	TJ	1.67	2.16	2.00
		Energy intensity ³⁾	TJ/KRW trillion	0.28	0.28	0.25
Status of waste management	Waste generation	General waste	Tons	4.98	5.03	5.18
		Total	Tons	4.98	5.03	5.18
	Waste treatment	Recycling	Tons	3.46	2.60	3.56
		Incineration	Tons	1.37	2.19	1.46
		Landfill	Tons	0.15	0.24	0.16
	Waste treatment costs ⁴⁾		KRW million	1.36	1.63	1.69
Status of water consumption	Water consumption ⁵⁾		Tons	790	1,014	762
	Water recycling		Tons	386	427	361
	Water recycling rate ⁶⁾		%	49	42	47

¹⁾ Total GHG emissions of the year ÷ Consolidated sales

²⁾ Gasoline was excluded from the total energy consumption because it is currently managed as fuel costs. Management criteria for the use of gasoline will be established and disclosed.

³⁾ Total energy consumption of the year ÷ Consolidated sales

⁴⁾ Total waste treatment costs, including outsourced treatment costs

⁵⁾ Volume of waterworks consumed

⁶⁾ (Volume of recycled water ÷ Total water consumption) × 100

Social

		Indicator	Unit	2018	2019	2020
Employment	Total number of employees ¹⁾	Total	Persons	183	181	154
		Male	Persons	139	138	121
		Female	Persons	44	43	33
	Number of full-time employees	Total	Persons	183	181	153
		Male	Persons	139	138	121
		Female	Persons	44	43	32
Number of part-time employees	Total	Persons	0	0	1	
	Male	Persons	0	0	0	
	Female	Persons	0	0	1	
Number of employees by region	In Korea		Persons	183	181	154
	Number of employees by age	Under 30 years old	Persons	21	17	13
		Over 30 to under 50 years old	Persons	144	143	119
Over 30 years old		Persons	18	21	22	
Respect for diversity	Person with disabilities	Employees with disabilities	Persons	4	4	4
		Female managers ²⁾	Persons	5	7	3
	Female employees	Percentage of female managers ³⁾	%	3	4	2
		Female to male earnings ratio ⁴⁾	%	45.3	46.7	50.5

¹⁾ Total No. of LOTTE Corporation employees in Korea (no expatriate working overseas), and including advisors and consultants, while excluding workers dispatched to the Group affiliates

²⁾ No. of female managers with a leader (S1, S2) or higher position

³⁾ Percentage of female managers with a leader (S1, S2) or higher position among total employees

⁴⁾ Average base salary of female employees ÷ Average base salary of male employees



Social

Indicator		Unit	2018	2019	2020	
New employee hires and turnover	Number of people hired ⁵⁾	Persons	35	32	43	
	Length of service	Average length of service ⁶⁾	Years	10.4	10.8	10.3
	Employee turnover	Total employee turnover ⁷⁾	Persons	31	34	70
		Voluntary turnover	Persons	5	2	0
Employee turnover rate ⁸⁾		%	3	1	0	
Employee benefits and childcare leave	Employee benefits expense	Employee benefits expense to sales ⁹⁾	%	1.00	1.14	1.08
	Childcare leave	Number of people subject to childcare leave ¹⁰⁾	Persons	4	7	6
		Number of people used childcare leave	Persons	3 (Male: 3)	6 (Male: 3)	5 (Male: 5)
		Return to work rate after childcare leave ¹¹⁾	%	100	83	100
	Continue to work rate for more than 12 months after childcare leave ¹²⁾		%	67	80	80
	Parental leave	Number of people used parental leave	Persons	0	3	1
		Return to work rate after parental leave	%	-	100	100

⁵⁾ Including regular workers, contract workers, newly hired experienced workers, and workers transferred from the Group affiliates
⁶⁾ Average length of service of associates, senior associates, managers, and senior managers, and including years of service at the Group affiliates before transfer, while excluding contract positions
⁷⁾ Including workers who transferred to the Group affiliates
⁸⁾ Based on voluntary turno
⁹⁾ (Employee benefits expense ÷ Consolidated sales) X 100
¹⁰⁾ Employees with a child born in the corresponding year
¹¹⁾ (No. of employees who returned to work after a leave ÷ No. of employees on leave) x 100
¹²⁾ (No. of employees who continued to work for more than 12 months after a leave ÷ No. of employees who returned to work after a leave) x 100

Social

Indicator		Unit	2018	2019	2020	
Employee training	Training on LOTTE Personnel Code of Conduct ¹³⁾	Training hours	Hours	-	-	513
	Personal information protection training	Number of employees completed the course	Persons	-	-	162
		Training hours	Hours	1	1	1
	Job training	Number of employees completed the course	Persons	207	164	148
		Total training hours	Hours	11,217	12,723	12,765
		Training hours per person	Hours	61	70	83
		Number of employees completed the course ¹⁴⁾	Persons	199	196	202
		Total training expenses	KRW million	316	454	253
	Training expenses per person		KRW million	2	2	1
	Performance evaluation and compensation	Regular performance evaluation	Number of people subject to performance evaluation ¹⁵⁾	Persons	146	146
Percentage of people subject to performance evaluation ⁶⁾			%	80	81	78
Employee satisfaction survey		Employee satisfaction survey results ¹⁷⁾	Points	76	79	78
Paid vacation		Average length of paid vacation ¹⁸⁾	Days	22.5	22.51	22.49
LOTTE CSV	Donations of LOTTE Corporation	KRW million	1,247	2,884	17,041	

¹³⁾ Began to offer training in 2020
¹⁴⁾ Including employees who completed legally mandatory trainings among those dispatched to the Group affiliates
¹⁵⁾ Total regular employees, excluding executives and supporting professionals
¹⁶⁾ (Total number of regular employees excluding executives and supporting professionals ÷ Total number of regular employees) X 100
¹⁷⁾ Results of LOTTE Value Creation Culture Survey (L-VCS) on all employees
¹⁸⁾ Average no. of days of paid leave (annual leave, seasonal leave) provided across the board to employees in a year



Governance

Indicator		Unit	2018	2019	2020	
BOD composition	Total	Persons	7	7	9	
	Scale of the BOD	Number of executive directors	Persons	3	3	4
		Number of non-executive directors	Persons	4	4	5
Average attendance rate of the Board meetings		%	86	88	92	
Average tenure of directors		Years	1	2	2	
Rate of actual payment against the director remuneration limit ¹⁾		%	18	31	40	
BOD operations	Operation of the Non-executive Director Candidate Recommendation Committee	Number of committee meetings held	Times	0	0	2
		Percentage of non-executive directors	%	67	67	67
	Operation of the Audit Committee	Number of committee meetings held	Times	5	5	7
		Percentage of non-executive directors	%	100	100	100
	Operation of the Transparent Management Committee	Number of committee meetings held	Times	1	9	7
Percentage of non-executive directors		%	75	75	75	
Operation of the Compensation Committee ²⁾	Number of committee meetings held	Times	-	1	5	
	Percentage of non-executive directors	%	-	67	67	

¹⁾ (Total amount of "actually paid director remuneration" ÷ Amount approved at the AGM as the "director remuneration limit") x 100

²⁾ Created in March 2019

Governance

Indicator		Unit	2018	2019	2020	
Share ownership ³⁾	Value of the company stock owned by the CEO equal to the multiple of his/her base salary	Times	307	171	123	
	Value of the company stock owned by an executive director equal to the multiple of his/her base salary	Times	462	136	100	
	Percentage of 5% or more share ownership of the founder and families	%	12	12	13	
Governance transparency	Annual total compensation for the highest-paid individual	KRW million	973.16	2,072.07	3,517.4	
	Median annual total compensation for all employees (excluding the CEO) ⁴⁾	KRW million	124.99	144.18	129.73	
	Ratio of the annual total compensation for the highest-paid individual to the median annual total compensation for all employees	Times	7.79	14.37	27.11	
Transparent disclosure	Shareholder communication	Number of IR activities (corporate day) a year ⁵⁾	Cases	5	3	0
	Management of workplace ethics violation	Number of cases received via online Sinnungo	Cases	214	118	106
Operations of online Sinnungo		Reports on irregularity and corruption ⁶⁾	Cases	213	116	106
		Customer complaints ⁷⁾	Cases	1	2	0
Management of personal information	Rate of handling complaints received via online Sinnungo	%	100	100	100	
	Number of received cases of personal information violation and complaints ⁸⁾	Cases	0	0	0	

³⁾ Based on common shares

⁴⁾ Annual average salary of all employees excluding registered executives (unregistered executives and general regular employees)

⁵⁾ Corporate day was not held due to the spread of COVID-19 in 2020

⁶⁾ No. of cases of partners complaints and cases of important VOCs related to safety and quality received via LOTTE Corporation's official website

⁷⁾ No. of cases of simple complaints and inquiries received via LOTTE Corporation's official website

⁸⁾ No. of cases of complaints received regarding data leakage and infringement incidents



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Independent Assurance Statement

Independent Limited Assurance Report to Lotte Corporation

We were engaged by LOTTE Corporation to provide limited assurance on the 'LOTTE Corporation Sustainability Report 2020' for the fiscal year of 2020, which was completed on November 2021 (further 'the Report').

Context and Scope

Our engagement was designed to provide limited assurance on whether the Report is presented fairly, in all material respects, in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI). We do not provide any assurance on the achievability of the objectives, targets, and expectations of Lotte Corporation.

The scope of our engagement conforms to the KPMG Sustainability Assurance Manual™ (KSAM™), including the aspect of "materiality." With regards to financial data, our procedures were limited to verifying that they were correctly derived from audited financial statements. To obtain a thorough understanding of LOTTE Corporation's financial results and position, the audited financial statements produced on March 18, 2021 should be referred to.

Responsibilities

As stated in the 'Reporting Principles and Standard,' LOTTE Corporation is responsible for all content within the Report in respect of the GRI Sustainability Reporting Standards. It is the responsibility of LOTTE Corporation's management to establish and maintain appropriate performance management and internal control systems from which the reported sustainability information is derived.

Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed.

Independence

In conducting our engagement, we have complied with the requirements of the International Federation of Accountants (IFAC) *Code of Ethics for Professional Accountants*, issued by the International Ethics Standards Board for Accountants. We do not engage in any and all activities that may influence our independence from Lotte Corporation. KPMG Samjong Accounting Corp. has systems and processes in place to monitor compliance with the Code, and to prevent conflicts regarding independence.

Assurance Standards

We conducted our engagement based on 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. The standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

Limitations

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement, and consequently does not enable us to obtain assurance on all significant matters that we may become aware of in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

This report has been prepared solely for LOTTE Corporation in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than LOTTE Corporation for our work, or for the conclusions we have reached in the assurance report.

Main Assurance Procedures

Our engagement was designed to provide limited assurance on whether the Report is presented fairly, in all material respects, in accordance with the reporting criteria. Procedures performed to obtain a limited level of assurance on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Sustainability report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included the following:

- Confirmation on whether the financial information presented in the Report was correctly derived from LOTTE Corporation's audited financial statements
- Inquiries to gain an understanding of LOTTE Corporation's processes for determining the material issues for key stakeholder groups
- Interviews with corporate's or each group company's working-level staff responsible for providing the information in the Report
- Visits to the company's headquarter office to understand the systems and processes in place for managing and reporting the sustainability data
- Comparing the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, LOTTE Corporation's performance on non-financial value creation



Opinion

• **Stakeholder Inclusiveness**

- LOTTE Corporation focuses on interests of key stakeholders, such as shareholders & investors, group companies, employees, government, local communities, and operates proper online/off-line communication channels.
- We are not aware of any key stakeholder group that has been excluded from dialogue in the Report.

• **Sustainability Context**

- LOTTE Corporation has established a process to incorporate ESG in management’s decision-making and the business management plans of relevant teams, thereby securing continuity.
- We confirmed that LOTTE Corporation recognizes general business management and social responsibility management comprehensively and applies such understanding within the Report.

• **Materiality**

- LOTTE Corporation conducts a materiality test in determining key reporting issues.
- We are not aware of any material aspects concerning its sustainability performance which have been excluded from the Report.

• **Completeness**

- LOTTE Corporation applies reporting scope, boundary, and temporal criteria.
- In terms of criteria mentioned above, we confirm that the Report is suitable for stakeholders to assess social responsibility performance.

Based on the procedures performed, as described above, nothing has come to our attention to indicate that the Report is not presented fairly, in all material respects, in accordance with the reporting criteria.

November 2021
KPMG Samjong Accounting Corp.
CEO Kim, Kyo Tai





Awards & Membership

Awards

2021

- LOTTE Academy received the 1st Korea Human Resource Development Award (The Korean Association of Human Resource Development)

2019

- Gold Prize at the "Best White Paper or Research Report" & "Best E-book" categories in the International Business Awards (Stevie® Awards)
- Minister's Award at the 2019 Best Blind Recruitment Practice Contest (Ministry of Employment and Labor)

2018

- Winner at the "Communication" category in the iF Design Award 2018 (iF Design Award)

2017

- Overall Grand Prize at the Korea Social Media Awards (Ministry of Science, ICT and Future Planning)
- Grand Prize at the "Corporate History" category in the 2017 Korea Business Communication Awards (Minister of Culture, Sports and Tourism Award) (Korea Business Communications Association)

Membership

- The Federation of Korean Industries
- Korea Ski Association
- Asia Society
- UN Global Compact

* As of the end of October 2021

Publishing Department in Charge

ESG Team

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