

# 2021

## LOTTE CORPORATION SUSTAINABILITY REPORT



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## 2021 LOTTE CORPORATION SUSTAINABILITY REPORT

The 2021 LOTTE Corporation Sustainability Report consists of the ESG Magazine Part and the ESG Report Part – the former reviews the significance of ESG management which has become a mainstream worldwide and introduces ESG stories of the Group affiliates whereas the latter discloses ESG management systems and performances of the Group and LOTTE Corporation.



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## ESG Statement



Nowadays, ESG management is not an option but a must. Staying ahead of the change, LOTTE Group is exploring different ways of innovation to deliver values that will benefit all stakeholders.

To help all change for the better, we are changing ourselves first. Based on our corporate culture of diversity and inclusion, by clearly understanding ESG management and through bold actions, we will achieve sustainable growth in a manner uniquely LOTTE and beneficial to all.

**Yong-Dok Song**  
CEO, LOTTE Corporation



Since our 2021 declaration of ESG management, we have been creating long-term values in all business activities as promised.

Each Group affiliate has established a firm ESG management system with LOTTE Corporation at the center, and is making an utmost effort to pursue ESG management in a systematic and transparent manner. Furthermore, we will discover opportunities in such new areas as bio, healthcare, green energy, and metaverse so that we can achieve sustainable growth through innovation and ESG management, thereby enhancing our corporate value and contribute to enriching people's lives.

**Dong-Woo Lee**  
CEO, LOTTE Corporation

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## ESG Trend

With the establishment of ESG Committees in all listed companies among the Group affiliates in 2021, LOTTE Group has laid a firm foundation for ESG management. With full implementation of ESG management in its second year, Chang-Soo Kim, the Chairman of LOTTE Corporation's ESG Committee shares his views on ESG management trends and LOTTE's unique responses.



**ESG, which emerged in the early 2000s, has grown over the past few years into a mega trend, attracting attention worldwide. What do you think is the main driver behind such growth?**

With recent occurrences of diverse natural disasters due to climate change, the impact of environmental factors on corporate sustainability is increasing. This has led companies to recognize green management as crucial to sustainability and to adopt carbon reduction technologies, conduct clean energy business, increase the use of new renewable energy, and put other diverse net zero efforts. In addition, the persistent pandemic has shed light on the shortcomings of the global supply chain, while building a cooperative relationship with stakeholders and proactively responding to their demands are gaining importance as being pivotal to successful business management.

Rolling out eco-friendly and stakeholder-friendly business activities in consideration of these changes requires a sound and solid governance structure; and in the process of building such a process, we can say that a paradigm has emerged for ESG management. **In other words, according to the latest global investment criteria and strategy, heightening a mid-to long-term corporate value requires a business management system in which the three "ESG" elements are well blended, and thus companies with such a system will attract more investments.** Which explains why Korean companies started to establish ESG management systems in early 2020, following global asset management firm BlackRock's announcement of its plan to focus on investment in companies with a well-established ESG management system, which set in motion a global trend.



**Chang-Soo Kim**  
Chairman of ESG Committee,  
LOTTE Corporation

2.

**As ESG management has become mainstream, many corporations are busy devising ways to take the lead. How has LOTTE been responding to it?**

At LOTTE Group, ESG management is gaining traction in a measured yet decisive manner. **At an ESG management declaration ceremony held in July 2021, it outlined its resolve to transform LOTTE Group into a global leader in ESG management, with Chairman Dong-Bin Shin pledging to formulate and exercise diverse policies that would maximize LOTTE Group's mid-to long-term corporate value through meticulous ESG business management.**

It is in this regard that LOTTE Corporation has established an ESG committee within the Board of Directors and by defining ESG KPIs for the first time in the industry to include the indicators in the checklist for evaluating the performance of all Group affiliate CEOs.



3.

**What do you think sets LOTTE's ESG management apart from that of other companies? Please explain its strengths and differentiators.**



What makes LOTTE different, I believe, is the fact that it has established an ESG Committee in every listed Group affiliate, including LOTTE Corporation, and pursue ESG management at the Group level. It also has set up and manage ESG KPIs to reflect investor voices in daily operations and to define an ESG management paradigm that would enhance corporate value. Once the management of ESG KPIs contributes to creation of an environment and stakeholder-friendly governance structure, the sustainability of LOTTE Group will be further improved.

4.

**What role will the ESG Committee play in LOTTE's ESG management? As the first Chairman of LOTTE Corporation's ESG Committee, what would you say are the significance and implication of the organization?**

**What matters the most to LOTTE Group is enhancing corporate value in the mid to long term and securing sustainability in the long run. LOTTE Corporation's ESG Committee exists to strengthen the sustainability of LOTTE Group.** It should therefore focus on implementing an environmentally friendly business operation, setting up a governance structure that enables the Group to practice ESG management as a multi-national company from the view point of global stakeholders, and bolstering the capabilities to execute required tasks. The roles and responsibilities of the ESG Committee include the completion of an advanced ESG management framework by collecting various ESG-related data and information and promptly have relevant ones reflected in business operations.

5.

**Last but not the least, how can ESG management contribute to the future that LOTTE envisions?**

Doing things for "New Today, Better Tomorrow" helps enhance the quality of human lives. To this end, LOTTE Group should transform into a corporation more friendly to the environment and global stakeholders. I have a firm belief that when an ESG management paradigm that continuously self-innovates is implemented, the future that LOTTE has been preparing will become a reality.

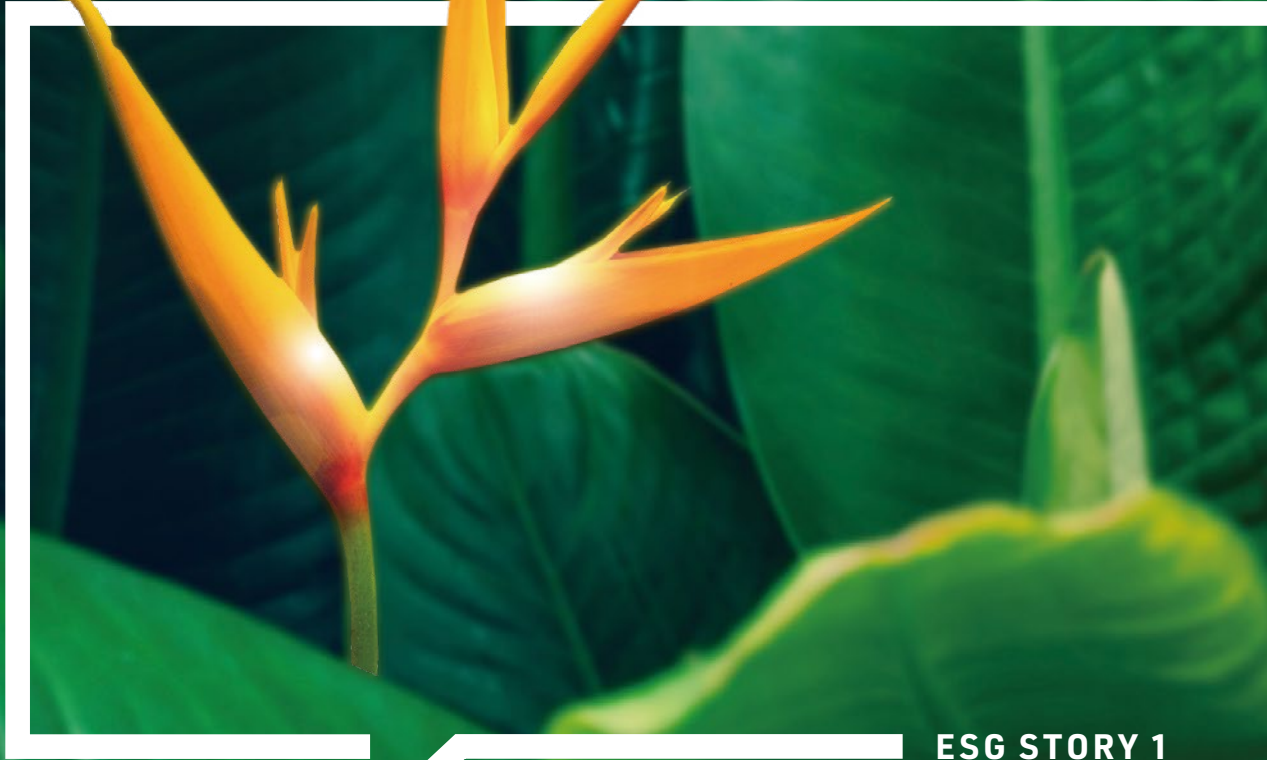


# ESG MAGAZINE

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2021 LOTTE CORPORATION SUSTAINABILITY REPORT





The raw materials and energy sources of Earth are essential to the continued prosperity of mankind. However, humans, in pursuit of progress, have been heating up the atmosphere, ocean and land, putting at risk the survival of their future generations, as mentioned in the 2021 UN Report. At this critical moment in which new eco-friendly energy is required for the sustainability of Earth and mankind, LOTTE Group has made a pledge to achieve net zero, setting up a new milestone in its pursuit of green growth. To realize the goal, we will ensure all Group affiliates formulate and implement a 10-year eco-friendly plan covering their respective business operations, thereby achieving green growth.

ESG management takes root at LOTTE for a sustainable tomorrow of Earth and mankind.

## ESG STORY 1

# Blossoming Green Growth with Eco-friendly Green Energy





# 2040 Net Zero

Over the past decade, Earth's surface temperatures have risen about 1°C above pre-industrial level, and are expected to further rise 1.5°C or more in the next two decades. The world is suffering from frequent extreme weather events caused by global warming, such as heat waves, heavy snow falls and storms, and global warming is accelerating with the increasing use of fossil fuels. The international community, recognizing the severity of the climate crisis, signed the Paris Agreement in 2015 to limit the rise of average global temperatures to 2°C, preferably 1.5°C, below pre-industrial level. This goal aims to reduce global greenhouse gas (GHG) emissions to at least by 45% as 2010 a base year by 2030, and to make the entire world net zero<sup>1)</sup> by 2050. Korea ratified the Paris Agreement in November 2016, and in December 2020, announced the strategy outlining its goal of achieving net zero by 2050<sup>2)</sup>, joining the international community's march towards carbon neutrality.

To respond to the global challenge of mitigating the climate crisis, LOTTE Group in 2021 reaffirmed its commitment to green growth by announcing its 2040 net zero goal. To achieve the goal, we have set a clear direction at the Group level, and each Group affiliate has established and implements an ESG strategy. While finetuning operation processes to reduce GHG emissions in the short term, we plan to achieve net zero mainly through technology innovation and expansion of eco-friendly business in the mid-to long run. The journey we are embarking on is challenging, but, with concerted efforts and collective wisdom combined, it is achievable. Believing in the power of collective efforts, LOTTE will take the lead in the journey to become carbon neutral, a destination we all must reach.

LOTTE Group declared its goal to achieve net zero by 2040

2021

2040

<sup>1)</sup> Net zero refers to the balance between the amount of GHG produced and the amount removed from the atmosphere. This requires as much reduction of GHG emissions as possible either through restoration of emissions-absorbing forests or through development of GHG-reducing technologies.

<sup>2)</sup> Source: Policy Briefing of the Republic of Korea: 2050 Net Zero



Low-carbon Green Growth

# ENVISION GREEN GROWTH

Earth temperatures must not rise further for the safety of current generations and the prosperity of next generations. The worsening climate crisis clearly indicates time is running out, which means that we must make climate actions not to protect one and only Earth.

LOTTE's responses to the climate crisis are measured yet decisive. We are setting a firm course to green growth, ranging from process optimization to expansion of eco-friendly businesses, based on the brand and technological competitiveness of LOTTE affiliates. We are committed to accelerating the transition to a hydrogen economy by building hydrogen ecosystems, while also gaining trust from stakeholders by launching ESG brands. The future of LOTTE lies in green growth that is beneficial to all our stakeholders, mankind and Earth.





LOTTE CHEMICAL HQ

# E1 EVERY STEP FOR H<sub>2</sub>



## H<sub>2</sub>ope for Green Tomorrow

In February 2021, LOTTE Chemical HQ set directions for its eco-friendly businesses and the details of the tasks to accomplish by announcing "Green Promise 2030". Accordingly, it is expanding the paradigm of eco-friendly business under the slogan of "Every Step for Green". In July 2021, the HQ also released its hydrogen growth roadmap "Every Step for H<sub>2</sub>," making known its intent to focus on hydrogen as a key energy source aimed at achieving net zero.

The global hydrogen market is expected to be about KRW 2,000 trillion in 2050. LOTTE Group plans to invest a total of about KRW 6 trillion by 2030 in the hydrogen industry as a strategic source of future growth, according to its hydrogen growth roadmap. We will secure key components for successful transition to a hydrogen economy, such as a large customer base, large-scaled supply chains and eco-friendly technology. Building on these efforts, we will lead the production of green hydrogen, expand hydrogen power generation, hydrogen station and other hydrogen-related projects, and pioneer the advancement of hydrogen technology ea.

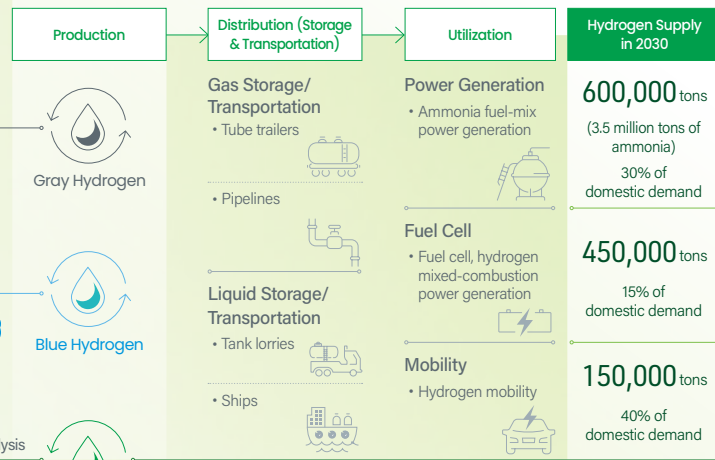
**LOTTE Chemical discovered business opportunities in the green hydrogen industry, announced a plan in March 2022 to invest about KRW 6 trillion<sup>1)</sup>, produce 1.2 million tons of hydrogen annually, and generate KRW 5 trillion in sales, by 2030. Moving forward, it will focus on developing key technologies and expanding hydrogen applications as a way to lead the hydrogen market.**

Toward a future powered by clean energy, LOTTE Chemical HQ is taking measured steps, accelerating the pace of innovation, and leading Korea's transition to the hydrogen economy based on the forward-looking ESG management.

<sup>1)</sup> On a cumulative basis

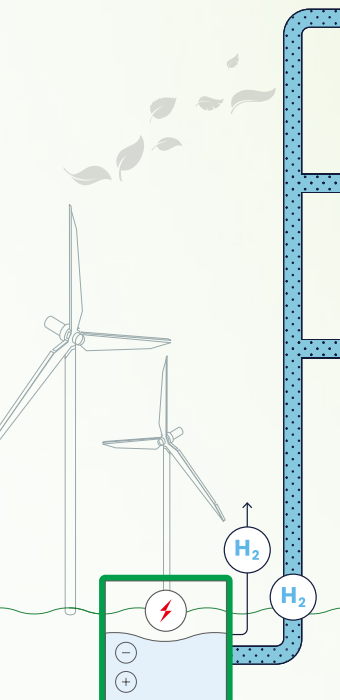
<sup>2)</sup> Green hydrogen: Hydrogen produced through electrolysis of water using photovoltaic, wind or other carbon-free and renewable energy sources. Low or zero in GHG emissions but high in production cost.

### HYDROGEN GROWTH ROADMAP



**2030 GOAL**

**1.2** million tons of hydrogen, **KRW 5** trillion in sales  
(Accumulated investment of KRW 6 trillion)



## CO<sub>2</sub>llaboration for Green Tomorrow

Hydrogen, unlike fossil fuels, is a natural resource almost infinite in supply, and a green energy that does not emit CO<sub>2</sub> during combustion. However, producing green hydrogen without any carbon footprints as well as ensuring the safety of the clean yet volatile energy requires an ecosystem built on a growth strategy well balanced in the production, distribution (storage & transportation), and utilization aspects.

LOTTE Group is leveraging resources and competencies of its affiliates, maximizing synergies among them, and reinforcing competitiveness across all hydrogen value chains, with LOTTE Chemical HQ playing central roles. More notably, in conducting green ammonia<sup>1)</sup> business, a sector where the HQ can have a clear competitive edge, we are concentrating the strengths of the Group affiliates on building a green ammonia value chain led by LOTTE, spanning from production to transportation, distribution, extraction and utilization.

Hydrogen is voluminous and highly explosive and requires cryogenic cooling for liquefaction, which makes it very difficult to store and transport. In contrast, ammonia, made using hydrogen, is easy to store and transport, thus lower costs, which is why green ammonia is emerging as a stable and viable hydrogen carrier. Preoccupying the green ammonia market, however, requires advanced technology and a large-scaled infrastructure. LOTTE Group has therefore devised a green ammonia plan in which LOTTE Chemical produces green hydrogen

overseas using renewable energy and converts the green hydrogen into green ammonia; LOTTE Fine Chemical distributes the green ammonia in Korea using the nation's largest ammonia infrastructure and expertise. LOTTE Chemical will extract the green hydrogen from the green ammonia and supply it to hydrogen stations nationwide. The green hydrogen stored at the stations will be utilized not only for the industrial use, such as oil refining, steelmaking, and semiconductor, but also for other diverse sectors including transportation, thereby accelerating the transition to a hydrogen economy.

Chemicals and retail are two sectors where LOTTE Group has a long-held competitive edge. By adding new ESG value to our traditional strengths, we will develop a green energy for sustainable growth. Going forward, we will promote ESG values in all business operations, and make progress toward the goal of achieving net zero by implementing the hydrogen growth roadmap through organic cooperation among the Group affiliates.

<sup>1)</sup> Green ammonia: Ammonia produced using green hydrogen





LOTTE SHOPPING

# E2 RE:EARTH



## Renew Earth! Together for a Better Earth!

LOTTE is accelerating the pace of implementing ESG management for sustainable growth and seeking ways to turn ESG initiatives into a new business model. In 2021, LOTTE Shopping, as a general retailer, pondered ways to utilize ESG as a new competitive edge and realigned its business strategies with ESG value creation. In addition, in hopes of bringing all stakeholders aboard the new path forward, it launched ESG campaign brand "RE:EARTH", and ESG campaign slogan "Dream Together for a Better Earth".

Better Earth that everyone dreams will be realized through five projects which all start with "RE" and each represent specific ESG actions of LOTTE Shopping - RE:EARTH, RE:ENERGY, RE:USE, RE:JOICE and RE:VIVE.

They are action plans so as to encourage customers to think of and act on eco-friendly ways which can be found in the entire life cycle of LOTTE Shopping products, ranging from production, distribution, use to disposal.

"RE:EARTH", in particular, is a project related to retail, the main business of LOTTE Shopping, aimed at building an eco-friendly system across the entire operations, from planning and distribution to overall sales channels, based on responsible sourcing of raw materials. To this end, LOTTE Shopping has set up eco-friendly standards for private brand as well as sourced products, and applies the "RE:EARTH" brand label to qualified products. A leading example is Choice L RE:EARTH Notebook, a private brand product certified as eco-friendly for its 100% use of sugarcane fiber. Sugarcane, which can be harvested multiple times from a single planting, makes for a perfect eco-friendly resource. Choice L notebooks are produced with a minimal environmental impact by using soy ink and bonding not by traditional springs or glue but thread.

If we continue treating Earth the way we do today, we will soon face threats to human existence. To protect one and only Earth, we pause our busyness for a moment and rethink how we can enrich people's lives, the mission of LOTTE. By finding ways toward better Earth and to have more people join us, we will continue to bring changes and innovation that can renew Earth and benefit all.

# RE: EARTH





ESG Brand System of LOTTE Shopping

ESG Slogan

# DREAM TOGETHER FOR A BETTER EARTH



5 Projects

## RE:EARTH

Project that certifies the eco-friendliness of private brand and sourced products that help renew Earth and assigns its name to the space where such products are sold among many uses of its content.

## RE:ENERGY

Project to establish and implement net zero roadmaps for green growth, and expand relevant infrastructures through adoption of PV systems and EVs

## RE:USE

Project that offers consumers opportunities to contribute to waste reduction in their daily lives through promotion of trading second-hand goods

## RE:JOICE

Project to promote mental health by urging people to develop self-respect, nurture dreams and take on challenges in a continuation of the name and belief of the CSR campaigns of LOTTE Shopping

## RE:VIVE

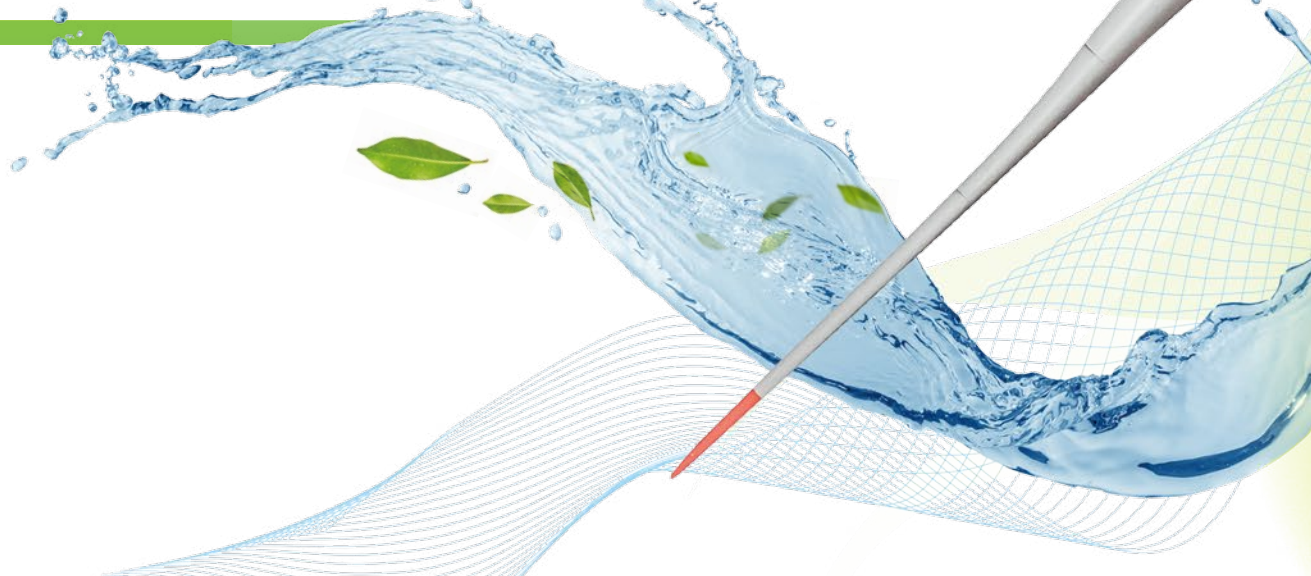
Project to build a win-win ecosystem to raise funds for ESG management by issuing ESG bonds, arranging ESG fundings and making ESG investments

## Green Energy

# EMPOWER GREEN GROWTH

We cannot change the world without innovating ourselves first. To facilitate the innovation of local communities and economies, LOTTE drives change in how it manages and operates its business first. In particular, as the climate crisis threatens the safety of our daily lives, having realized the significance of actions that go beyond words and plans, we make bold decisions and face challenges head on.

In December 2021, LOTTE Chilsung Beverage became the first F&B company in Korea to join RE100. The company has set an ambitious goal of using renewable energy in its operations 100%, as part of its concerted efforts to achieve green growth. LOTTE Data Communication has built a green data center to manage data, the main asset in the era of the Fourth Industrial Revolution. Pausing for a moment before taking a big leap forward, LOTTE Group is strengthening its green growth leadership and influence, taking a deep breath to prepare a brighter future.





LOTTE CHILSUNG BEVERAGE

# E3 100% RENEWABLE ENERGY



## Green Energy Driving Eco-Friendly Value-Conscious Consumption

As climate change has gone beyond being an environmental issue, emerging as an economic and social issue, net zero movement has become a global trend. Many businesses are declaring their intent to produce goods using only renewable energy, and LOTTE Chilsung Beverage is also taking a step further towards its goal of achieving net zero by joining RE100.

RE100 stands for "Renewable Energy 100%" and it is a global initiative requiring its members to go 100% energy renewable by 2050. Launched in 2014 by the Climate Group, an NGO based in the UK, the initiative is joined by many global businesses including Google, Apple, Microsoft, GM, BMW and Starbucks. As of the end of 2021, 14 Korean companies, including LOTTE Chilsung Beverage, have joined RE100.

What deters businesses from joining RE100 is the criteria deemed which is very strict for prospective members to adopt, especially for manufacturers with a high energy dependence. Nevertheless, LOTTE Chilsung Beverage became the first of Korea's F&B industry to join RE100 in 2021. The company announced the plan to change towards 100% renewable electricity at its plants and logistics centers. The plan details specific steps the company will take to reach the goal, including installing photovoltaic power generation systems, entering power purchase agreements (PPA), and acquiring the Renewable Energy Certificate (REC).

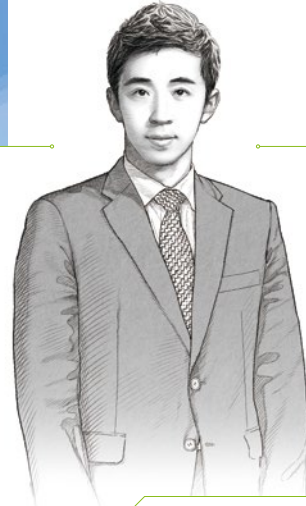


**Ou-sam Jin**  
President, RE100 Committee

I wholeheartedly welcome LOTTE Chilsung Beverage, the leader and the first RE100 member of the Korean F&B market! At this moment in which operational changes and global cooperation are urgently required, the climate stewardship of LOTTE is expected to reverberate far and wide throughout the market. Consumers will also be proud of the company's joining of RE100 and ways of responding to climate issues.







**Dong-Jin Park**  
Assistant Manager, LOTTE Chilsung Beverage



Today's consumers opt for value-conscious consumption even in buying a bottle of mineral water. According to global market researcher Euromonitor International, 35% of global consumers are considered "climate changers" who actively act to minimize their carbon footprints. We will always drive change so that our consumers can become proud climate changers.

What enabled LOTTE Chilsung Beverage to make such a preemptive action is steady efforts it has made over the years to switch to green energy. The company has been installing photovoltaic power generation systems and increasing the use of renewable energy at its major business sites. In August 2020, it signed an MOU with Korea Industrial Complex Corporation and Smart Energy Platform Cooperatives on expanding energy efficiency technology and win-win cooperation among small, mid-sized and large businesses. And in June 2021, another MOU was signed on cooperation for implementing RE100 with Korea Industrial Complex Corporation, KEPCO Energy Solution and Smart Energy Platform Cooperatives.

The company's joining of RE100 is expected to contribute to Korea becoming net zero as it increases the use of renewable energy as well as reduces GHG emissions. The company will also help consumers develop eco-friendly habits in their daily lives with ease. LOTTE Chilsung Beverage has also set an eco-friendly value-conscious consumption trend in the beverage industry by pioneering a label-free mineral water in Korea. It has clearly fortified its position as a leader of eco-friendly value-conscious consumption by joining RE100. To further promote value-conscious consumption, strengthen corporate competitiveness, and grow in a sustainable and eco-friendly manner, LOTTE leads the transition to green energy.







LOTTE DATA COMMUNICATION

# E4 NEW FUEL FOR THE FUTURE



temperature levels, which in turn requires a 24/7 operation of cooling systems. In addition, operating many IT equipment takes a massive amount of energy. In short, maintaining and processing the new energy in a new era needs energy in a traditional sense. Given growing calls from society for green growth, a green IDC is an essential SOC for the growth of future industries.

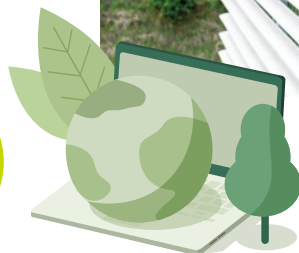
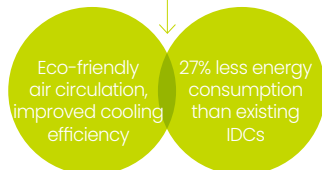
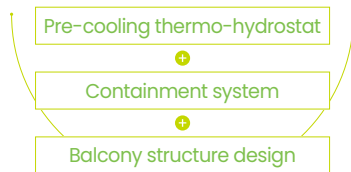
LOTTE Data Communications has been focusing on operating its IDCs in an eco-friendly manner. To minimize their environmental impacts and to achieve carbon neutrality, the company has put in place a real-time monitoring system that facilitates a precise control of energy consumption required for running a data center infrastructure and is collecting the energy consumption and power usage effectiveness (PUE) of its major facilities. Based on such systems and collected data, the company is efficiently managing operational functions of major data centers such as HVAC, cooling, and server efficiency, while also making continuous efforts to improve energy efficiencies and eliminate the waste of energy. Furthermore, by replacing outdated equipment and upgrading systems, it is steadily improving the efficiency of the electricity powering cooling systems, a crucial factor in a stable operation of data centers. In the case of the Yongin Global Cloud Data Center built in April 2021, energy efficiency and carbon emissions were given an especial attention from the design phase in order to construct a green IDC. Air circulations and cooling efficiencies are improved through an adoption of state-of-the-art equipment and application of optimized structural design, which has led to a 27% reduction in energy consumption compared with traditional IDCs, and these success cases will be applied to construction of other IDCs in the future.

Data must be operated in a manner that is environmental-friendly and safe. The Global Cloud Data Center is built to withstand earthquakes up to a magnitude 8.0 and can run on a built-in backup generator for 38 hours. In addition, the dual path network and built-in security system of the data center enable a real-time monitoring and ensure the safety of data, the main resource and asset of the center.

## Green IDC to Take Charge of Data, a New Energy

British newspaper The Economist stated in 2017 that “The world’s most valuable resource and energy, data is giving rise to a new economy”. Since 2010s, data has been driving the Fourth Industrial Revolution already so that it is often called “the oil of the 21st century”. Given the rapid growth of data-driven technologies and industries, such as AI, cloud and autonomous driving, the internet data center (IDC) business of storing and processing massive amounts of data is on the path of solid growth. Furthermore, such an accelerating digital transformation as seen in online transactions and remote work trends, both spurred by the COVID-19 pandemic, is highlighting the role of data centers in processing the ever-increasing data traffic.

Stable operation of data centers requires maintaining computer servers and networking facilities at proper





Sound companies shines brighter in times of uncertainty and limited visibility. Companies that have overcome crises both big and small together with stakeholders can weather challenges of any magnitude on the back of community. LOTTE Group has been establishing safety management systems capable of controlling complicated and diverse environmental risks not only for its employees but also for surrounding communities, reaffirming that safety is one of its social responsibilities. Furthermore, even in difficult times, we walk closer with all our neighbors including partners, SMEs, and startups so that they can continue to dream big.

LOTTE changes challenges into success stories for all.

ESG STORY 2

# Setting New Directions for Win-win Growth





According to the Ministry of Employment and Labor, a total of 828 workers lost their lives due to workplace accidents in 2021. Given the fact that more than half of these incidents were related to falling and trapping, they would have not occurred with a little more of precautions and by keeping basic safety measures. In January 2022, the Serious Accidents Punishment Act went into effect to prevent occurrence of such tragedy. Under the Act, which drew significant attention before the enactment, a top management official who fails to follow the health and safety duties resulting in occurrence of serious industrial accidents, is imprisoned for at least one year or fined up to KRW 1 billion. However, what matters is not such penalties. Considering the 828 lives that left home for work and never made their way back, their family members, citizens who are suffered from sadness and anxiety due to the accident news, and social loss as a consequence, industrial accidents should not have taken place in the first place.

In an attempt to prevent occurrence of serious accidents, LOTTE makes thorough preparations against safety risks by managing workplace safety to a level more stringent than what is required by law. In 2021, LOTTE Group has promoted each affiliate's safety management organization to directly report to the CEO so that they can play stronger role in preventing major industrial accidents and initial responses. As of early 2022, more than 90% of all Group affiliates have completed the establishment of an organization dedicated to safety. In July 2021, LOTTE Corporation announced Group-wide safety management innovation plan, which outlines enhancing the safety management systems and manuals. Furthermore, by operating a safety experience center at the Osan Campus of LOTTE Academy to help raise the safety awareness of our employees as well as providing better support for partner companies' safety implementation.

At LOTTE Group, safety cannot be emphasized enough. We therefore believe that all safety incidents can be prevented. Based on such belief, we are realizing strong will to safety set at the Group level through bold actions implemented by all Group affiliates, presenting a new standard in creating a safe workplace.

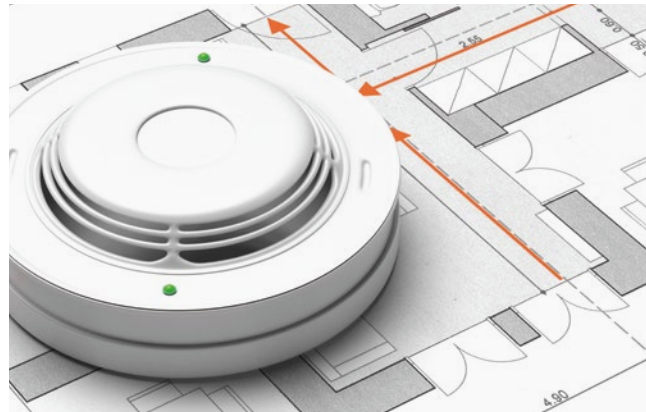
**Safety Management**

# SETTING NEW STANDARDS



LOTTE CHEMICAL, LOTTE E&C, LOTTE GLOBAL LOGISTICS

# S1



A safe future cannot become a reality without thorough preparation and relentless efforts. LOTTE Chemical is committed to expanding safety investments to predict and thus prevent safety risks as a way to open up a tomorrow that benefits its employees, local community, as well as the company.



## Finding Answers for \_\_\_\_\_ Safety in ESG

LOTTE Group had been fully focused on safety management even before the Serious Accidents Punishment Act was enacted. In particular, as for LOTTE Chemical, LOTTE Engineering & Construction (E&C), LOTTE Global Logistics, and other affiliates engaged in types of business where a relatively high rate of safety-related accidents is given, they have been preventing serious accidents through an establishment of systemic safety systems and a through exercise of preventive practices. In 2021, when we launched ESG management in earnest, we approached safety management from an ESG perspective, further enhancing environment, health, and safety (EHS) systems. In addition, recognizing that at the center of the Serious Accidents Punishment Act lies the safety of human lives, we took nimble yet measured steps to create a workplace where everyone stays happy and healthy.

### LOTTE Chemical: Investment in Safety Environment Investing in a safer future

In 2021, LOTTE Chemical announced its plan to make an intensive investment of KRW 500 billion in areas related to environment and safety over the next three years. This announcement came as part of measures to reinforce the safety environment upon resuming the operation of its naphtha cracking center in Daesan Plant and is a manifestation of its will to prevent such accidents in the future. In March 2020, a fire that broke out in the Plant injured workers and local residents. LOTTE Chemical immediately apologized to the local community and reported on follow-up measures. Furthermore, a taskforce for restoration was set up to investigate into the cause of the fire and carried out restoration activities to ensure the local community can return to normality rapidly. With the company-wide cooperation to normalize the plant operation, 9-month restoration work was completed successfully with improvement made to fire-fighting equipment in order to prevent reoccurrence of such accident. The company also set a plan to invest in digital transformation-based processing, such as the safety operation management system and predictive maintenance in facilities management<sup>1)</sup>. To upgrade the safety environment system, the number of dedicated staff more than doubled in each business site and the advisory board with third-party experts are under operation.

To enhance the efficiency of the EHS management and boost communication across the company, LOTTE Chemical has gone through an upgrade of the EHS management information system for nine months from April 2021. The upgrade project laid the foundation for an integrated company-wide management of safety environment with additional enhancement planned through enriching the system contents and expansion to support the mobile environment.

<sup>1)</sup> Maintenance work to predict and respond to defects in equipment



**LOTTE E&C: Safety Management System**

**Taking safety management to new heights**

In construction sites, a moment's lapse is highly likely to cause casualties. High buildings carry higher risks, and there has been greater concern about the safety management of construction companies after witnessing such recent accidents as collapse and shaking of buildings.

In order to implement a more systematic safety management, LOTTE E&C formulated a "Safety and Health Management System" and "Accident Prevention Measures" in November 2021 to stipulate the company's safety and health policies and goals, organization structure, manuals for handling serious occupational accidents, and criteria and procedure for evaluating safety and health status of partner companies. In December, the safety and health function was promoted to Safety and Health Management Office, an organization dedicated to the management of safety and health, reporting directly to the CEO. Furthermore, each business divisions of housing, architecture, civil works, and plants has set up safety teams directly under the head of divisions. In addition, to ensure decisions on improving safety and health of the company are made in a timely manner, we convene Safety and Health Executive Council Meetings, chaired by the Chief Safety Officer, on a monthly basis.

When it comes to accidents, prevention is the best. However, once it occurs, it must be responded quickly and systematically. It is also crucial to establish solid measures to prevent recurrence. LOTTE E&C has therefore established countermeasures it must take for each type of accidents as well as an accident reporting process that goes from the Safety and Health Management Office to the Safety and Health Executive Council and to the CEO on top of various measures to prevent recurrence of accidents including the inspection of preventive action taken. The company has also introduced a system designed to evaluate its partners' competency in ESG safety and health, with the results used as a criterion for their bidding qualifications, with a plan to expand the evaluation target.

**LOTTE Global Logistics: Safety Culture**

**Making bold strides toward safety innovation**

In order to fully embed safety-driven business management into the corporate culture through more stringent safety management, LOTTE Global Logistics newly established Safety Environment Innovation Department in December 2021 and established teams in charge of safety within Parcel Service, SCM, and Global Business Units.

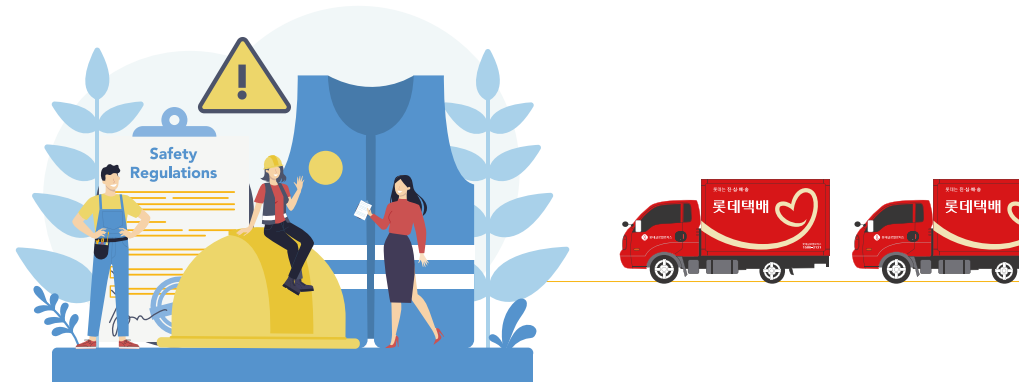
In addition, it strives to preemptively identify risk factors within business sites, and thus makes necessary improvements to prevent occurrence of safety accident. To this end, LOTTE Global Logistics puts in place the "3-Step Safety Diagnosis" and "Safety Hot-Line System" to assess safety management status of business sites together with Safety Consulting Part in LOTTE E&C's CM Division and external experts. "LOTTE Safety" is LOTTE Group's safety management framework consisting of safety diagnosis, safety training, sharing of safety-related works, safety material repository, and statistics analysis and is used for a real-time identification and systematic management of safety management status and issues.

In order to innovate the safety culture, employees should have higher level of competencies and participate more. Therefore, LOTTE Global Logistics is supporting not only its employees but also partners' employees to obtain certificates and attend mandatory trainings while carrying out diverse events and campaigns to promote safety including Safety Day and Safety Resolution Day. Such efforts towards safety management and contribution to promoting the safety culture earned recognitions from external entities and in 2021 LOTTE Global Logistics enjoyed the honor of winning the 2021 Minister's Commendation for Safety Culture in the Safety Culture Award hosted by the Ministry of the Interior and Safety.



LOTTE Global Logistics has built corporate culture that all employees uphold basic values, based on which it continues executing well-structured safety management activities to achieve healthy growth.

To ensure buildings constructed safely can provide safe place to live and work, LOTTE E&C is committed to raising the bar for its safety management system by conducting safety management activities which are echoed and participated by employees of not only LOTTE E&C but also our partners.



LOTTE Group is committed to practicing love and care for neighborhood in diverse ways to make our society supportive and co-prosperous. Our wholehearted CSR efforts include “Mom’s Happiness” launched in 2013 to ensure work-life balance of women; “Super Blue Marathon” launched in 2015 for both the handicapped and the non-handicapped to raise awareness on and remove prejudice over the handicapped; and “Youth Library” launched in 2016 in partnership with the ROK Army. The Group affiliates also make joint efforts to contribute to co-prosperity of and sharing with local communities.

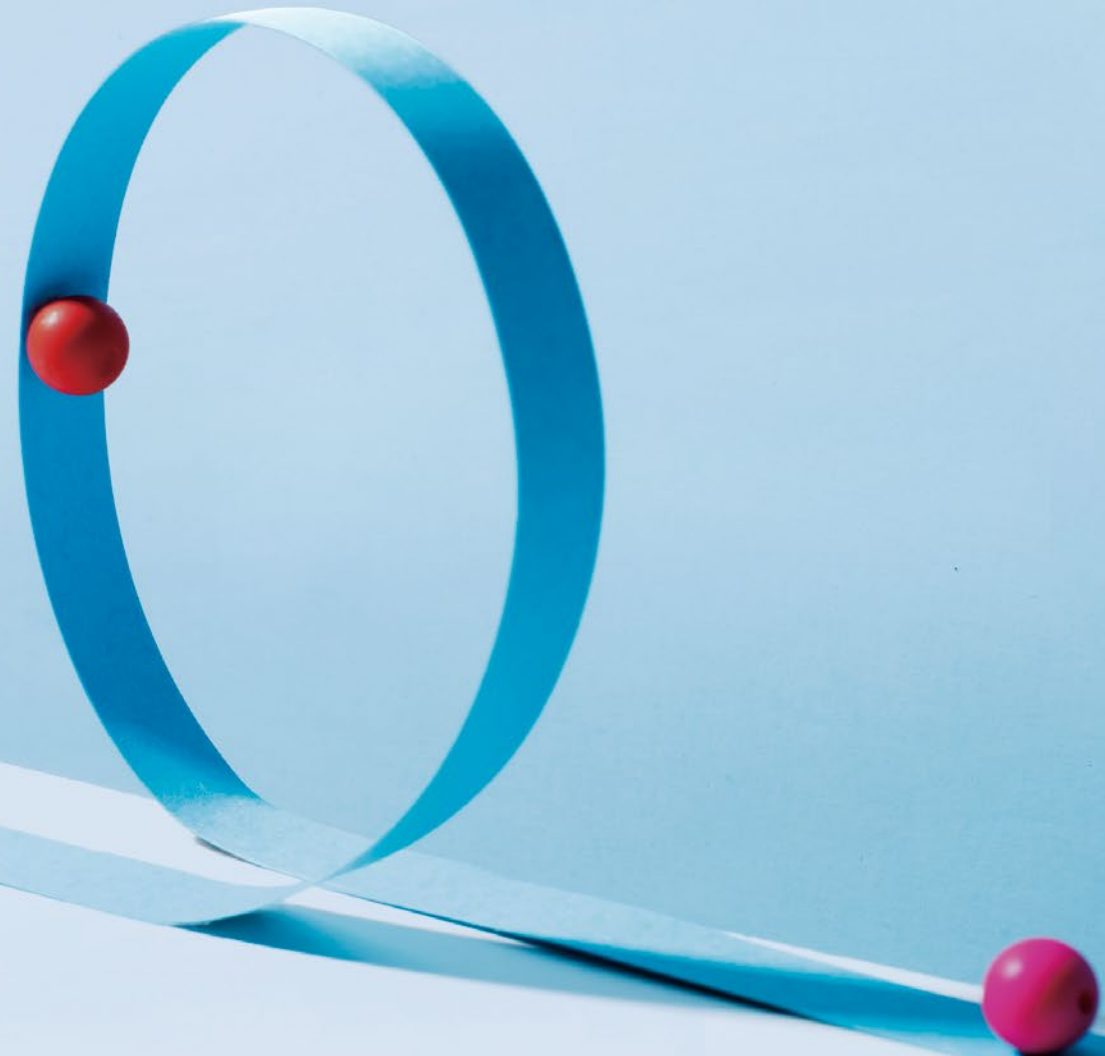
Win-win growth with partners is at the heart of LOTTE’s ESG endeavor, as well. Given the fact that one of key stakeholders of ESG management is partner company in the supply chain, cooperative partnerships is a must for LOTTE’s sustainable growth. With respect for vendors as companions for LOTTE’s sustainable growth, LOTTE Group adopted the “Win-win Payment System” in all of its affiliates for the first time among large enterprises in Korea in 2018 and helps stable financing of small and medium-sized partners through the win-win growth funds and early payments for partner companies.

As the saying goes, “If you want to go fast, go alone. If you want to go far, go together”, we can achieve greater outcome when we work together. The same applies to enterprises. As we cannot live alone, companies cannot operate its business on its own, and this is why LOTTE Group pursues the value of going together.

In an era when everything is changing so fast,  
LOTTE would like to pause briefly, take care of our neighbors,  
and seek ways to go further, together.

### Win-win Management

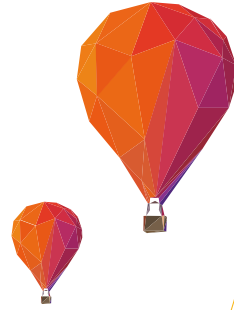
# SCALING SOCIAL IMPACTS





# S2

## Reaching higher, \_\_\_\_\_ together.



As a digital lifestyle partner, LOTTE Hi-Mart promotes smart cultural experience. The products and services that LOTTE Hi-Mart offers via diverse online and offline channels are delivered by its small and medium-sized enterprises (SME). **LOTTE Hi-Mart values these partners, so the company actively helps them win online and offline sales channels to grow together with them.**

“Heart Live Project” represents such efforts of LOTTE Hi-Mart. Launched in September 2020, Heart Live, a mobile livestreaming platform, has promoted products of SME partners so they can expand their sales channel. A total of ten livestreaming sessions were held in 2021, attracting 66,335 viewers and generating a revenue of KRW 34 million on a cumulative basis. The company also rebuilt the market place platform (MPP) in early 2022 to simplify online partners onboarding and payment processes. This effort has led to the win-win effects of helping SME partners open up new sales channels while offering more products to customers.

The company is also actively working on offline support. It signed an MOU for the promotion of mutual cooperation with Korea Trade-Investment Promotion Agency (KOTRA) in August 2021, and has supported sales channel development for Korean SMEs and start-ups that had joined major global fairs including Consumer Electronics Show (CES) and Mobile World Congress (MWC).

In addition, LOTTE Hi-Mart created an “Innovative Product Experience Center”, in the World Tower, where consumers can look around and use innovative products. Among them, items selected as products with high commercial value, high performance, and high consumer appeal are offered via online and offline sales channels of LOTTE Hi-Mart. As of January 2022, a total of 43 innovative products have been showcased, and 29 of them are offered via sales channels of LOTTE Hi-Mart.

**Furthermore, based on the belief that the competitiveness of partners leads to the competitiveness of LOTTE Hi-Mart, the company has fostered employees of partners and helped partners expand ESG management.** The company has hosted win-win growth meetings to review the status of win-win growth program operations and discuss future plans since 2016, and provided marketing training under the theme of “digital marketing strategy in the post-COVID era” as part of the working-group meeting in 2021. In addition, LOTTE Hi-Mart signed an agreement to support partners’ ESG with the National Commission for Corporate Partnership in June 2021, and provided SME partners intending to improve their ESG management system with self-examination opportunities and online training on ESG management practice.



As such, LOTTE seeks to pave the way to grow further together and move to the right direction by helping its partners better understand ESG.

LOTTE HOTEL HQ

# S3

The hospitality industry is one of the hardest-hit sectors by the COVID-19. Nevertheless, the Group affiliates under LOTTE Hotel HQ have never ceased to pursue the value of sharing in 2021. In particular, LOTTE has focused on boosting the local economy and participation-based campaigns for engagement and heartwarming opportunities of more people.

LOTTE Hotel offered the "Donghaeng (meaning going together) Package" aiming to facilitate traditional markets for two months from May, in connection with the Month of Visiting Traditional Markets Campaign of the Korea Tourism Organization. 20 local traditional markets including Namdaemun Market and Mangwon Market of Seoul and Gukje Market in Busan were promoted to customers who booked LOTTE Hotels & Resorts. LOTTE Hotel provided Onnuri Gift Certificate, that can be used at traditional markets as good as cash, to its customers so that they could enjoy shopping at affordable prices and local businesses could increase sales.

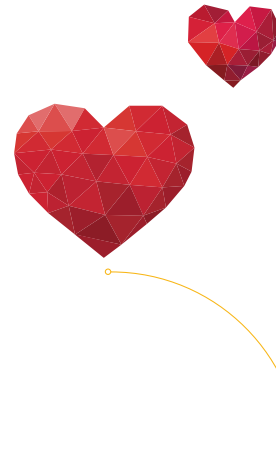
To sponsor firefighters who are heroes of society, LOTTE Hotel has donated proceeds from sales of related products and delivered customers' thank-you messages to firefighters since 2016. LOTTE Hotel Seoul in Sogong-dong operated "Share Your LOVE" campaign in 2021 and delivered its customers' thank-you messages. The customers who participated in the campaign were given eco bags made by upcycling used fireproof suits of firefighters in partnership with a social enterprise 119REO.

LOTTE Hotel's ESG efforts go beyond the borders of Korea. The company advocates UNICEF's vision to promote happiness of every child of the world. Since signing the CSR agreement with UNICEF in 2009, LOTTE Hotel has sponsored aids and welfare promotion for children for a long time.

## Expanding the impact further, together.

The company donated KRW 20 million combining proceeds from UNICEF package sales and donated rewards in 2021, and the donation was used for the Schools for Asia Project, a program dedicated to education for Asian children.

LOTTE Duty Free supports small businesses that sustain the local economy and young local entrepreneurs who are future leaders of the local economy by operating "CHEERUPS" and "STARUPS" projects, respectively. Launched in 2018, CHEERUPS is a CSR project for win-win cooperation with small local businesses. The company expanded the program and upgraded it into a long-term initiative by adding ESG values in 2021. To ensure more broad and profound support is provided, the company partnered with Seoul Business Agency and the Korea Foodservice Industry Association, and raised funds of over KRW 100 million, supporting small restaurants hit hard by the COVID-19. 15 restaurants in Songpa-gu where LOTTE Duty Free operates World Tower Store were selected and provided with eco-friendly packaging materials, YouTube PR support, and consulting service on meal kit development and hygiene management. These supports have enabled the restaurants to increase their revenues by about 10%. LOTTE Duty Free plans to further upgrade the program by expanding the geographical coverage of CHEERUPS project to include Busan and Jeju in 2022.



Launched in 2019, STARUPS is a strategic CSR project fostering young entrepreneurs and providing solutions customized for the local economy. The 3rd session of STARUPS held in Busan in 2021 was participated by 62 candidates, and five young entrepreneurs were selected through the tough competition of 12 to 1. Selected enterprises were provided with funds of up to KRW 40 million and chances to join L-Camp, a program for incubating startups operated by LOTTE Ventures. As part of STARUPS project, the company signed a business agreement with Busan Metropolitan City, based on which it offered coaching programs at the Busan Center for Creative Economy & Innovation as a way to provide practical support to young entrepreneurs of Busan. In addition, LOTTE Duty Free helped the five selected entrepreneurs have presentations to attract investors at BSW Bounce 2021, Busan's leading festival for startups. Such efforts to improve business competitiveness have enabled the five firms to improve revenues by 147% year-on-year and hire 19 new employees.



Moving forward, LOTTE will stand by those in need and scale its social impact to build a community of hopes.



**ESG STORY 3**

ESG management means yielding a “high quality” profit in a continuous way on the strength of support from diverse stakeholders. When the goals and outcomes, ideas and executions, evaluations and reflections, of ESG management are fully aligned, enterprises can achieve sustainable growth. Which is why we seek to blend ESG management into the organization culture, with which we have established an ESG Committee under the BOD at all listed affiliates, focusing on embedding the Group’s ESG perspective in all business decisions they make. Based on that, we are practicing ESG management in a systematic manner, and disclosing outcomes transparently.

Going with the current of ESG trends, all members of LOTTE are rowing with vigor toward sustainable growth.

# Rolling Out Concerted Efforts for Innovation that Benefits All

# G1

## Leading through the shared goal of ESG

It is easy to remain complacent and continue following the past success, which however, cannot bring us to a future that we all dream of. This is why LOTTE relentlessly evolves and innovates.

Based on the recognition that responding to climate change and establishing a sustainable ecosystem for the society are the call of an era that faces the mankind, LOTTE Group in 2021 has set ESG as a new goal of the organization. This was followed by the ESG Management Declaration Ceremony in June 2021 when we made know our practical and detailed ESG management execution plan to achieve net zero by 2040, establish ESG committees under the BOD of listed affiliates, and incorporate ESG management performance in the Group affiliate's CEO performance evaluation. Accordingly, all Group affiliates have established a firm ESG management framework and are making utmost efforts either independently or jointly to implement systematic and transparent ESG management, with LOTTE Corporation playing a central role. 2021 was the year when we built a solid foundation for ESG management by forming ESG Committees under the BOD of all 10 listed affiliates<sup>1)</sup>. Moving forward into 2022, we are committed to publishing sustainability reports by all listed affiliates to transparently disclose that LOTTE's ESG management is not merely a slogan but concrete actions.

LOTTE is the first Korean company to set up ESG Committees under all listed affiliates' BOD and make issuing sustainability report mandatory for listed affiliates. Thinking out of the box and making bold moves led to good results from external ESG evaluations. Nine affiliates<sup>2)</sup> that were subject to the ESG evaluation for listed companies by Korea Corporate Governance Service (KCGS) received Grade A, a proof that LOTTE is active and fast in internalizing ESG management.

<sup>1)</sup> LOTTE Rental, LOTTE Shopping, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Confectionery, LOTTE Corporation, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Foods, LOTTE Hi-Mart  
<sup>2)</sup> LOTTE Shopping, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Confectionery, LOTTE Corporation, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Foods, LOTTE Hi-Mart

### ESG Management System

# GUIDED BY SHARED GOALS





LOTTE Corporation plays a pivotal role in advancing the ESG management of LOTTE Group. In particular, the ESG Team at LOTTE Corporation is spearheading the Group's ESG direction by crafting ESG vision and strategy for the Group, establishing ESG governance, and setting up the ESG KPI directions. Going forward, LOTTE Group will remain committed to establishing a firm ESG management framework, accelerate ESG management, and thus grow in a right way with LOTTE Corporation playing a central role and all the Group affiliates cooperating in a cohesive manner.

**ESG Management System of LOTTE Corporation**

Major Roles & Responsibilities



**Committee within the BOD**

- Manage and supervise major internal and external ESG issues, and make management decisions
- Set the corporate-wide ESG implementation direction



**Organization dedicated to ESG**

- Manage major internal and external ESG issues
- Support the ESG Committee
- Establish ESG implementation strategies and coordinate among relevant departments
- Support the ESG Working-level Council
- Collect ESG data, disclose information, and manage external evaluations



**Organization dedicat, Management Support, IR, HR,**

- Execute ESG implementation strategies and goals
- Discuss and improve major issues
- Manage ESG data



# G2

## LET'S TALK ABOUT ESG!

### New Today, Better Tomorrow

This brand slogan LOTTE Group adopted with the full implementation of ESG management in 2021 embodies LOTTE's future values. The pledge to change itself first before changing the world and creating innovations that benefit all begins with internalization of ESG values. LOTTE's ESG management creating a new LOTTE to build a better future is described by ESG-dedicated team of the Group affiliates as follows.

LOTTE Group systematically practices ESG management with LOTTE Corporation playing a central role to proactively deal with ESG management issues that have a direct effect on corporate value. In 2021, LOTTE Corporation led ESG activities at the Group level in a systematic and transparent manner, setting up ESG directions, establishing an ESG-focused BOD committees in all listed affiliates, organizing and operating ESG-dedicated teams, and publishing a sustainability report. Looking forward, we will continue to practice solid ESG management so that the Group can grow together with stakeholders.

**Cho Sung Wook**  
Vice President, ESG Team of LOTTE Corporation



Would you elaborate on the characteristics and strengths of your company's ESG management?



The key word to LOTTE E&C's ESG management is safety, and our highest value is the safety of workers and citizens. Furthermore, we have been researching and commercializing renewable energy, eco-friendly materials, energy-efficient systems for buildings and other related technologies in a bid to contribute to a carbon neutral society. Additionally, we have been publishing sustainability reports every year since 2013, disclosing ESG activities and performances although we are not a listed company.



The business LOTTE Rental engages in makes up an important industry sector to the nation's GHG reduction efforts as it accounts for 13.5% of total emissions. As Korea's largest and best car rental business, we conduct ESG management, including joining of K-EV100, based on the belief that fast replacing our fleet of 260,000 rental vehicles with EVs is an environmentally responsible activity we can perform.



LOTTE Shopping is conducting ESG management under a "Dream Together for Better Earth" slogan. The company consists of four business units, and each business unit executes ESG activities under the supervision of Shopping HQ providing support, including policy formulation and joint task execution. Our ESG strength lies in a two-track approach through which we build on a solid ESG foundation and closely communicate with customers.

**Cho Sung Wook**  
Vice President,  
ESG Team of LOTTE Corporation

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#New Today Better Tomorrow

👤 ESG 🤗 🤗 🤗

🌍 🤗 🤗 🤗

**Jong-Soo Hong**  
Team Leader, LOTTE E&C

❤️ 🔍 🗑️ ... 📌

#Global Leading EPC Contractor  
#Total Service Provider


🌍 Corporate citizen creating sustainable value


🌍 🤗 🤗 🤗

**Jong-Soo Lee**  
Team Leader, LOTTE Rental

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 **Sun-Woong Eom**  
Team Leader, LOTTE Retail HQ





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#Dream Together for a Better Earth

 RE:NERGY, RE:USE, RE:JOICE, RE:VIVE


 🧑🏻‍🦱 🧑🏻‍🦱 🧑🏻‍🦱 🧑🏻‍🦱


 **Min-Gyu Song**  
Team Leader, LOTTE Fine Chemical




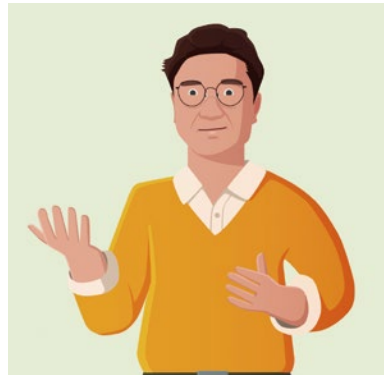
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#Fine Today, Green Tomorrow

 Better today, sustainable tomorrow 🌱


 🌈 🧑🏻‍🦱


 **Seong-II Um**  
Team Leader, LOTTE Data Communication




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#From DT to BT


 🌱 Partner helping realize ESG values 🌱


 ESG 🧑🏻‍🦱 🧑🏻‍🦱 🧑🏻‍🦱


 LOTTE Fine Chemical's ESG management is focused on reducing GHG emissions and pollutants and strengthening health and safety measures characteristic of chemical business. By publishing sustainability reports since 2016, we continue our commitment to ESG management, and under redefined slogan "Fine Today, Green Tomorrow," we are practicing ESG actions to create a better today and moving towards a sustainable tomorrow.


 LOTTE Data Communication is transforming customer business and the world based on advanced IT and digital transformation (DT) technologies and human resources. We aim to create a sustainable tomorrow together with all stakeholders as partners helping realize ESG values. What differentiates our ESG management is an emphasis on the value of doing "together".


 What is unique in LOTTE Confectionery's ESG management is the practice of reaching out to stakeholders in a friendlier manner centered on CSR activities involving products, reflecting confectionery industry's characteristics that comes in a direct contact with customers. We conduct ESG management under the slogan of "Delicious Sharing, Caring World", implementing "Sweet ESG" management centered on activities all stakeholders can take part in.

 LOTTE Chilsung Beverage, devoted to water, is committed to providing healthy and clean values to consumers, which serves as the basis of its ESG management. In particular, we lead green management by pioneering label-free mineral water and eco-friendly packaging, and by building a business portfolio that reflects consumer health and other social values, we make the environment beneficial, society anew, and the company sustainable.

 LOTTE Chemical values the environment and people more than anything else, which has developed into the basis of its ESG management, and we are now focused on fulfilling our social responsibilities under the slogan of "Every Step for Green". The strongest suit of our ESG management is the company's root and competitiveness are aligned with the direction of ESG management – a foundation for corporate competitiveness.

 LOTTE Foods is well aware that consumers are increasingly opting for value-driven consumption and accordingly focusing on eco-friendly activities. Also, believing in the importance of even small activities in ESG management, we regularly conduct eco-friendly campaigns under the slogan of "Go Green with Us". Thanks to employees' genuine concern for environment and social issues, our ESG management is making rapid progress.

 LOTTE Hi-Mart, as Korea's No. 1 in home appliance retail and distribution with 430 stores nation-wide and online shopping malls, implements ESG management in line with its core business. We strive to operate and create new business within ESG boundaries and help all employees better understand and practice ESG management, which sets our ESG management apart.

 LOTTE Hotel, pursuing "Life Care Company", goes beyond the traditional concept of hospitality in practicing ESG management, and focuses on providing meticulous care to various stakeholders in fulfilling its social responsibilities. We are engaging and growing in the business of enriching daily lives of customers, enabling them to experience a "sustainable life" just by consuming services we offer, which is our greatest strength.

What do you think is the most meaningful ESG achievement made in 2021?



In 2021, LOTTE E&C further upgraded its safety management system. As mentioned in the ESG story, we declared a health and safety management policy in November, pledging to not compromise safety by reducing construction time or costs. Since the declaration, we have been improving our safety culture to a level workers can feel. We also adopted "Zero Fatalities From Fall" as a safety goal for 2022.



LOTTE Rental went public in 2021, which was followed by the establishment of an ESG-dedicated organization and ESG Committee, as well as the joining of the UN Global Compact, an industry first. As such, in the initial steps of introducing LOTTE Rental to stakeholders, we not only presented our business models but also shared ESG perspective as well as systems through which to express management practices of long-term implication. Which I think is the most meaningful achievement of the year.



Noteworthy of LOTTE Shopping's 2021 ESG management is that vision and strategy were developed, and as introduced in the ESG Story, ESG brand "RE: EARTH" and five projects. Many pondering and discussion took place of positive influences we could exert in the retail industry, out of which came ESG strategy and projects that were closely aligned with the company's strategy.



Establishment of the ESG Committee, for the first time among the Group affiliates, can be considered the highlight of the year. The Committee, chaired by a non-executive director, is focused on internalizing ESG values by finetuning our business decision-making process so that major decisions would reflect ESG values.



The establishment of an ESG management structure with the ESG Committee is the most meaningful feat of 2021. We set 2021 as the first year of full ESG management implementation as inclusion of ESG value in all our decision-making was clearly stated. Also important is a securement of a communication channel by publishing our first sustainability report through which we can share with diverse stakeholders our current and future status.



Establishing an ESG management structure and publishing the first sustainability report were the two most significant events last year. Organizations created in 2021 included a C-level decision-making body, the ESG Committee, and an ESG-dedicated team, dedicated to handling ESG matters across all our operations. In addition, we actively responded to external ESG evaluation at home and abroad.



Our joining of RE100 in 2021 was an industry first as well as a first tangible step we took toward net zero. As over 60% of the GHG we emit fall under the category of Scope 2, we have high expectations that renewable energy will make a significant contribution to carbon neutrality.



The highlight of 2021 was setting directions for eco-friendly business and specifying execution based on our ESG strategy "Green Promise 2030". It was followed by the announcement of "2030 Hydrogen Growth Roadmap", a reaffirmation of our commitment to eco-friendly business, and the establishment of the ESG Committee, thus laying a strong foundation on which to practice ESG management with earnest.

 **Chang-Yun Min**  
Team Leader, LOTTE Chilsung Beverage




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#RE100

 **Make the environment beneficial, society anew, and the company sustainable**





 **Joong-Kyung Han**  
Team Leader, LOTTE Confectionery





♥️ 💬 📌 ... 📌

#Sweet ESG


 **Delicious Sharing, Caring World**



 **Myung Chul Jung**  
Team Leader, LOTTE Chemical



♥️ 💬 📌 ... 📌

 **Every Step for Green** 🌱🌱🌱🌱





In 2021, LOTTE Foods adopted a fleet of some 380 EVs to be used in sales operations, an industry first. As each sales representative travels an average of over 20,000km a year, use of the EVs is expected to reduce GHG emissions by over 2,000tCO<sub>2</sub> a year. The EV adoption is particularly significant for it represents an ESG management practice that goes beyond product planning and production to include sales.



As a home appliance retailer, LOTTE Hi-Mart is working to collect waste home appliances in a bid to realize ESG values in areas of our expertise. In 2021, we conducted a campaign to collect mid to small-sized old home appliances in collaboration with Korea Environment Corporation and related agencies, collecting such appliances 117% more than the year before. As such, doing well in ESG activities related to our business was the most meaningful achievement we made in 2021.



Setting up a full-fledged ESG execution system was the most significant. Under the direction and with the support of the newly created ESG-dedicated organization, all business departments conduct their respective ESG tasks. As part of the efforts, we installed solar panels totaling 13,200m<sup>2</sup> at our duty-free distribution center. Also, our continued support for small business owners and young entrepreneurs as well as promotion of the vitalization of local economies were ESG activities we are proud of.

What would “New Today, Better Tomorrow” look like, once realized through ESG management?



We will continue to make efforts to usher in a future where infrastructures are carbon neutral and apartments and buildings are high in energy self-sufficiency.



Considering the large number of stores we operate, we believe we can create a better environment together with various partners and customers. Through these and other collaborations, I hope that we can create a future in which all stakeholders and Earth can co-exist.



The future, I expect, will be healthier and happier in which a virtuous circle is firmly established of enterprises and society delivering sustainable values to consumers and other stakeholders and thus all growing together.



LOTTE Chemical's sincere moves to better protect Earth are ongoing. A future in which carbon emissions decrease, plastic wastes get upcycled into innovative products, and clean hydrogen energy powers economy - this is the future I envision completed by LOTTE's ESG management.



The gap between companies that have improved fundamentals through ESG management and those that have not will continue to widen. LOTTE Hotel will therefore stay focused on reinforcing ESG practices related to business areas where we excel. The future in which all community members, including the socially marginalized, can enjoy the best care we can offer is what we are dreaming of.

**Hyo-Woong Choi**  
Team Leader, LOTTE Foods

❤️ 💬 🗑️ ... 📌

#Go Green With Us

Expanding green practice

Value-driven consumption 🙄🙄🙄🙄🙄

**Jun-Il Heo**  
Team Leader, LOTTE Hi-Mart

❤️ 💬 🗑️ ... 📌

ESG management with #sincerity

Realize ESG values in areas of our expertise

🤗🤗🤗

**Da-Woon Cheong**  
Team Leader, LOTTE Hotel

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#Future in which all community members can enjoy the best care we can offer

🤗🤗🤗

🌈🤗



Innovation may fail for the past cannot be replicated, but a relentless reach for higher goals can lead to a newer innovation, ultimately resulting in a success that benefits all. On the road to "New Today" and "Better Tomorrow", LOTTE will pave the way by taking on greater challenges.

In practicing forward-looking ESG management, LOTTE puts good value at the center of all decision-making. Taking on new challenges and staying ahead of others, we prepare a future that will be beneficial to all.



# ESG REPORT

2021 LOTTE CORPORATION SUSTAINABILITY REPORT



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2021 LOTTE CORPORATION  
SUSTAINABILITY REPORT

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This report has been published as an interactive PDF, allowing readers to move to pages in the report, and including shortcuts to related web pages and video clips.



# ESG LETTER



We set directions for LOTTE Group to accelerate ESG management, in order to increase its role in humanity's common tasks of addressing climate change and building sustainable ecosystems, thereby paving the "right way".

### Hun-Ki Lee

Executive Vice President  
Corporate Strategy Division

ESG management is moving into the global mainstream as it has become clear that sustainable corporate growth is possible only through establishment of a governance framework that facilitates rationality and transparency in business operations and fulfillment of social and environmental responsibilities. To embrace such change and to meet stakeholder demands, LOTTE Group held an "ESG Management Declaration Ceremony" at the Value Creation Meeting (VCM), a meeting of LOTTE Group CEOs, in July 2021, publicizing our commitment to common global issues of climate change and sustainable ecosystems.

LOTTE Corporation is taking the lead in the Group's ESG management by setting directions. First of all, in order to establish an ESG management system to manage ESG in a sincere and continuous manner, in June 2021 we created an ESG Team under Corporate Strategy & Sustainability Division, tasked with establishing ESG management strategies, setting up performance management processes, and monitoring the implementation thereof, disclosing ESG information, and responding to external evaluations.

In August 2021, we renamed the Division to the "ESG Strategy & Sustainability Division" as a way to reaffirm our ESG commitment. In September 2021, an ESG Committee was established under the Board of Directors, thereby completing the framework of ESG management. Meanwhile, we supported the Group affiliates' formation of an ESG committee and ESG-dedicated team so that their diverse business characteristics are fully reflected in ESG management practices. By October 2021, all 10 listed affiliates of the Group have formed the ESG committee and team of their own.

Going forward, LOTTE Corporation will make continuous efforts to grow into Korea's leading ESG corporation by strengthening ESG management. We will proactively respond to various internal and external issues that affect our sustainability, such as developing carbon-neutral roadmap and establishing regulations on the management of human rights and supply chains, thereby pursuing action-oriented ESG management. In particular, if we were focused on risk management from an ESG perspective in the past, we will be expanding the scope of our ESG activities going forward to develop business opportunities and reinforce business competitiveness through ESG management. We look forward to your continued interest in and support for the efforts of LOTTE Group and LOTTE Corporation to stay on the "right path."

# LOTTE AT A GLANCE

## LOTTE Corporation

In October 2017, LOTTE Group made a shift to a holding company system<sup>1)</sup> to enhance management transparency and efficiency. As the holding company of LOTTE Group, LOTTE Corporation is in charge of establishing mid- to long-term business plans and increasing R&D investments. We also help the Group affiliates to strengthen their core competencies while advancing business portfolio based on a thorough verification of the strategic significance of businesses and the synergy creation. Moreover, we play a pivotal role in improving ESG management, which is being pursued at the Group level, and take the lead in creating LOTTE's sustainable value.

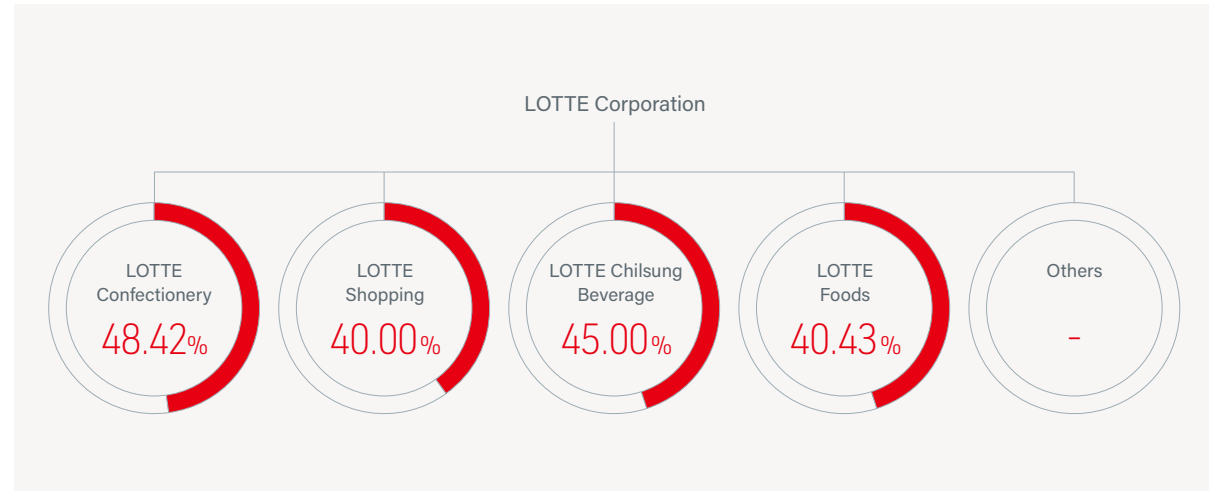
### COMPANY OVERVIEW

Company Name	LOTTE Corporation
CEOs	Dong-Bin Shin, Yong-Dok Song, Dong-Woo Lee
Establishment Date	March 24, 1967 (spin-off to be newly launched on October 1, 2017)
Address of Headquarters	300, Olympic-ro, Songpa-gu, Seoul 05551, Korea
Major Business	Management consulting, etc.
No. of Employees	193
Credit Rating	AA0 (Corporate bond)
ESG Evaluation Rating	A (Korea Corporate Governance Service)

\* As of the end of 2021

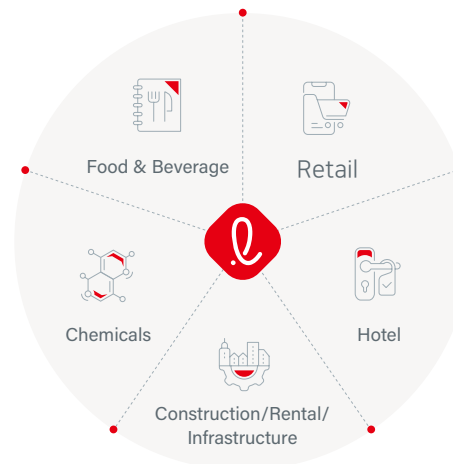
<sup>1)</sup> LOTTE Confectionery underwent a spin-off to be newly launched as LOTTE Confectionery Co., Ltd., while the name of the company remaining from the spin-off was changed to LOTTE Corporation Co., Ltd., and the investment business units of LOTTE Shopping, LOTTE Chilsung Beverage and LOTTE Foods were merged by LOTTE Corporation.

### OWNERSHIP STRUCTURE

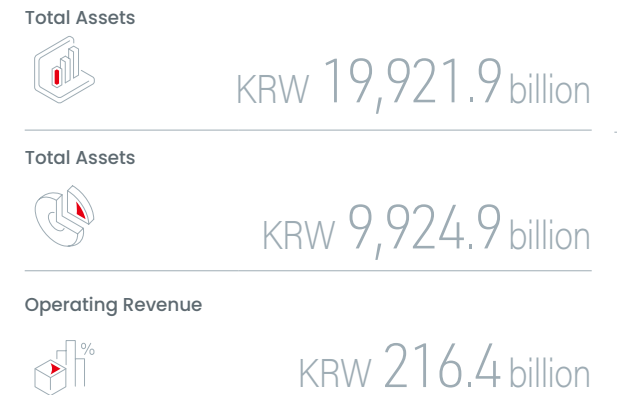


\* As of the end of 2021; and based on common share (excluding preferred share)

### LOTTE CORPORATION STRUCTURE



### 2021 FINANCIAL PERFORMANCE



\* Based on consolidated financial statements



## 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 9,924.9 billion in 2021 based on consolidated financial statements, and distributed KRW 263.1 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.



<sup>1)</sup> There is no income tax payment in 2021 due to net loss during the year

# LOTTE Group






Established in 1967, LOTTE Group has continued on its mission to enrich people's lives by providing products and services that customers love and trust, while continuously taking on challenges in diverse business sectors such as food & beverage, retail, chemical, hotel, construction, rental and infrastructure. We are now opening another chapter in our history to emerge as a centennial company. On the strength of the capabilities and experience we have accumulated over the years, we will lead change and innovation in line with the rapidly-changing environment, while internalizing ESG management to develop into a future-oriented company that adds value to human life.

## LOTTE Group's Shift into an HQ System

In March 2017, LOTTE Group introduced a BU system in which the Group affiliates were divided into four Business Units of Retail, Chemicals, Food, and Hotel Services, thus making the BU heads directly responsible for managing business in their respective industries. The BUs focused on establishing a joint strategy for achieving qualitative growth by reflecting their respective industrial ecosystem in their domestic and international business operations to create synergistic effects, and continued to perform successfully. The BU system has enabled us to upgrade our overall business management to some extent, and now we are making another change for more agile change management and bold actions.

Based on the internal and external consensus on the reinforcement of authority and responsibility of the CEOs of the Group affiliates, LOTTE Group shifted from a BU system to an HQ system in November 2021. By reforming the HQ system, we expect to achieve industrial segmentation, synergy with infrastructure businesses, and advancement of the Group's portfolios. The HQ system classifies the Group affiliates into a core group and a subsidiary group from the perspective of the domination-subordination relationship of the shareholding structure and the inherent, common nature of different businesses. In place of the BU head, the representative of the key company at each HQ takes charge of establishing the vision, strategy, and much more of all the companies under the relevant headquarters. Another major change is that logistics and digital transformation, which will become the core infrastructure of the future, play a significant part in LOTTE Group's organizational system, in addition to retail, chemical, food & beverage, and hotel. As each Group affiliate's responsible management has been strengthened, LOTTE Corporation can focus on the holding company's own tasks, such as promoting future growth engines, nurturing key Group talents, streamlining the organizational culture, and implementing ESG and the Group governance. Based on the new HQ system, we will focus on preparing for the next 50 years in line with our new slogan of "New Today, Better Tomorrow".

## BUSINESS PORTFOLIO

HQ	Outline	Group Affiliates
Food & Beverage 	<ul style="list-style-type: none"> <li>LOTTE Food &amp; Beverage HQ, which includes confectionery, beverages, alcoholic beverages, food ingredients and processed foods, as well as dining out, is a food &amp; beverage brand loved across the globe. Based on its global competitiveness, the HQ is reinforcing the core brand, increasing its overseas operating revenue, and securing new growth engines in the global market.</li> </ul>	<ul style="list-style-type: none"> <li>LOTTE Confectionery, LOTTE Chilsung Beverage, LOTTE Foods, LOTTE GRS, LOTTE R&amp;D Center, People Networks, LOTTE Asahi Liquor, LOTTE Nestle</li> </ul>
Retail 	<ul style="list-style-type: none"> <li>LOTTE Retail HQ, which has been leading innovation in the retail industry and culture, has demonstrated its No. 1 capabilities in the industry. It is now leaping forward as a leading global retail business representing Asia by securing a solid foundation for growth, by innovating its retail channels and diversifying its store formats.</li> </ul>	<ul style="list-style-type: none"> <li>LOTTE Department Store, LOTTE Mart, LOTTE Super, LOTTE e-commerce, Korea Seven, LOTTE Hi-Mart, LOTTE Homeshopping, FRL Korea, LOTTE GFR, MUJI KOREA CO., Ltd., STL Co. LIMITED, LOTTE Members</li> </ul>
Chemical 	<ul style="list-style-type: none"> <li>LOTTE Chemical HQ is growing into a global chemical company by continuously developing new technologies, innovating quality and improving its production capacity, as well as contributing to the development of domestic key industries.</li> </ul>	<ul style="list-style-type: none"> <li>LOTTE Chemical (basic and advanced materials), LOTTE Advanced Materials, LOTE Fine Chemical, LOTTE INEOS Chemical, LOTTE MCC, LOTTE Versalis Elastomers, LOTTE Aluminum, LC Titan, LC USA</li> </ul>
Hotel 	<ul style="list-style-type: none"> <li>LOTTE Hotel HQ provides the best facilities and services based on its extensive infrastructure and networks, advanced technology, and excellent professional human resources. It presents customers with pleasant and exciting hotel experiences and boosts their happiness, while realizing its vision of becoming a global service provider.</li> </ul>	<ul style="list-style-type: none"> <li>LOTTE Hotel, LOTTE Hotel Busan, LOTTE Resort, LOTTE Duty Free, LOTTE World, LOTTE JTV, LOTTE Property &amp; Development</li> </ul>
Construction/ Rental/ Infrastructure 	<ul style="list-style-type: none"> <li>As a "Global Leading EPC Contractor and Total Service Provider", our construction sector is growing into a global general construction company by meeting global megatrends, market changes, and shifting customer needs.</li> <li>The rental sector creates shared value encompassing customers' daily lives and corporations' business solutions, while pursuing innovation from the customer's point of view in order to provide faster and more convenient services.</li> <li>Our infrastructure sector is building a successful business portfolio based on its rapid growth in various fields including logistics, IT, advertising, and marketing.</li> </ul>	<ul style="list-style-type: none"> <li>LOTTE E&amp;C, Safety Consulting Part in LOTTE E&amp;C's CM Division, LOTTE Rental, Green Car, LOTTE Global Logistics, LOTTE Data Communication, Daehong Communications, AMC, LOTTE Capital, LOTTE Ventures, Canon Korea, Korea Fujifilm, LOTTE International, LOTTE Cultureworks, LOTTE Giants</li> </ul>

\* As of April 2022





**BUSINESS PORTFOLIO**

Since entering the food business under the name of LOTTE Confectionery in 1967, LOTTE has grown into the largest food company in Korea based on its outstanding technologies, excellent product quality, and strong marketing capabilities. Under a distinctive brand strategy, it has launched a succession of industry-leading mega brands, including Pepero, Chilsung Cider, and Kloud. Beginning with the opening in 1979 of the Sogong store of LOTTERIA, the very first hamburger franchise in Korea, it has launched various dining franchise brands, including Angel-in-us Coffee, Krispy Kreme, and Villa de Charlotte, successfully taking the lead in creating a new food and beverage culture in Korea.



# Food & Beverage

**Overseas Locations of Major Businesses**

- **LOTTE Confectionery**  
China, Myanmar, Singapore, India, Pakistan, Kazakhstan, Russia, Belgium
- **LOTTE Chilsung Beverage**  
Philippines, Myanmar, Pakistan
- **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

**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



**BUSINESS PORTFOLIO**

LOTTE Group has been leading Korea's retail industry by introducing new retail channels and store formats, and has revolutionized the Korean retail industry by extending the boundaries of consumers' shopping experiences to include online and mobile shopping. LOTTE Retail HQ has been active in establishing a global presence, with a focus on Vietnam and Indonesia, introducing a wide array of products and services and creating a distinctive retail culture that considers local characteristics, all of which has led to the creation of a robust foundation for growth into the world's top retailer that represents Asia.

# Retail

**Overseas Locations of Major Businesses**

- **LOTTE Department Store**  
Vietnam, Indonesia
- **LOTTE Members**  
Vietnam
- **LOTTE Mart**  
Vietnam, Indonesia



**Major Group Affiliates**

- |                          |                        |
|--------------------------|------------------------|
| • LOTTE Department Store | • LOTTE e-commerce     |
| • LOTTE Mart             | • LOTTE Members        |
| • LOTTE Super            | • FRL Korea            |
| • Korea Seven            | • LOTTE GFR            |
| • LOTTE Hi-Mart          | • STL CO. LIMITED      |
| • LOTTE Homeshopping     | • MUJI KOREA CO., Ltd. |

**Sales Portion of Retail**

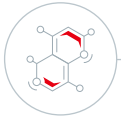


\* Click the company name to visit its corporate website

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

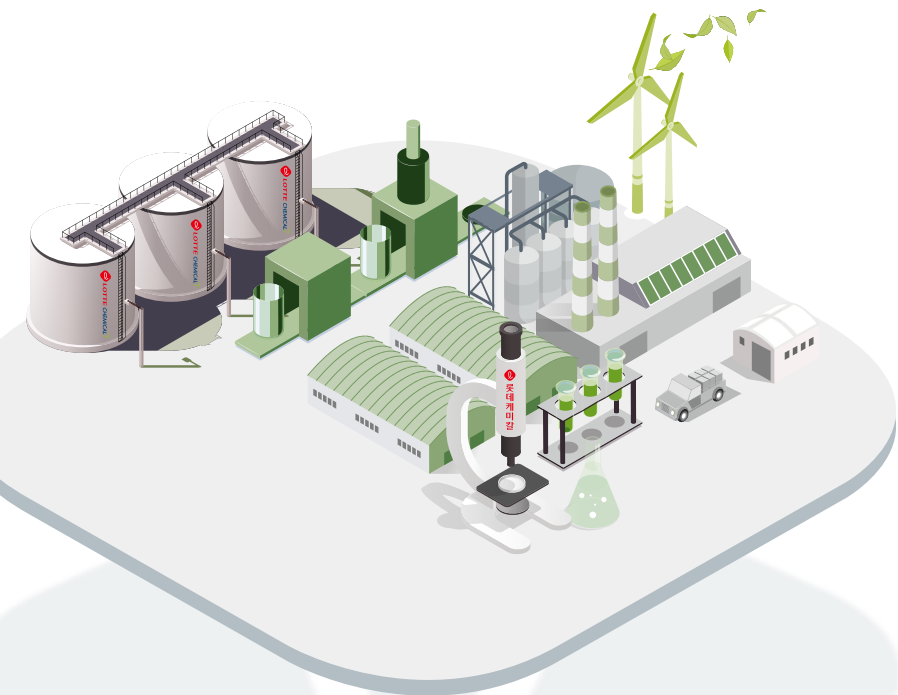






**BUSINESS PORTFOLIO**

LOTTE Chemical HQ, which comprises such Group affiliates as LOTTE Chemical, LOTTE Fine Chemical, LC Titan, and LC USA, has established a global production network consisting of 26 plants in 22 countries. It manufactures products ranging from raw materials to high value-added specialty chemicals for more than 120 countries, with the aim of building an affluent world with its leading products and technology.



# Chemical

**Overseas Locations of Major Businesses**

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

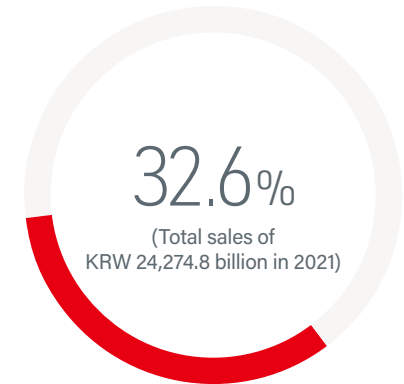


**Major Group Affiliates**

- LOTTE Chemical
- LOTTE Fine Chemical
- LOTTE Aluminum
- LOTTE MCC
- LC Titan

\* Click the company name to visit its corporate website

**Sales Portion of Chemical**



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



**BUSINESS PORTFOLIO**

LOTTE Group offers a wide range of services at its best-in-class facilities, including LOTTE Hotel, a global hotel chain; LOTTE World, which boasts 10 million visitors per year; the 123-story LOTTE World Tower, Korea's leading landmark; and LOTTE World Mall. LOTTE Hotel HQ has been leading Korea's tourism and service industries for more than 40 years, and not it aims to maintain the highest market share in Korea while actively expanding overseas business to develop into a global tourism company that creates a new culture of tourism.



# Hotel

**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 Duty Free
- LOTTE World
- LOTTE Resort
- LOTTE Property & Development
- LOTTE JTB

**Sales Portion of Hotel**



\* 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



**BUSINESS PORTFOLIO**

LOTTE E&C is active in a wide range of areas in the global construction and engineering market, including not only housing, as represented by LOTTE Castle, an established high-end apartment brand and "LE-EL," which was launched recently to lead the latest top-tier residential culture, but also civil infrastructure, power plants, manufacturing plants, and skyscrapers.

LOTTE Rental, Korea's No. 1 rental company, encompasses mobility and all types of rental services in daily life, creating better value for its customers' daily lives.

The infrastructure sector, which includes LOTTE Global Logistics, LOTTE Data Communication, Daehong Communications, Canon, LOTTE Cultureworks, LOTTE Trading, and LOTTE Capital, has expanded into logistics, IT, advertising and marketing, laying the foundation for creating corporate value and achieving sustainable growth.



# Construction/Rental/Infrastructure

**Overseas Locations of Major Businesses**

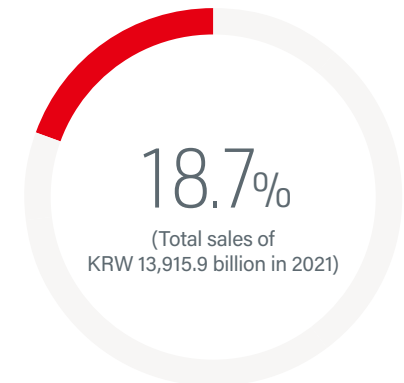
- **LOTTE Engineering & Construction**  
China, Vietnam, Malaysia, Indonesia, Japan, Pakistan, Russia, Cambodia, Singapore
- **LOTTE Rental**  
Vietnam, Thailand
- **LOTTE Global Logistics**  
China, Hong Kong, Indonesia, Vietnam, Kazakhstan, Philippines, India, Singapore, UK, Germany, USA
- **LOTTE Data Communication**  
Vietnam, Indonesia
- **Daehong Communications**  
Vietnam, Indonesia
- **LOTTE International**  
Russia, Australia, Vietnam, USA



**Major Group Affiliates**

- LOTTE Engineering & Construction
- LOTTE Rental
- LOTTE Global Logistics
- LOTTE Data Communication
- Daehong Communications
- LOTTE Capital
- LOTTE International
- LOTTE Ventures
- Canon Korea
- Korea Fujifilm
- LOTTE AMC
- LOTTE Cultureworks
- LOTTE Giants

**Sales Portion of Construction/Rental/Infrastructure**

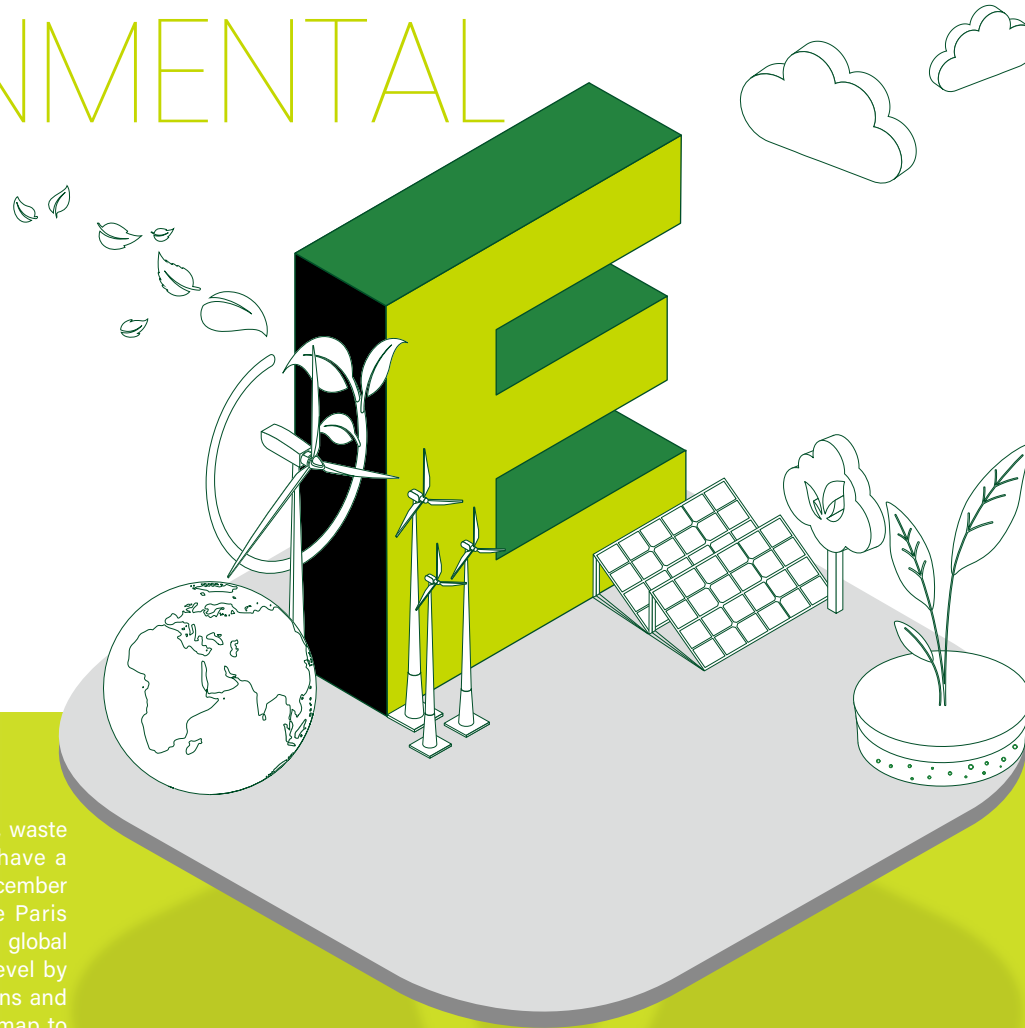


\* Click the company name to visit its corporate website

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



# ENVIRONMENTAL



## WHY IT MATTERS

Environmental problems, such as climate change, waste disposal, and resource depletion, continue to have a growing impact on the survival of humanity. In December 2015, the international community adopted the Paris Agreement, with the goal of limiting the increase in global temperature to within 2°C of the pre-industrial level by 2050, and has tightened climate change regulations and policies ever since. Korea has also set the “Roadmap to Achieve the National GHG Reduction Target for 2030” and enacted the Framework Act on Carbon Neutrality and Green Growth to Counter the Climate Crisis as part of its efforts to tighten GHG emissions regulations, and Korean companies are taking proactive action accordingly. For too long we have depleted natural resources in return for rapid economic growth, leading to disruptions in the supply chain as well as extreme price volatility.

## HOW WE RESPOND

LOTTE Group has announced ‘2040 Carbon Neutrality’ to minimize its environmental impact not only by reducing its own GHG emissions but also by contributing to emission reductions in society as a whole. To accomplish the goal, we will establish eco-friendliness plans for the next two decades and spare no efforts in implementing the plans seamlessly by promoting innovation throughout all business operations, with the aim of improving process efficiency, developing green technology, and reinforcing business competitiveness. We also have 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, in a bid to raise awareness of the importance of resource circulation and build a circular economy in Korea.

LOTTE Group makes relentless efforts to change and innovate for the benefit of humankind and the environment. We implement eco-friendly management and promote a circular economy as a way to reduce the environmental footprint of our products and services while increasing the value of limited natural resources. In particular, we take the lead in realizing a healthy, sustainable and carbon-neutral era towards a greener and brighter future.

# Leading Eco-friendly Management

## Integrated Environmental Management System

**Environmental Management Vision and Goals** Under the vision of "Lifetime Value Creator, LOTTE Group prioritizes the preservation of the natural environment for all its stakeholders, including customers and employees, and thus strives to create environmental value. To realize the Group's environmental management philosophy, LOTTE Corporation has set the areas and themes that it will promote emphatically in its environmental protection efforts, with the ESG Team playing a central role, while focusing on expanding its green businesses.

**Environmental Management Organizations** With the ESG Team taking a leading role, LOTTE Corporation has established overall environmental management policies that include climate change responses and built a system that is connected with the environmental organization at each of its major Group affiliates. We operate an Environmental Management Verification Team composed of experts from the Group's affiliates, and hold regular gatherings such as exchange meetings, seminars, and workshops. We have also institutionalized our overall operations, including data management, through the LOTTE Environment & Energy Total Service (LETS) system.

**Environmental Management System Certification** LOTTE Group's affiliates have established EMS (Environmental Management System, ISO 14001) and EnMS (Energy Management System, ISO 50001) in consideration of their industrial characteristics and management status to systematically promote their environmental management.

### 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"> <li>Establish eco-friendly production processes</li> <li>Establish low-carbon logistics</li> <li>Build eco-friendly stores</li> </ul>
Virtuous resource circulation	<ul style="list-style-type: none"> <li>Establish a virtuous cycle of recycling plastics</li> <li>Expand the use of eco-friendly packaging</li> <li>Reduce the amount of discarded food</li> </ul>
Water resource protection	<ul style="list-style-type: none"> <li>Reduce water consumption</li> </ul>
Sustainable production and consumption	<ul style="list-style-type: none"> <li>Expand sustainable sourcing and eco-friendly product development</li> </ul>

### Environmental Management System Certification of LOTTE Group

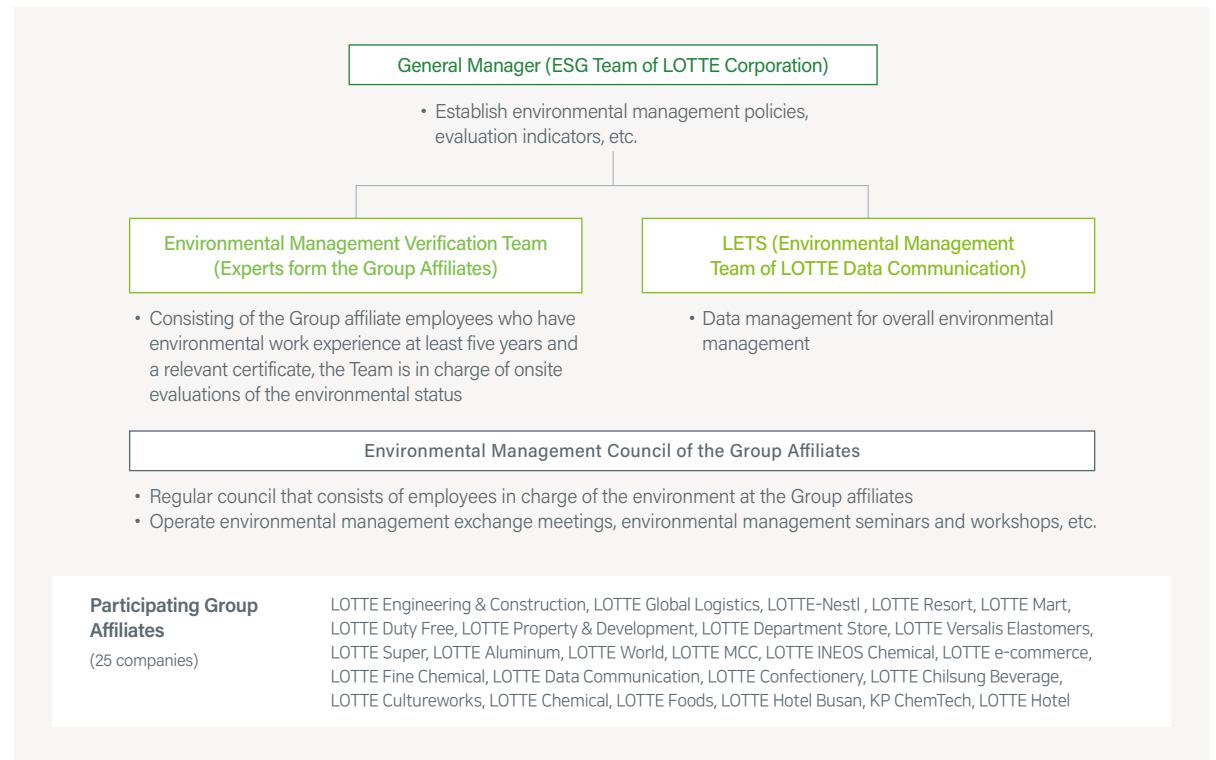
## ISO 14001

(17 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, LOTTE Hi-Mart, LOTTE Homeshopping, KP ChemTech

### Environmental Management Organizations of LOTTE Group





## Environmental Management Activities

**Environmental Management Indicators** LOTTE Corporation has set the scope of its environmental management activities, including response to climate change (GHGs, energy), resource management (waste, water), and management of environmental pollutants (water quality, air) in consideration of the Group affiliates' major business areas. Each year we announce the "LOTTE Sustainable Growth Environmental Management Indicators" to comply with the government's environmental information disclosure system and the GHG emissions trading scheme regulations while operating ESG-based environmental management.

### LOTTE Sustainable Growth Environmental Management Indicators

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

All the indicators are managed in real time through the LETS system, and we aim to improve the credibility of the data by subjecting them to monthly performance approval by executives at the Group affiliates. LOTTE Corporation not only provides guidance so that the Group affiliates can check and utilize LOTTE's sustainable growth environmental management indicators on their own, but also analyzes and evaluates performance every year and provides feedback on the results. In 2022, we plan to introduce the ESG KPI management system (environmental sector) and further improve our performance management system.

**Environmental Management Verification** Aimed at examining and upgrading the status of environmental management, LOTTE Corporation conducts the environmental management verification, which includes data management, as well as an internal evaluation in the form of an on-site audit. To move the verification beyond the realm of a simple evaluation and use it as a venue for participation and information-sharing by all the Group affiliates, we formed the Environmental Management Verification Team in 2019. Its members are chosen from the Group affiliate employees who have at least five years' experience in environmental work and the relevant qualifications and certificates. Workshops and training opportunities are provided so that they can continually develop their competencies. As of December 2021, 20 employees from 13 Group affiliates are serving as team members.

The verification of our environmental management is carried out twice a year by the Environmental Management Verification Teams, each of which is composed of three members, on a total of 102 items. On matters identified as "inadequate", improvements are made according to the environmental management guidelines under LOTTE Corporation's supervision. The results of the environmental management verification on the Group's affiliates in 2021 indicated 399 cases of inadequacy and recommendations. So far, 81.95% of the issues have been improved while others are being improved according to a mid- to long-term action plan.

### Environmental Education

**Environmental Management Seminar** LOTTE Corporation holds environmental management seminars to strengthen the competencies of staff in charge of environmental management.

By learning about the latest trends, participants acquire specialized knowledge and share information on the best practices of the Group's affiliates. In 2021, we held four seminars to which we invited ESG-based environmental management experts to focus on improving our ESG capabilities.

**Fostering of Environmental Experts** To foster outstanding environmental management personnel at the Group's affiliates, we run a special class for the GHG management engineer examination, and provide training to employees who wish to take the examination and earn the GHG management engineer qualification, in a bid to foster professional experts. Thanks to our continuous efforts to foster environmental experts, 52 employees at major Group affiliates have obtained GHG management engineer qualifications as of December 2021.

**Green Procurement** LOTTE Corporation promotes green procurement in order to purchase eco-friendly products that have the lowest possible environmental impact throughout all processes including product manufacturing, distribution, and consumption. Every year, the Group's affiliates increase their purchases of products that have obtained the Eco-label<sup>1)</sup>, GR Mark<sup>2)</sup>, or other eco-friendly mark/certification. In 2021, our green procurements reached KRW 108.7 billion.

### Green Procurement of LOTTE Group

KRW 108.7 billion

(15 companies)



LOTTE Engineering & Construction, LOTTE Global Logistics, LOTTE Mart, LOTTE Duty Free, LOTTE Department Store, LOTTE Super, LOTTE Aluminum, LOTTE World, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Chemical, LOTTE Chilsung Beverage, LOTTE Hotel Busan, KP ChemTech, LOTTE Hotel

<sup>1)</sup> 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.

<sup>2)</sup> GR Mark: A certification standard provided by the Korean Agency for Technology and Standards to excellent recycled products. The mark is attached to recycled

## Facilitating the Circular Economy

**Virtuous Resource Circulation Project** LOTTE Group considers environmental responsibility a priority in all its business areas, and thus aims to realize the value of living in harmony with the Earth. To this end, we strive to minimize our impact on the environment, while also promoting eco-friendliness throughout entire value chain, from manufacturing to retail, including such activities as raw materials purchasing, packaging, production, shipping, and sales.

LOTTE Group has launched a consultative body of related Group affiliates for each of the three key tasks of the "virtuous cycle of resources project", including the establishment of a virtuous cycle system for plastics, expansion of the use of eco-friendly packaging, and the reduction of food waste, with a five-year action plan. In the long term, we will apply our unique execution model for the "5R's" (Reduce, Replace, Redesign, Reuse, Recycle) to all our business areas while striving to improve our performance on a continuous basis.

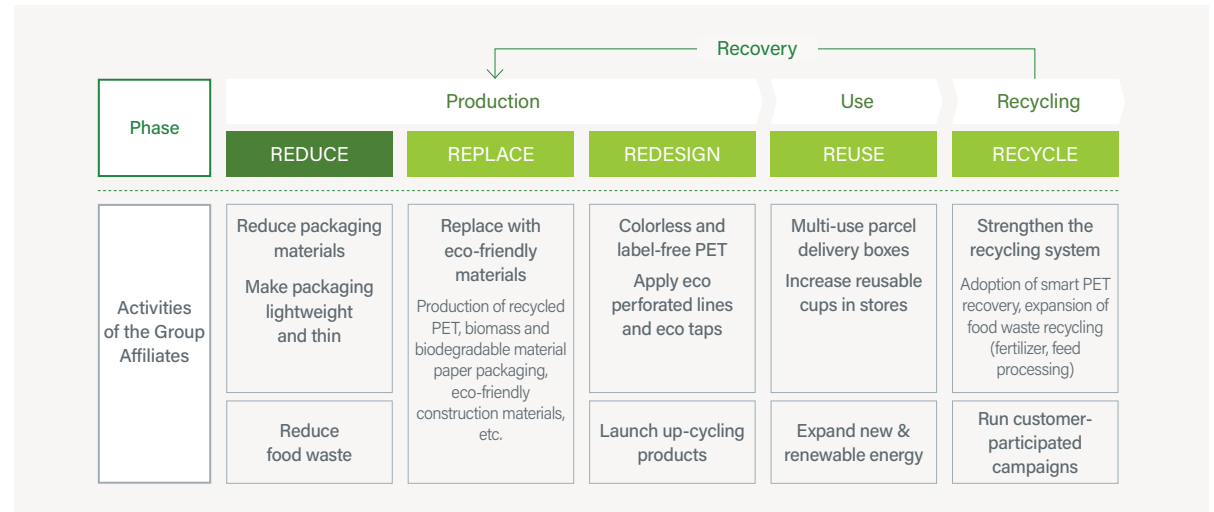
### 3 Major Tasks of the Virtuous Resource Circulation Project



**Establish a Virtuous Cycle of Recycling Plastics** Recognizing that our businesses cover the entire value chain of PET (a plastic material), ranging from raw material production, packaging, manufacturing to distribution and sales, LOTTE Group is building a unique virtuous cycle system of recycling plastics. The system consists of reducing the use of plastics, separating and recovering plastics, recycling raw materials, and reducing plastic wastes, and we are making continuous efforts to improve it.

Our virtuous recycling system is particularly focused on rPET (recycled PET), which turns PET bottles back into PET bottles. rPET is largely divided into physical recycling and chemical recycling. In the PET bottle production stage, LOTTE Chilsung Beverage took the lead in designing products that are easy to recycle, and successfully developed the first physically recyclable PET bottle in Korea with one of its partner companies. Based on its in-house technology, LOTTE Chemical will produce chemically recycled resin in earnest and supply it to the manufacturing plants of other Group affiliates.

### 5Re Execution Model



In the retail and sales stage, we will promote the value of the virtuous cycle of the resource circulation to encourage the consumption of rPET products and conduct a resource recovery program at our retailers' consumer contact points to create a virtuous cycle system for LOTTE Chemical's rPET raw materials. Through such a virtuous cycle of plastics, LOTTE Group plans to increase the proportion of rPET 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 have launched a Group-wide council to deal with the development and application of eco-friendly packaging. While focusing 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 the establishment of a box recovery and recycling system so as to expand LOTTE Group retailers' eco-friendly recycled packaging products to 50% by 2025.

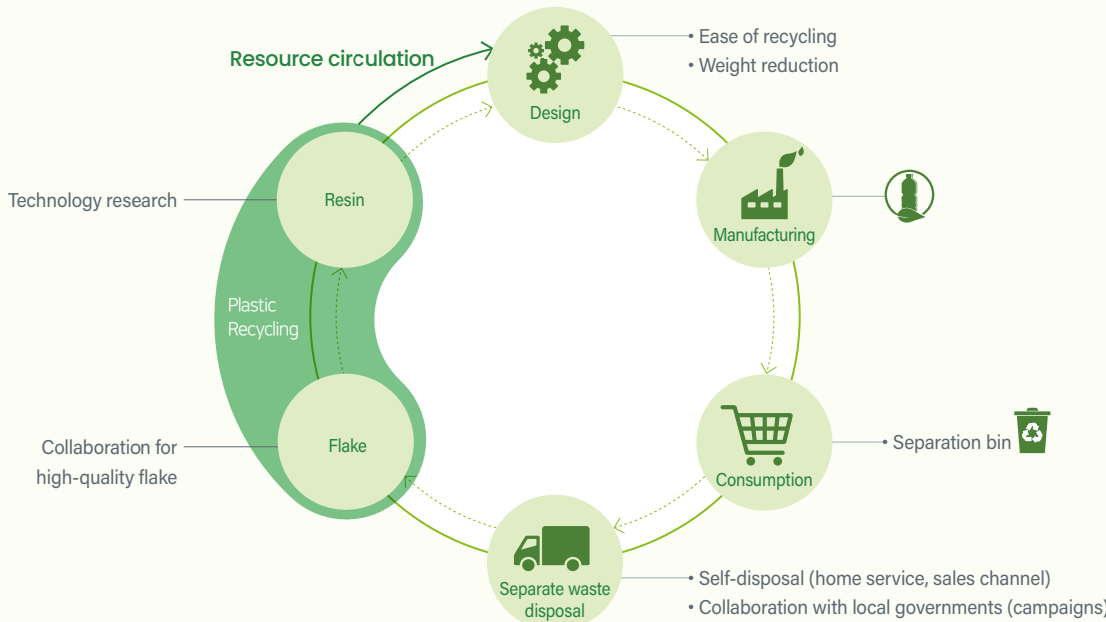
CASE

## “Plastic Recycling Roadmap” of LOTTE Chilsung Beverage



The generation of waste plastics is soaring due to increases of non-face-to-face consumption amid the prolonged COVID-19 pandemic. Aware of the significance of the environmental issue, LOTTE Chilsung Beverage is making continuous efforts to reduce waste sources and improve packaging materials and structures, in response to the demands of the times. The company has promoted self-collection through its sales channels, such as restaurants and online sales channels designed for home services. To establish a separate discharge system, it has publicized cooperation with various distribution channels. Not only does LOTTE Chilsung Beverage conduct label release events at its own Chilsung Mall, but it also promotes environmental communication through various initiatives, such as the production of banners in collaboration with local governments.

In June 2021, for the first time in Korea, the company conducted the “PET Bottle to Bottle Project”, which makes product containers using rPET<sup>1)</sup> from recycled plastic by-products, to produce Isis ECO 1.5L bottles and verify our rPET technology and quality. Going forward, LOTTE will continue with high value-added recycling efforts by investing in the resource circulation infrastructure, improving product quality, and developing new technologies.



<sup>1)</sup> rPET: Recycled Polyethylene Terephthalate

**Reduce Food Waste** LOTTE Group aims to reduce the amount of discarded food by 30% by 2025 through R&D on reducing food waste. We will measure the amount of discarded food at each HQ 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 and thus landfill waste by developing preservation technologies, and find ways to recycle discarded food into fertilizer and feed. We will also actively seek to sell food at discounted prices before it is too late, as well as making food donations.

**Activities to Reduce Waste Plastics** We identify areas where we can reduce the generation of waste plastics, from manufacturing to consumption, Group-wide. We are coming up with diverse ideas that could be adopted at various locations, ranging from offices to sales sites, and establishing an atmosphere that is conducive to the execution of such ideas. Furthermore, best practices are applied to all Group affiliates in order to establish a corporate environment where the generation of waste plastics is minimized, and to jointly create a clean social environment.

### Plan to Reduce Waste Plastics and Results in 2021

Areas	Main Activities
Group-wide	<ul style="list-style-type: none"> <li>• Introduction of eco-friendly recycled paper shopping bags</li> <li>• Distribution of tumblers and insulated bags to employees</li> <li>• Introduction of mobile employee ID cards</li> <li>• Distribution of eco-friendly uniforms (in progress)</li> </ul>
Sales	<ul style="list-style-type: none"> <li>• Supply of label-free water bottles to resort guestrooms</li> <li>• Change of cold packaging material (Styrofoam → cold storage paper boxes)</li> <li>• Change of the content of ice packs (gel type → water)</li> <li>• Installation of disposable plastic waste collection robots</li> </ul>
Processes	<ul style="list-style-type: none"> <li>• Securing of technology for food container C-rPET product polymerization</li> <li>• Improvement of the recycling process due to changes in product packaging</li> <li>• Reduction of thickness and dimensions of plastic containers</li> </ul>
Product Development	<ul style="list-style-type: none"> <li>• Production and sales of upcycled products after collecting plastic waste</li> <li>• Development of shrinkable label material for water-separable PET bottles</li> <li>• Application of recycled materials to major vehicle parts such as panels</li> <li>• Development of recycled PE shrink film, production of M-rPET products</li> </ul>



# Pursing Low-carbon Management

## Responding to Climate Change

**Climate Change Response Strategies** LOTTE Corporation discusses the need to respond to the climate crisis as a major item of agenda at its regular meetings, raises management awareness, and analyzes climate change risks and opportunities to reflect the results in corporate management decisions. To secure a sustainable growth engine based on feasible climate change scenarios and business connectivity, we analyze domestic and foreign policies and trends and establish mid- to long-term strategies to respond to climate change.

### Energy Management System Certification (ISO 50001)

LOTTE Group's affiliates are striving to manage their energy consumption and GHG emissions in a systematic manner based on the acquisition of an energy management system (ISO 50001) at each affiliate level. In 2021, seven Group affiliates acquired the energy management system certification.

### Mid- to Long-term Climate Change Response Strategies



### The Group Affiliates Subject to Energy and GHG Regulations

**GHG and energy target management system**

2 companies

LOTTE Cultureworks, LOTTE Hotel Busan

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**GHG emission trading scheme**

22 companies

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 at LOTTE Group

ISO 50001

(7 companies)

LOTTE Mart, LOTTE Property & Development, LOTTE Department Store, LOTTE World, LOTTE Data Communication, LOTTE Chemical, LOTTE Hotel

## Low Carbon Management Activities

**Managing GHG Emissions** To contribute to achieving the national and global goal of carbon neutrality, major LOTTE Group affiliates that consume a large volume of energy build GHG inventories and manage their emissions accordingly. They calculate, verify and report their monthly energy consumption and GHG emissions through LETS, while striving for more systematic performance based on feedback from the Environmental Management Verification Team about their performance against the set targets and the appropriateness of their reporting process. In 2021, LOTTE Group's GHG emissions increased by 16.69% from the previous year to 9.44 million tons (based on the calculation made in March 2022). Going forward, we will reduce our emissions according to the "2040 Net Zero Strategy".

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

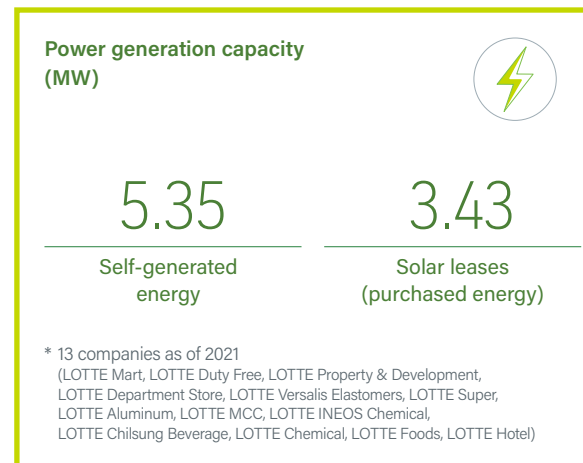
### GHG Emissions Reporting Process



LOTTE Corporation specifies GHG reduction activity indicators in LOTTE's sustainable growth evaluation indicators to enhance Group affiliates' energy efficiency and conduct GHG reduction activities. We manage the GHG reduction performance achieved through the proactive adoption of energy reduction technologies, rather than "natural" reduction due to management conditions and external environmental factors, with the aim of reducing our overall GHG emissions by 2% every year. Starting in 2022, we will make systematic efforts to reduce our GHG emissions in accordance with the Group's carbon neutrality roadmap.

**Expanding the Use of New & Renewable Energy** LOTTE Group encourages its affiliates to adopt new and renewable energy by giving additional points to the construction and operation of new and renewable energy facilities upon carrying out LOTTE's sustainable growth evaluations. The Group-wide photovoltaic (PV) power generation capacity is 8.79 MW, producing around 11,545 MWh of electricity a year. Going forward, we will expand our use of new and renewable energy aligned with the "2040 Net Zero Strategy".

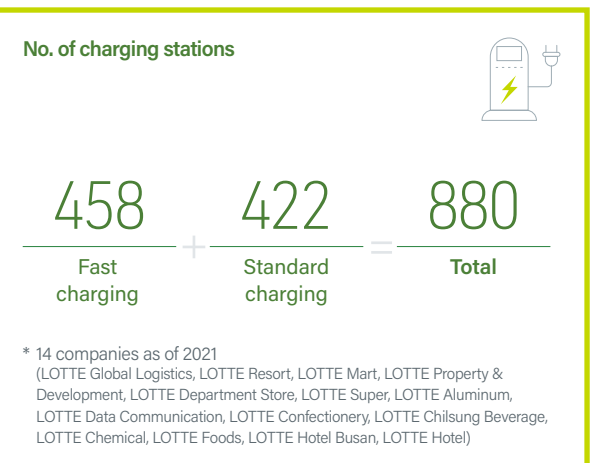
### LOTTE Group's Installation of Photovoltaic Power Generation



**Expanding the Installation of EV Charging Stations** As of 2021, LOTTE Group operates 880 EV charging station, centered around retail and service businesses. We will continue increasing the number of charging stations, thereby helping our customers and employees use EVs, in our effort to take active part in government policies aimed at increasing the supply of eco-friendly vehicles.

**Development and Production of Low-carbon Products** LOTTE Group is striving to reduce the carbon footprint of its products. To this end, each Group affiliate focuses on developing and producing low-carbon products. LOTTE Aluminum has obtained the eco-label for fifteen products, while LOTTE Chilsung Beverage has obtained it for one product; and LOTTE Chemical has acquired the eco-label for one product and the environmental product declaration certification for another product. Meanwhile, the other Group affiliates are making efforts to increase the number of products that are certified as eco-friendly.

### LOTTE Group's Operation of EV Charging Stations



# SOCIAL



## WHY IT MATTERS

The way we work is changing rapidly due to the onset of the Fourth Industrial Revolution, the development of digital technologies, and the decline in the economically active segment of the population due to the aging society. The Korean government has legislated various systems, including the 52-hour working week, while some companies are striving to foster professional talents, introduce digital work programs, and enhance their employees' quality of life. Meanwhile, as CSR has become an important item of agenda for corporate management, leading companies are seeking ways to contribute to solving social problems by conducting CSR activities based on their professional capabilities and cooperation with various stakeholders.

## HOW WE RESPOND

Based on a corporate culture that respects diversity and places importance on cooperation and win-win cooperation, LOTTE Group operates a fair and transparent recruitment system to provide young people with opportunities for growth, while nurturing global leaders with professional capabilities through systematic training. In addition, LOTTE has established a unique culture of value creation where all its members work together to create greater value through various organizational culture-building efforts, and operates a family-friendly welfare system to foster an organizational culture in which our employees can work happily. Furthermore, to create a happier world where our neighbors can enjoy a better life, we carry out a variety of CSR activities by exploiting our competencies and resources.





LOTTE listens to the voices of stakeholders in order to grow together with them. We do our very best to support our employees as they play a leading role in realizing sustainable growth, and help our partner companies, a source of our corporate competitiveness, to take on challenges. And together we achieve sustainable growth. In addition, we contribute to the sustainable development of our society by advancing the value of win-win cooperation and spreading our positive influence throughout local communities.



# Increasing Innovation and Workplace Inclusion

## Respecting Human Rights and Diversity

**Human Right Management** At LOTTE Group, we place top priority on human rights management based on with we strive to positively change not only the lives of our customers but also a wider society, and contribute to prosperity of humankind. We regard human rights as fundamental rights and freedoms granted to all people and strive to create an organizational culture in which our employees can trust one another and unlock

their full potential without suffering any prejudice, let alone illegal discrimination.

We prohibit all forms of forced and child labor, and do not tolerate any forms of discrimination based on gender, age, race, nationality or place of origin, generation, religion or disability, which are generally inherent characteristics that an individual cannot change.

### LOTTE Group Statement on Human Rights

We pursue "human rights management" which can have a positive impact on not only our customers but also our society as a whole, and aims to contribute to the enrichment of individuals and communities. In this regard, we set forth this "Lotte Group Statement on Human Rights" as standards of conduct, performance, and ethics all of our officers and employees must comply with in the course of business operation and management in order for Lotte Group to become a corporation advancing human wellbeing.

This Statement is based on international human rights principles and standards, including the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the UN Convention on the Rights of the Child.

We commit to comply with this Charter and to put our commitments into actions.

1. We respect all human dignity and value, and prioritize human rights management in managing our business.
2. We respect international human rights principles and covenants, including the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the UN Convention on the Rights of the Child.
3. We establish and implement systems and policies, including human rights management system, to embed a respect for human dignity and value across our corporate culture and across the spectrum of business management activities.
4. We strive to protect and advance human rights of marginalized communities, and respect human rights of everyone whose lives we touch, including our employees, customers, government authorities, partners, and local communities.
5. We do not discriminate based on race, gender, education, age, disability, religion, place of birth, political stance, or any other grounds when hiring or in the workplace, and pursue an organizational culture of mutual respect and understanding.
6. We do not condone forced labor or child labor in any shape or form, and comply with the minimum working age established by international standards and local laws of the jurisdictions in which we conduct business.
7. We comply with the working-hour and minimum wage regulations of the jurisdictions in which we conduct business.
8. We foster working conditions which put the health and safety of our officers and employees first.
9. We uphold the constitutional right to freedom of assembly and association and the right to collective bargaining to protect and advance the human rights of our officers and employees.
10. We endeavor to prevent human rights violations in the workplace, such as workplace harassment or sexual harassment, and to provide remedial measures.
11. We aim to nurture strong partnerships with our business partners on an equal footing for mutual growth and development, and support, and cooperate with, their implementation of human rights management.
12. We do not use raw materials, products, etc. produced in an illegal and unethical manner or in a manner involving possible human rights violations.
13. We protect personal information acquired in the course of business.
14. We comply with domestic and international environmental regulations, and strive to achieve net-zero carbon emissions, environmental preservation, biological diversity, resource circulation, and other environmental goals.
15. We prevent human rights violations in the course of business, and timely provide adequate remedial measures.

We pledge to do our utmost in implementing and advancing human rights management as set forth above.


All officers and employees of LOTTE Group



### CASE

## Establishment of LOTTE Group Statement on Human Rights

To reinforce our position as a future-oriented company that adds value to human life based on its accumulated capabilities and experience, LOTTE Group enacted the Statement on Human Rights, the standard for correct behavior and value judgment, in June 2022, and requires all its employees to follow in the course of their management activities and business operations. The Statement is based on the established principles and norms of international human rights, including the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and the UN Convention on the Rights of the Child. All LOTTE people faithfully observe and practice the Statement on Human Rights by doing their best to establish and spread human rights management at the Group level.

 \* Please refer to the LOTTE Group Statement on Human Rights on our official website









**Respecting Diversity** Under its management philosophy that the creation of a work environment where talents with different backgrounds and mindsets are respected is vital to securing its future competitiveness, in 2013 LOTTE Group became the first company in Korea to declare a “Diversity Charter” and signal its respect for its employees’ diversity in terms of gender, culture, physical characteristics, and generation, while eliminating discrimination of any sort at work.

To secure gender diversity, LOTTE Group places particular focus on recruiting and nurturing female talents and creating a work environment that enables them to unlock their full potential, thereby removing the glass ceiling in their workplaces. In addition to increasing the number of female talents, we are striving for their qualitative improvement at work by diversifying their duties, establishing a female leader pipeline, and operating female leadership training programs. LOTTE Group is leading creativity and innovation in the industry while working hard to establish a diversity-based corporate culture.

**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:

<p><b>01</b></p> <p><b>We respect gender diversity.</b></p> <p>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.</p> 	<p><b>02</b></p> <p><b>We respect cultural diversity.</b></p> <p>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.</p> 	<p><b>03</b></p> <p><b>We respect physical diversity.</b></p> <p>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.</p> 	<p><b>04</b></p> <p><b>We respect generation diversity.</b></p> <p>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.</p> 
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**LOTTE Diversity Forum** Since 2012, we have been holding the annual “LOTTE Diversity Forum” (formerly the LOTTE WOW Forum, renamed in 2021) to help female talents grow and enhance their self-esteem. In 2021, we held the diversity forum in the form of a webinar under the slogan “Technology, Talent, Tolerance” to emphasize the message that an organization’s sustainable growth requires not only technological innovation and creative talent, but also organizational diversity. Notably, the webinar featured participatory lectures and discussions on various topics, such as generation, gender, disability, and global expansion, combined with online messages of congratulations and cheering. All the events were accompanied by English interpretation, sign language services, and services by designers with disabilities. The event helped to build a consensus on the establishment of diversity and inclusion within our corporate culture. The forum was concluded with the presentation of awards to five outstanding employees who had advanced the cause of diversity in their respective fields.

**Fostering Female Leaders** In a drive to provide better support for female leaders’ continuous growth and network expansion, in 2020 we reformed the “Female Leader Mentoring Program” that we have been offering to female executives since 2014, in which each female executive serves as a mentor for two female talents. We have also launched a new team leader course, and have created – in addition to a leadership diagnosis program – a module by leader capability to help female talents choose and take the required training courses according to their own initiative.

**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 the Target Gender Equality (TGE) program organized by the UN Global Compact, which is aimed at increasing the percentage of female executives. Through the TGE program, we are researching various cases for the development of women’s leadership and establishing measures for promoting female leadership.



Key Visual of emblem for LOTTE Diversity Forum



## Fair Employment

**Recruitment** LOTTE Group strives to establish specialized HR strategies for each Group affiliate, secure fairness in its HR system, and strengthen the performance of field employees. We nurture future-oriented talent through the HR Ecosystem, the mid- to long-term strategic direction of HR management; promote a performance-oriented corporate culture in which nurtured talents can display their capabilities; and help leaders serving as the main pillars of this corporate culture to further develop their leadership skills. To nurture future-oriented talent, LOTTE Group strives to secure outstanding people necessary for the promotion of its business strategies and gives them ample opportunities to grow into experts. To bolster our collective professional competency, we recruit exceptional talents and necessary talents in a timely manner through diverse channels such as Spec-tackle and associated external organizations. Internally, we upgraded our recruitment system in 2020 in a bid to increase applicants' convenience and ensure fairness in the entire evaluation process.

**Full Adoption of Year-round Recruitment** Against the backdrop of accelerating economic and social changes, as well as greater management uncertainty, there is an increasing need to recruit the "right people" who can grow into specialists. Hence, LOTTE Group abolished its regular recruitment practices in March 2021 so that each Group affiliate could hire new employees whenever the need arises. Since the introduction of the new recruitment system, there have been two major changes.

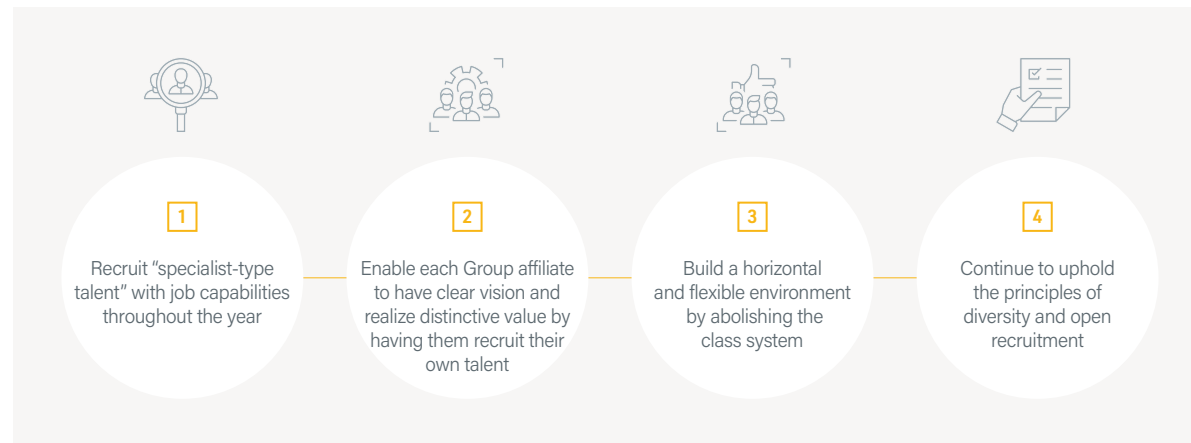
**First, we are recruiting new employees through various channels.** In the IT/DT field, we are focusing on hiring exceptional talents in the areas of online planning and UX planning through industry-academia collaboration with universities and graduate schools that excel in those areas, while recruiting graduates from external educational institutions (Samsung Youth SW Academy, Bit Academy, and SAP Academy) to secure talented people with outstanding job competencies.

**Second, we are strengthening job-oriented evaluation.** We have diversified our evaluation tools so that we can evaluate a variety of job competencies, rather than depending on a document/interview evaluation alone. We are also preparing to launch a job interviewer course in May 2022 to train highly qualified interviewers in various fields. As for IT/DT jobs, we ensure that applicants' ability to deploy technologies is evaluated by conducting technical interviews with them in order to carefully examine their job-related knowledge and project implementation experience.

**Feedback on Results to Unsuccessful Applicants** LOTTE Group has secured fairness in its recruitment process through the declaration of "Fair and Square" pledging impartial recruitment in 2016. We systematized all the stages of our recruitment proves so that interviewers' evaluation scores can be transparently calculated into results without distortion, while automatic feedback is given based on the results internally and externally. By providing feedback on evaluation results to unsuccessful applicants, we help them to develop into better talents, while demonstrating our determination to implement fair recruitment practices both internally and externally.

In August 2021, LOTTE Group was selected as a "Youth Employment Support Membership"<sup>1)</sup> company by the Ministry of Employment and Labor and the Korea Enterprises Federation in recognition of its endeavors to promote fair recruitment and applicants' convenience. As a leading company in providing support for youth employment, we will fully support the establishment of a platform to promote the Youth Employment Support Project.

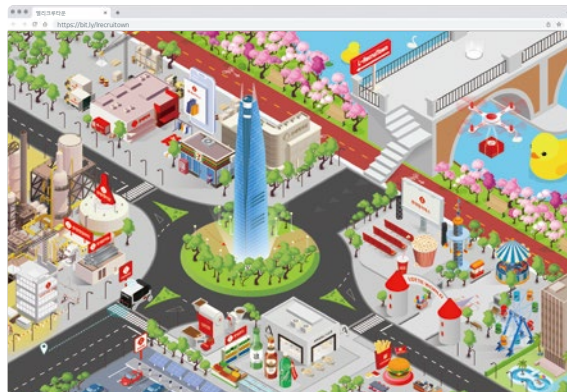
### Policy Reform through Full Adoption of Year-round Recruitment



<sup>1)</sup> Youth Employment Support Membership: Membership is granted to companies that voluntarily launch or expand a youth employment support program. Four business entities including LOTTE Group were the first to join the membership.

**Strengthening Employment Branding** LOTTE Group strengthens its branding by having its employees talk about their own experience (EX) as employees to potential job applicants through various channels. In doing so, we attract highly talented people while striving to enhance our value as a workplace where top talents put their heads together.

**L-RecruiTV** In February 2020, LOTTE Group opened L-RecruiTV, a YouTube channel dedicated to recruitment, to provide diverse, up-to-date recruitment and duty information to job applicants. It has been introducing LOTTE Group with various interesting contents, such as "video blog" on the daily life of employees in charge of specific duties, and "Balance Game", where employees play a game to provide information about the company. As of March 2022, L-RecruiTV has approximately 4,500 subscribers, with each video viewed an average of 9,000 times (a total of 107 videos have been uploaded so far). The video with the most views is "Canon Korea, the Inevitable Encounter, and the Story of 10 Years" with 35,000 clicks, followed by "Sweet Day Vlog of a Food Scientist at LOTTE R&D Center" and "Living in LOTTE Valley - Big Data Job Edition" which showcase LOTTE people's life at work and at home.

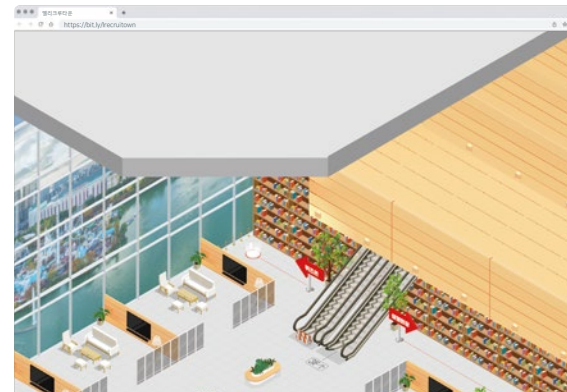


**L-RecruiTown, an Integrated Metaverse Recruitment Platform** On March 17, 2022, LOTTE Group opened L-RecruiTown, an integrated group recruitment platform, on the metaverse and held a briefing session. LOTTE is the first corporation to conduct a large-scale job fair using metaverse at the group level, and 21 Group affiliates participated in the event in the first half of the year.

Some 1,000 job applicants set up avatars and held a Q/A session to chat about jobs in the areas of IT, data analysis, R&D, MD, and overseas business with the HR managers of each affiliate that had already entered the virtual space. In L-RecruiTown, LOTTE Group has set up an outdoor plaza near the LOTTE World Tower, a briefing room, a history hall where visitors can witness the growth history of the LOTTE Group in the form of an animation, a gallery introducing the slogan of the LOTTE Group and its affiliates, and an event zone.

Starting with the L-RecruiTown recruitment session, LOTTE plans to expand the use of the metaverse to recruitment promotion, interviews, and training. Most notably, we plan to strengthen our two-way communication with jobseekers by holding regular online teatimes in a virtual Angel-in-us.

 Recruitment Fair held at the L-RecruiTown



**Visual Radio Program that Offers Job Introduction** Since joining the Youth Employment Support Membership Network in 2021, LOTTE Group has made concentrated efforts to enhance the employment capabilities of young people, as well as launching of the "Visual Radio Program", which provides information on the recruitment process and tips on employment preparation in association with the popular job-preparation YouTube channel "INSSA." Starting with the first video release in February 2022, a total of 10 episodes (about 20 minutes per episode) were released twice a week until March, recording about 130,000 views in total by the end of April. We are now preparing to expand into various contents in which our HR managers will provide specific and realistic advice to jobseekers. In addition, LOTTE Group will continue helping young people to enhance their employment capabilities.

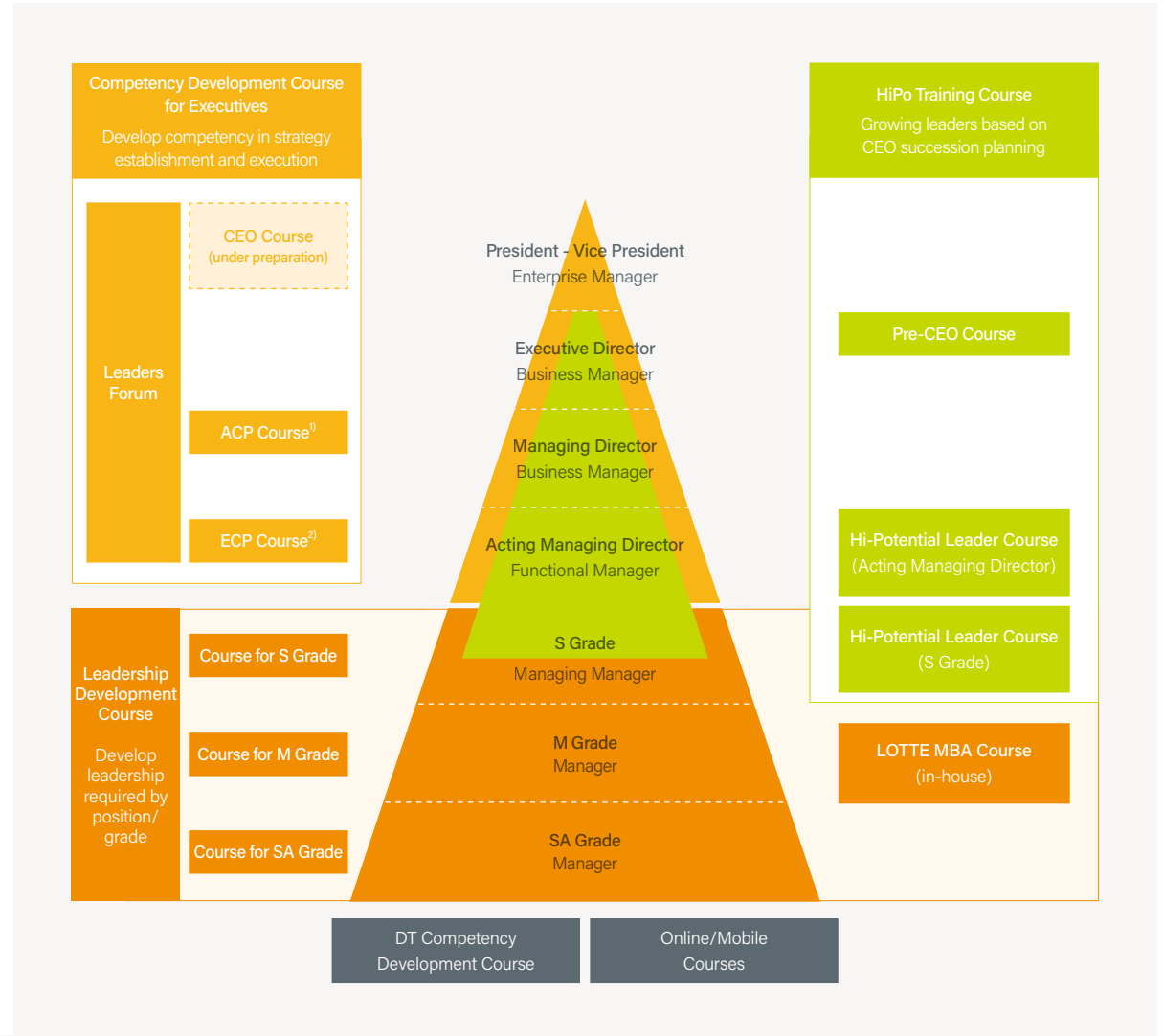
 Series 1 of the Visual Radio Program that Offers Job Introduction



## Human Resources Development

**Training System** In February 2022, LOTTE Group reorganized its employee training system to be centered around building the capacity of executives and leaders, and its DT competencies, in a bid to secure business innovation and new growth engines. We also launched the learning management system (LMS), an integrated learning platform customized to the needs of our employees.

### LOTTE Group Talent Pipeline



<sup>1)</sup> Advanced executive Capability development Program

<sup>2)</sup> Executive Capability development Program



CASE

## Reopening the Osan Campus of LOTTE Academy

Since its opening in January 1993, the Osan Campus of the LOTTE Academy has established itself as a talent incubator of LOTTE Group by setting up onboarding programs for new hires and HiPo (High Potential) training programs over a period of 20 years. In January 2022, it was renovated as a space for creative learning and communication. The new Osan Campus is composed of three distinct spaces – LOTTE Square, a space that embodies the spirit of LOTTE with the motif of people; Link Square, a central space for meeting and communication; and Learning Square, a creative and innovative learning space.

One of the greatest features of the Osan Campus is that the entire space is rearranged to reflect trends and practices of HR. Considering the way how young generations, including the millennials and Generation Z, communicate, it is equipped with about 20 group discussion rooms that promote active communication and various DT facilities that encourage online and offline learning at the same time. The circular lecture room features a 300-inch screen and tiered seats to enable a large number of people to attend a video conference at the same time in one place. Furthermore, to reflect the trend of distance learning, the Campus boasts well-equipped studios for shooting and creating mobile learning contents. In addition, people can use an app to experience an IoT environment where they can enter and leave buildings in Osan Campus while controlling the doors and lighting on a smartphone. In line with the growing importance of safety management, the Campus is equipped with the Safety Experience Center to increase safety awareness among our employees, and also has prayer rooms to promote religious inclusion. Further, the Osan Campus has accommodations for people with disabilities, and relaxation spaces for employees' health.

Going forward, LOTTE Group plans to make full use of the Campus as a lifelong education center for its local residents by cooperating with the provincial/municipal government, or as a social education center for its partner companies.



Panoramic view of the Osan Campus



Circular lecture room equipped with a large screen



Shooting studio

### Positioning itself as a leading green building in Korea



Green Building Certification

LEED Gold Rating



Green Building Certification, Korea

Highest Rating



Building Energy Efficiency Grade Certification

Grade 1+



Equipped with an automatic building operating system

Certified as an intelligent building

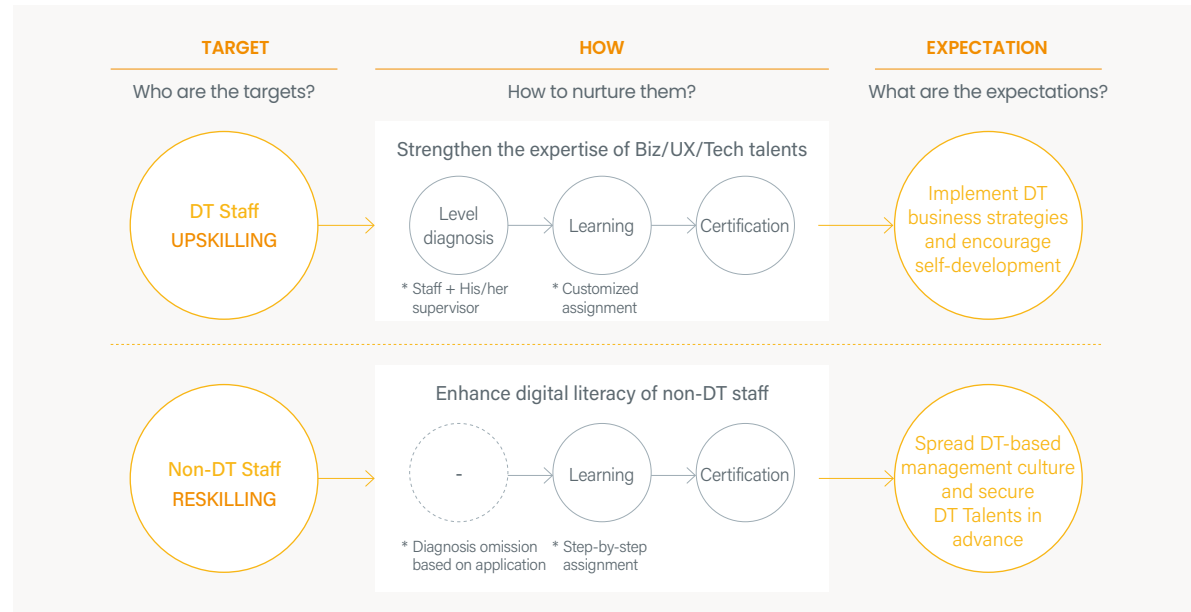
**Fostering Digital Talent** With the advent of the digital age, society is rapidly changing, and the analog model of social system is rapidly turning digital. Corporations are undergoing a rapid transition to completely new business models as their physical elements turn into digital features. In order to survive in this era of digital transformation (DT or DX), all the Group's employees must develop their digital literacy<sup>1)</sup> and cope with the ongoing changes of the new era.

<sup>1)</sup> The ability to navigate the digital world

**DT Talent Training Course** LOTTE Academy offers the "DT Talent Training Course" to improve the competency of DT employees and other related personnel. The DT talent course consists of three tracks, Biz, Tech, and UX/UI, which enable trainees to take courses according to their work duties and needs. The Academy also offers an "expert prep course" to help with the reskilling of non-DT employees. Currently, the Academy offers two Tech Track courses on Data and Software (SW). By completing these courses, trainees can not only adapt to the changing digital environment, but also have the ability to perform key innovative tasks in both existing and new business environments.

**DT Competency-Building Course** LOTTE Group offers a DT competency-building course to enable its DT employees to implement DT business strategies while spreading a DT-based management culture among non-DT employees. We have nurtured approximately 3,500 DT talents by December 2021, following the launch of the DT Talent Development Team in 2020 at LOTTE Academy. LOTTE Group will open a new DT training course designed to minimize legal risks as well as spread a culture of data-based management. We will also conduct a diagnosis of our digital transformation level and host a DX conference to support the transition "from DT to BT" (Business Transformation) within LOTTE Group by improving our organizational processes and culture.

**Direction of LOTTE Group's Cultivation of Digital Talents**



**Digital Talent Training Courses**

**Upskilling<sup>2)</sup>**

- DT expert training course
- Composed of Biz, Data, and SW expert courses
- Results in 2021: 269 trainees completed (Biz: 50, Data: 83, SW: 136)

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**Reskilling<sup>3)</sup>**

- Expert prep course for non-DT professionals
- Composed of a data expert prep course and an SW expert prep course
- Results in 2021: 2,180 trainees completed (Data: 501, SW: 1,679)

<sup>2)</sup> Upskilling: Enhancement of employees' skills level to enable them to perform better at the same work or perform more complex roles

<sup>3)</sup> Reskilling: Training employees on new skills so that they can perform different duties and roles compared to their previous duties

**Living in LOTTE Valley 2-DTmentary** In June 2020, LOTTE Group released a promotional video entitled "Living in LOTTE Valley" targeting jobseekers as a way to preemptively secure talents in the DT and IT fields. In December 2021, we released the second series entitled "Living in LOTTE Valley 2-DTmentary" – a documentary with three episodes about DT and IT jobs – through which eight DT experts from six Group affiliates working in the fields of UI/UX planning, big data, and IT development introduce their jobs, the outlook for their field of expertise, their daily concerns and the direction they pursue.

The "UI/UX Planning" episode focuses on the improvements made in the customer-oriented shopping environment and process through the digital system deployed at LOTTE Department Stores; the DT consulting capabilities of LOTTE Data Communication in various business areas including retail, food, and manufacturing; and behind-the-scenes stories of LOTTE SHOPPING e-commerce upon promoting the "LOTTE On" open project. The "Big Data" episode features an analysis of LOTTE Members' customer data, business strategies, and insight into market prospects. And, the "IT Development" episode introduces Canon Korea's development of software solutions and new business discoveries, and LOTTE Global Logistics' logistical automation processes.

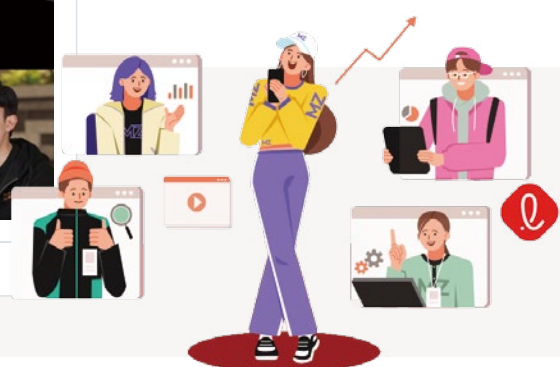
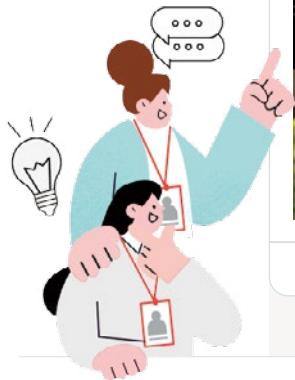
**Career Development** In accordance with the principle of placing employees in the right posts in consideration of their abilities, aptitudes, and development potential, LOTTE Group operates a two-track talent-fostering system (manager track and expert track) designed to reflect the characteristics of each duty and facilitate employees' growth, in addition to a CDP (Career Development Program) in which employees can explore and design their own career development paths. LOTTE Group also runs a system to recruit people in-house first when a new business is launched or where there is new demand for personnel within the Group, thereby enabling LOTTE employees to transfer to other affiliates should they wish.

The "IN Career" system, designed to empower its employees to grow and develop, was adopted Group-wide in January 2022 for the first time in Korea. Through this system, we recruit people within the Group first in the event of a new business launch or a job opening for other reasons, thus facilitating our employees' transfer to other Group affiliates. When employees apply for a job transfer, their companies cannot refuse it as long as there is a recruitment notice from a Group affiliate. Having created an environment in which its employees can explore and design their own careers, LOTTE is striving to achieve the goals of its self-directed career development system.

▶ LOTTE DTmentary: "Big Data" episode



▶ LOTTE DTmentary: "IT Development" episode





## Personnel Management

LOTTE Group's affiliates design and operate employee- and field-oriented HR systems reflecting their own industrial and business specificities. LOTTE ensures that the PDCA cycle – consisting of Plan, Do, Check, Action – is embedded within its HR management practices at the Group level.

**Personnel Evaluation** Personnel evaluation is the most fundamental step of employee transfer, placement, promotion, compensation, and training. **LOTTE Group's personnel evaluation system is designed to precisely measure the outcomes generated by its employees in order to provide them with differential compensations according to their contributions and to clearly identify individual employee's capabilities and support their personal growth.** Employees consult with their team managers to establish their respective performance goals, after which they receive coaching and feedback throughout the year in order to promote organizational competitiveness and individual growth.

**Reform of the Position System** **LOTTE Group has integrated employees' positions to solve such issues as vague, ill-defined positions and roles, the continuous drop in the promotion rate due to position-based personnel management, and employees' declining work engagement.** In 2018, we integrated M1 (manager 1) and M2 (manager 2), followed by S1 (senior manager 1) and S2 (senior manager 2) in 2021. After completing the basic system design and compensation simulations, we conducted a briefing session and sought employees' consent. On January 1, 2022, LOTTE Group launched a new four-level position system with the aim of increasing organizational efficiency and creating an environment in which employees can immerse themselves in their work.



**Improving the Qualification Course for Promotion** LOTTE Group's "M grade promotion qualification process (formerly the manager promotion qualification process)" remained in place for 38 years following its adoption in 1983, serving as a system for checking the basic knowledge (strategic management, accounting, organizational management, LOTTE's core values, etc.) that a senior associate must possess to be promoted to a managerial position. Business management-centered promotion was suitable for the "rotational assignment" system, in which employees gradually accumulated experience across a range of different duties; however, we have reformed the promotion qualification process to reflect the recent HR trend of placing importance on fostering experts, as well as changes of the era.

As a first step, we switched from the "evaluation-oriented" qualification process to the "evaluation- and learning-oriented" process in 2021. We have set financial accounting as a basic competency that LOTTE Group's middle managers must possess, and conduct online education and evaluate their competency. To strengthen employees' job expertise, we have reorganized six areas – Sales, Marketing, Production Management, Strategic Management, Organizational Behavior, and DT – so that employees can select training areas according to their own personal interest and the relevance of their work.

As a second step, we are currently reviewing another switch to a "learning- and cultivation-centered" process. Through the Group-wide training, we will level up the leadership and organizational management capabilities required of middle managers, while strengthening the capabilities required by specific Group affiliates through their own specialized training courses. At the same time, we will continue inspiring our employees to pursue their own personal growth through self-directed learning.

# Creating a Great Workplace

## Great Company Culture

Based on the drivers of change such as the increase of digital natives, including the millennials and Generation Z, the advent of the New Normal, population decline and aging, data and technological innovations, and COVID-19, LOTTE Group is looking to the next 5-10 years and presents a new HR direction centered on talent, corporate culture, and leadership.

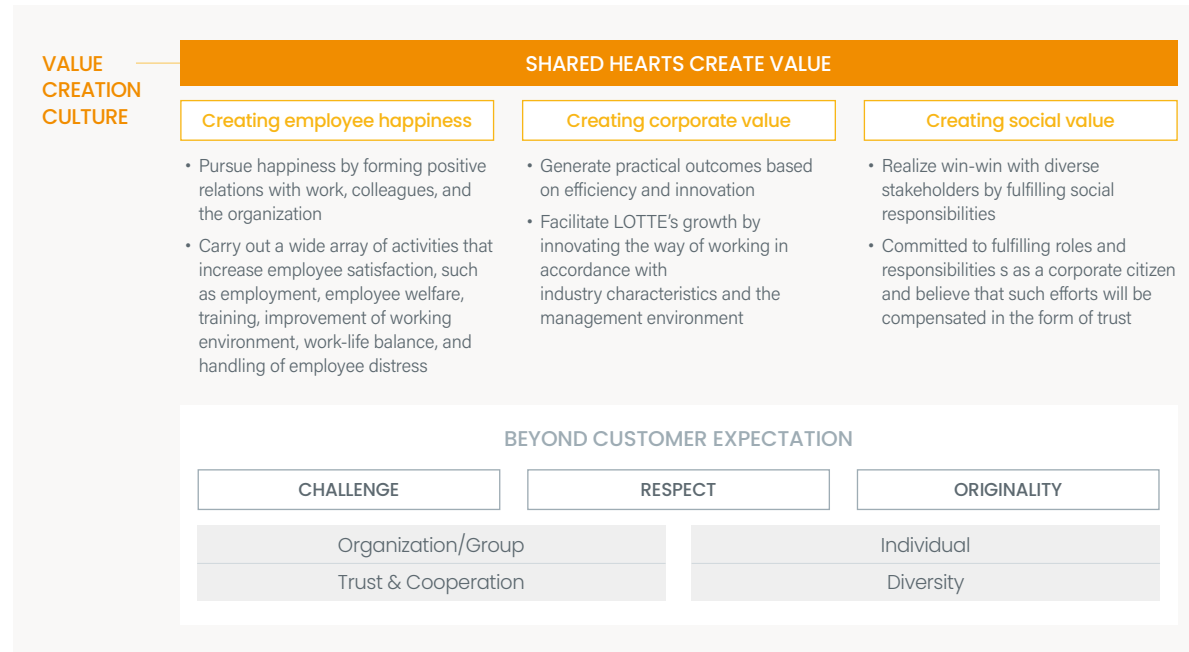
**Establishing a Value Creation Culture** LOTTE Group aims to build a corporate culture in which all employees gather their minds and strengths to create greater value. With this as the foundation, we are building unique value creation culture that enhances "employee happiness" through respect for different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

**Corporate Culture Committee** We launched the LOTTE Group Corporate Culture Committee in September 2015 to build a culture of value creation unique to LOTTE through the improvement of corporate culture. The 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 has dialogue with field employees and discusses various agenda items at regular meetings. We held regular meetings three times in 2021 (March, July, December) and once (March) in 2022 as of reporting to discuss various issues such as employment brand and organizational management and leadership in line with the changing business environment. In addition, we launched a corporate culture TFT (TFT head: CEO of each Group affiliate) in which 39 Group affiliates participate as an execution organization to improve the field-oriented corporate culture.

**Formation of CAs and Activities** LOTTE Group designate Change Agents (CAs), who plan and lead all changes required in the corporate culture innovation process that is being implemented Group-wide; Each Group affiliate autonomously selects a top priority task and carries it out through concerted efforts. Selected 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.

In 2021, LOTTE Corporation laid a foundation for contemplating and finding solutions regarding the innovation of the corporate culture through the conduct of CA activities with all Group affiliates. In 2022, the system has further evolved so that the autonomy of CA operations can be ensured while each of the Group affiliates creates a corporate culture tailored for its unique internal and external business environment and operating conditions.

## Corporate Culture System



**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 people of different generations and positions, thereby leading practical changes in the culture.



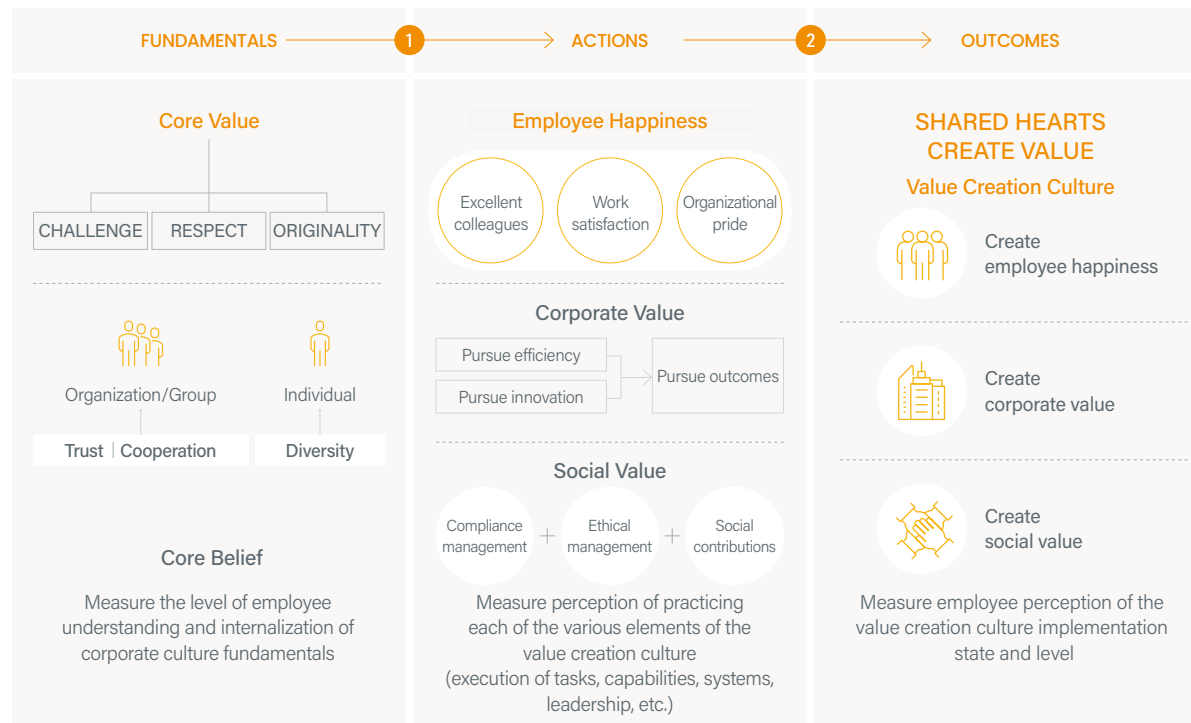
Junior Board of LOTTE GRS

**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. In 2021, the value creation culture diagnosis was conducted in the form of a survey on “creating employee happiness, creating corporate value, and creating social value” serving as the key to LOTTE Group’s corporate culture. Some 40,000 employees from 39 Group affiliates participated in the survey. LOTTE Corporation uses the value creation culture diagnosis to identify areas that require improvements and as a criterion to derive practical improvements.

**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. Reflecting the advice of outside advisors, LOTTE Group takes active measures to internalize the winning spirit among all its employees so that it can take root in the company as a corporate culture.

In 2020, we focused on enacting the Winning Rule that reflects the characteristics of each Group affiliate’s industry and executing the corresponding tasks. In 2021, we changed the head of the Group’s corporate culture TFT from the head of the Management Support Division to the CEO so that the CEO can take the lead in promoting field-oriented improvement company-wide. Going forward, we will strengthen promotion and training for employees and continue to examine the progress of tasks to lead changes in employee behavior.

**Composition of the Value Creation Culture Diagnosis**



**Concepts of the Winning Spirit**





**LOTTE Awards** LOTTE Group holds the “LOTTE Awards” ceremony every year to recognize teams that have improved LOTTE brand competitiveness by doing their best to implement the winning spirit and create outstanding business performance. At the first LOTTE Awards ceremony held in April 2021, the grand prize was presented to the Bottled Water Support Team of LOTTE Chilsung Beverage for their launch of “ICIS ECO” in 2020. The team was recognized for reducing packaging by unveiling a mineral water product without a label on a PET bottle for the first time in Korea, which contributed to raising consumers’ environmental awareness and our corporate image. At the second LOTTE Awards ceremony scheduled for May 2022, LOTTE Hotel Yangon, which performed well amid the COVID-19 crisis by targeting niche markets, is expected to receive the grand prize.

**Corporate Culture Portal** LOTTE Group operates a portal to communicate about its corporate culture activities. Since January 2021, approximately 800 corporate culture activities have been introduced, which are being used as a channel for mutual benchmarking of best practices among the Group affiliates. In 2022, we are planning to launch a YouTube channel to promote LOTTE Group’s corporate culture internally and externally.



Bottled Water Support Team of LOTTE Chilsung Beverage – A Grand Prize Winner

**Leadership Changes** Having redefined the roles of its leaders to promote practical changes in the field so as to meet the rapidly changing market environment and customer needs, LOTTE Group emphasizes a new type of leadership entitled “leadership by work process” in which its employees voluntarily promote performance creation at their respective positions. The new leadership takes the lead in creating changes by reflecting the business environment when setting goals and reflecting it in the action plan while facilitating open communication so that employees understand goals and strategies when engaged in communication at work. It is also called “4S<sup>1)</sup> leadership (empathetic leadership)” that continuously motivates employees to strengthen their pride in their work while focusing on enhancing employee competency in nurturing talent when the final job feedback is given.

**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 further as leaders.

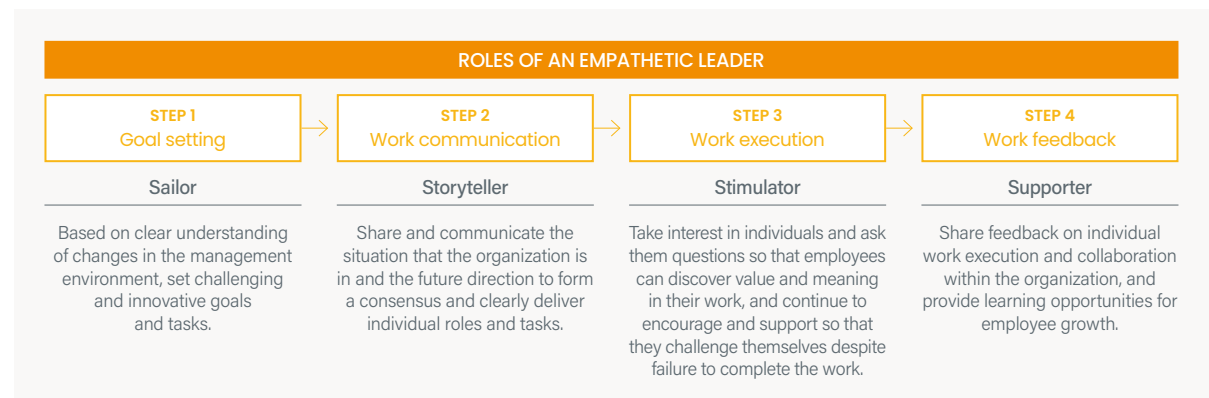
<sup>1)</sup> 4S: Sailor, Storyteller, Stimulator, Supporter

**Shifting to Empathetic Leadership** Quick identification and response to customer needs are becoming crucial amid sharp changes in the management environment. LOTTE Group is striving to create a culture where its employees continue to take on challenges and derive maximum performance. There is growing importance of “empathetic leadership” that motivates employees to empathize with the goals of their organization and discover the meaning of what they do and inspiring them to be active in creating outcomes.

Having defined various roles and capabilities of leaders, LOTTE Group has established the “Empathetic Leadership Diagnosis and Feedback, Self-Learning System” to help its leaders internalize empathetic leadership in the field. In October 2021, we conducted a Group leadership diagnosis including an “empathetic leadership diagnosis”, issued a report to each leader so that the leaders could identify their strengths and weaknesses and provided educational content so that they could work on their leadership weaknesses on their own.

In December, we further promoted leadership internalization by requiring the team leaders of all Group affiliates to take the “Leader’s Secret Note”, an online empathetic leadership training content.

**Roles of an Empathetic Leader by Work Step**



**Innovating the Way of Working**

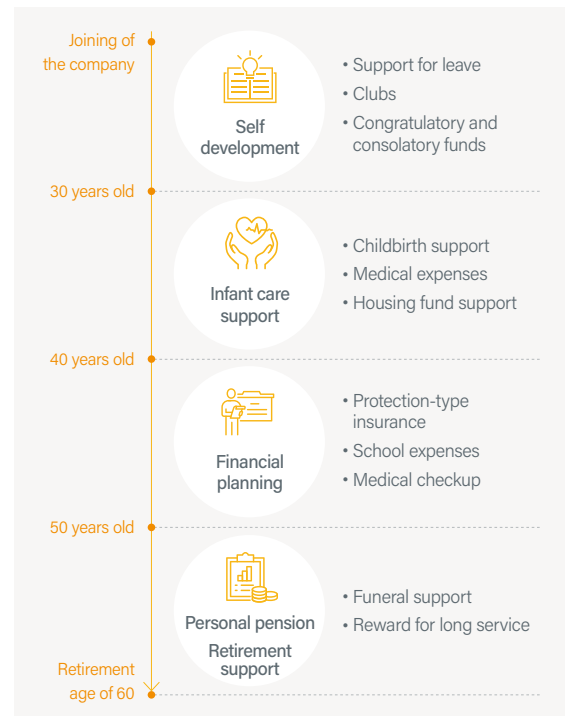
**Implementing “ERRC” for Work Efficiency** To raise employees’ work efficiency and innovate the work culture, LOTTE Group is running the “ERRC Campaign”, aimed at eliminating unnecessary work and focusing on key work to improve its productivity and efficiency. ERRC is a strategic tool that discovers and uses four factors, including elements that should be “eliminated” from work, and elements that should be “reduced”, “raised” and “created”. Through the campaign, we listen to our employees’ opinions, inspect their work processes, and conduct field audits to crack down on any inefficient practices while improving productivity, which ultimately lead to the reduction of our work hours.

**Smart Office and Remote Work** LOTTE Corporation operates a Smart Office where employees can work irrespective of their locations. In the office, they can choose desired seats every day through an autonomous seating system. Even outside their offices, they can choose to work in a location where they can most effectively immerse themselves in their work. Most notably, 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 our employees and their families. By continually encouraging remote working at least twice a week, we are increasing our employees’ work satisfaction levels and establishing a culture of more effective, flexible communication.

**Digital Workplace** By building an integrated Digital Workplace within LOTTE Group, we have created a work environment where all Group affiliates’ employees can contact one another anytime, anywhere for effective communication and collaboration, enabling us to enhance digital experiences and work efficiency. We also have adopted various collaboration tools, such as the cloud-based video conference system, Cisco Webex, and Microsoft 365, reduced the working environment gap among Group affiliates through global standard services, and enabled them to focus on operating their own business system.

**Selective Working Hours System** LOTTE Corporation operates a selective working hours system in which employees can choose when they come to and leave work as long as they meet their monthly total work hour requirement. Employees autonomously adjust daily work hours according to their respective work characteristics and workload without having to receive approval from their department managers. The system is also connected to the “PC-OFF System”, in which PCs automatically turn off once individual employees’ work hours are over, ensuring compliance with the selective working hours system and creating a self-directed work environment. Employees at LOTTE Corporation are effectively allocating hours that are given in a day, thereby striking the right balance between work and life.

**Lifetime Welfare System of LOTTE Group**

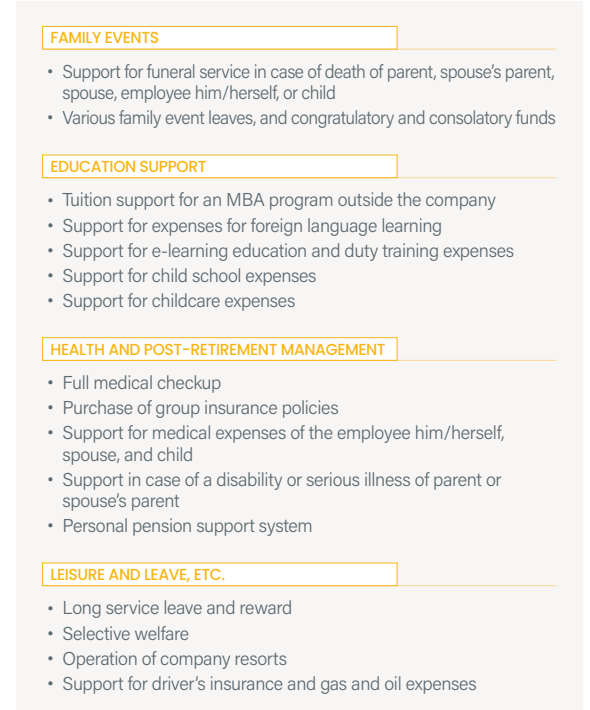


**Enhancing Employee Satisfaction**

**Welfare System** LOTTE Group operates the “LOTTE Lifetime Welfare System” that considers the characteristics of each age group. It has restructured its welfare systems to reflect the stages of its employees’ lifecycle such as maternity leave, reduced work during pregnancy, expansion of childcare centers, and a leave of absence 100 days before the national college entrance exam in order to improve employees’ quality of life, enhance their work satisfaction, boost their morale, and increase work engagement.

In addition to establishing a work environment where all employees can work happily and energetically, LOTTE Corporation operates various welfare systems to improve its employees’ quality of life, raise their work satisfaction levels, boost their morale, and encourage their work engagement.

**Welfare System of LOTTE Corporation**



**Family-Friendly System**

**Pregnancy and Childbirth Support:** LOTTE Corporation provides leaves and supports infertility procedure expenses while operating maternity protection rest areas and a system of shorter working hours during pregnancy to guarantee a comfortable and safe work environment for pregnant women. We also provide congratulatory funds and gifts when a baby is born and grant a childbirth gift of KRW 2 million per child in case of birth of two or more babies.

**Parental Leave:** Fostering female talent requires a working environment where female employees can use their parental leave comfortably. LOTTE Group therefore adopted the automatic parental leave system in 2012 which automatically processes a parental leave after a maternity leave without employees having to apply for a leave separately. In 2017, we increased female employees' parental leave period to as long as two years. We also became the first company in Korea to adopt the "mandatory parental leave system for male employees" that makes it mandatory for male employees to use a parental leave within three months of childbirth and increases leave pay.

**Childcare Leave:** LOTTE Group has adopted the childcare leave system enabling employees to use a leave from 1-12 months when their child enters elementary school at the moment its employees have to work hard while raising a child. We have also increased the parental leave period to two years, thus facilitating employees' work-family balance.

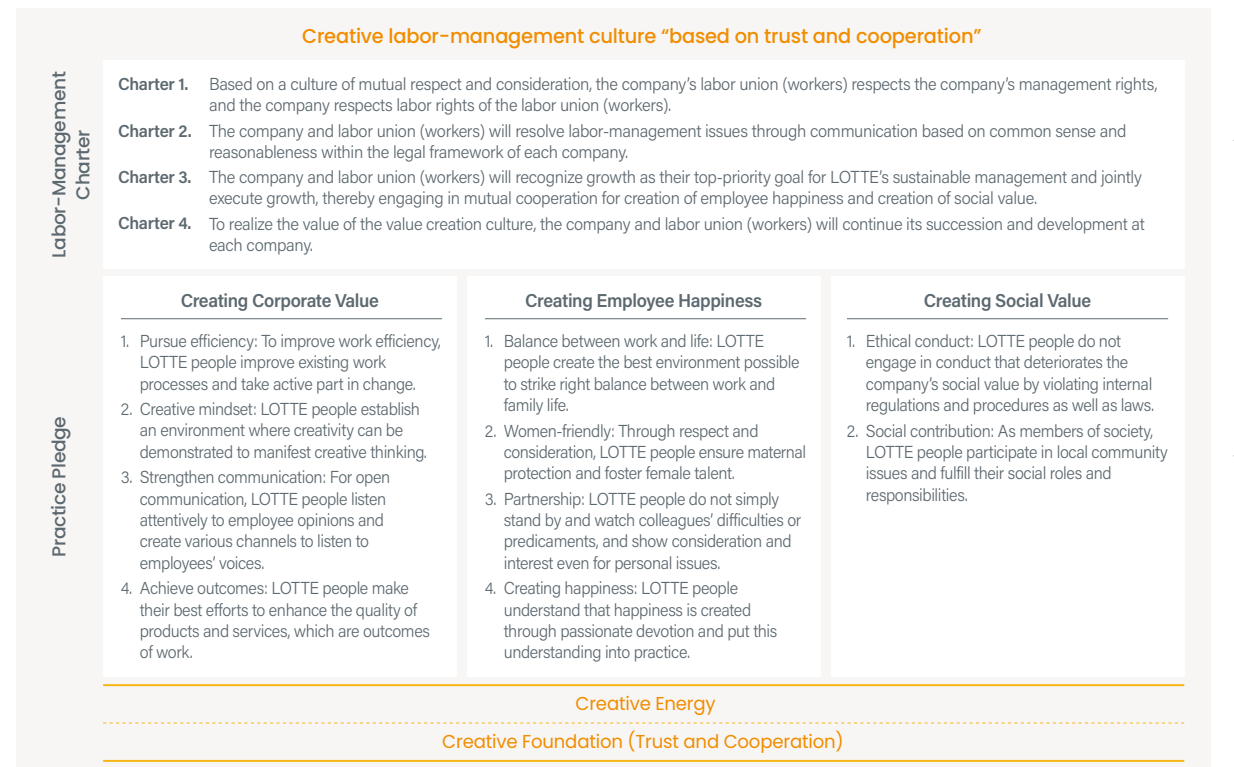
**Building a Creative Labor-Management Culture** LOTTE Group defines its unique evolving, cooperative labor-management culture as a "creative labor-management culture" and continues to bolster it systematically to establish a virtuous cycle in which the company achieves continued growth through joint creative activities by labor and management, leading to the creation of happiness for its employees. To realize this creative labor-management culture, LOTTE Group has established "LOTTE's Creative Labor-Management Culture System" including a labor-management charter and a practice pledge. Based on trust and cooperation, labor and management are gathering their strengths to achieve corporate growth, employee happiness, and social contributions.

**Win-Win Labor-Management Relations** In December 2017, LOTTE Corporation set up the Labor-Management Council, a consultation body aiming at promoting the enhancement of worker welfare and sound corporate development through collaboration between labor and management. Through the council, labor and management actively respond to the business environment while making their best efforts in their respective positions to achieve their goals. They build the foundation for mutual trust while striving to fulfill the company's social responsibilities through transparent and ethical management. More efforts will be made to further solidify our labor-management relations based on the joint labor-management declaration and to use it 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"> <li>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</li> </ul>
Meeting cycle	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>
Major activities	<ul style="list-style-type: none"> <li>Share information and form labor-management partnership                             <ul style="list-style-type: none"> <li>Share information on the management plan and situation, which is an essential precondition for worker participation</li> </ul> </li> <li>Build a participative organization and high-commitment human resource management system                             <ul style="list-style-type: none"> <li>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</li> </ul> </li> </ul>

**Creative Labor-Management Culture System**





## 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 boost its serious industrial accident prevention activities and improve its initial response capabilities. We have raised the status of each Group affiliate's safety management organization by placing it under the direct control of the CEO. We are currently upgrading our safety management systems and manuals, too.

### LOTTE Group Safety Management Innovation Measures

<b>GOAL</b>	Minimize serious accidents by strengthening serious industrial accident prevention activities and improving initial response capabilities
<b>Specialize the organization</b>	<ul style="list-style-type: none"> <li>Operate an organization exclusively in charge of safety management under the direct control of the Group affiliate CEO</li> <li>Assign safety managers under the direct control of business site supervisors (plant manager, store manager, etc.)</li> <li>Grant budget and HR authority to departments in charge of safety management</li> </ul>
<b>Strengthen prevention activities</b>	<ul style="list-style-type: none"> <li>Strengthen safety diagnosis: Establish a triple safety diagnosis system to include business sites, the Group affiliates' head offices, and Safety Consulting Part in LOTTE E&amp;C's CM Division</li> <li>Strengthen construction site management: Conduct prior review by the Safety Department before commencing construction and secure an agreement before expense settlement</li> <li>Strengthen support for partners: Conduct a risk assessment twice a year on in-house partners and make improvements</li> <li>Operate a safety management council consisting of safety managers of each affiliate business sites and Group business sites twice a year</li> </ul>
<b>Improve initial response capabilities</b>	<ul style="list-style-type: none"> <li>Have employees with a manager's position mandatorily complete "Safety Master Training" once a year (scheduled for May 2022)</li> <li>Publish standard Group safety management guidelines (published in April 2022)</li> <li>Hold contests for Group safety management and best practices</li> <li>Advance LOTTE Safety by building big data and adding AI (to be completed by Sep. 2023)</li> </ul>

### Safety Management Organization Chart

	Group Affiliates (Headquarters)	Group Affiliates (Business Sites)
<b>Classification</b>	Standard model	Operation at team level
<b>Organization chart (Example)</b>		
<b>Organization in charge</b>	<ul style="list-style-type: none"> <li>Safety Management Division</li> </ul>	<ul style="list-style-type: none"> <li>Operation at manager level</li> </ul>
<b>Anticipated effects</b>	<ul style="list-style-type: none"> <li>Prevent interference from other departments through division-level operation</li> <li>Increase work speed by establishing a streamlined decision-making structure</li> </ul>	<ul style="list-style-type: none"> <li>Ensure expertise by focusing on work through the cancellation of concurrent positions</li> </ul>
<b>Classification</b>	Responsible operation at headquarters or plant level	Department and manager not assigned
<b>Organization chart (Example)</b>		
<b>Organization in charge</b>	<ul style="list-style-type: none"> <li>Each business headquarters (plant) and Safety Management Division</li> </ul>	<ul style="list-style-type: none"> <li>LOTTE Chemical, LOTTE Fine Chemical, LOTTE Engineering &amp; Construction, LOTTE Department Store (partial), etc.</li> <li>LOTTE Hotel, LOTTE Mart, LOTTE Confectionery, LOTTE Chilsung Beverage, etc.</li> <li>LOTTE Hi-Mart, LOTTE Super, LOTTE Cultureworks, LOTTE Global Logistics, etc.</li> </ul>
<b>Anticipated effects</b>	<ul style="list-style-type: none"> <li>Strengthen autonomous safety through headquarters- or plant-level responsible management</li> <li>Mutual check between headquarters through support from the Safety Management Division</li> </ul>	<ul style="list-style-type: none"> <li>Ensure safety by assigning a staff in charge of safety management at each zone</li> </ul>

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

**Establishing an Organization Devoted to Safety Management**

For more systematic safety management, we have designated an officer in charge of each HQ at Safety Consulting Part in LOTTE E&C's CM Division, launched a CEO safety management organization at each Group affiliate, and stationed safety managers who are under the direct control of business site supervisors, including plant managers and branch managers. We thus have streamlined our decision-making process by assigning a department in charge of safety management under the direct control of supervisors, which in turn has led to its independence without work interference by other departments as well as the establishment of an autonomous safety management system.

**Safety Management Activities**

**Measuring the Safety Management Level** We have been measuring safety performance of the Group affiliates and their business sites every year since 2017 with the goal of increasing the level of interest in safety, expanding autonomous safety management, and improving safety management practices through the concentrated management of the Group affiliates and business sites that are in the risk group. In 2021, we measured the safety management level of 615 business sites at 47 Group affiliates. Following the measurement, we disseminated outstanding cases within the Group while intensively supporting the next year's safety performance for those requiring improvements.

**Business Site Safety Diagnosis Consulting** Some 500 business sites of 39 Group affiliates received an annual safety diagnosis consulting, led by Safety Consulting Part in LOTTE

E&C's CM Division. We have so far identified about 10,000 risk factors and recommended improvements, and by using big data accumulated over the years, we provide statistical analysis about vulnerable/deficient areas in each business site so that safety accidents can be prevented and improvement measures can be taken in advance.

**Safety Management Council** We hold Safety Management Council meetings twice a year (once in the first and second half of each year) for the team leaders of Group affiliates' safety management departments to improve the Group-wide safety management capabilities. Specifically, the meetings collect opinions on pending safety management issues, share safety information, disseminate best practices, and hold special lectures by external experts.

**Results of Safety Performance Measurement in 2021**

- Measurement period and targets: Oct. 1, 2020 to Sept. 30, 2021 for 615 business sites of 47 Group affiliates
- Measurement results: Average A-level grade

Level	Level S	Level A	Level B	Level C
Ratio	28% (13 companies)	40% (19 companies)	21% (10 companies)	11% (5 companies)

\* Rating criteria: Level S (90 points or more), Level A (80-89 points), Level B (65-79 points), Level C (less than 65 points)

**Changes in Safety Performance Measurement Methods and Risk Rating Categorization in 2022**

- Measurement period and targets: Oct. 1, 2021 to Sep. 30, 2022 for 490 business sites of 43 Group affiliates
- Indicators and scores

Target	HQs (30%)			Business sites (70%)					Note
	Dedicated organization	Level of interest	Safety activities	Addition/Deduction	Safety diagnosis	Safety activities	Level of interest	Addition/Deduction	
Scoring	50 points (↑ 20)	0 points (↓ 40)	50 points (↑ 20)	±10 points	50 points	30 points	20 points	±10 points	200 points/2

- Rating criteria

Classification	Level S	Level A	Level B	Level C	Note
HQs + business sites	Evaluation score 90 points or higher	80-89 points	70-79 points	Less than 70 points	Absolute measurement
	Risk level Excellent	Average	Interest	Caution	

**Results of the Safety Management Council Meeting in 1H 2022**

- PURPOSES Sharing the direction of safety consulting, the details and future plans of the safety consulting contract, and recent occupational accidents occurred at the Group affiliates and improvement measures taken
- DATE AND PLACE April 20, 2022, Osan Campus of LOTTE Academy
- PARTICIPANTS 43 people from the Group affiliates' safety management departments (attendance rate of 100%)

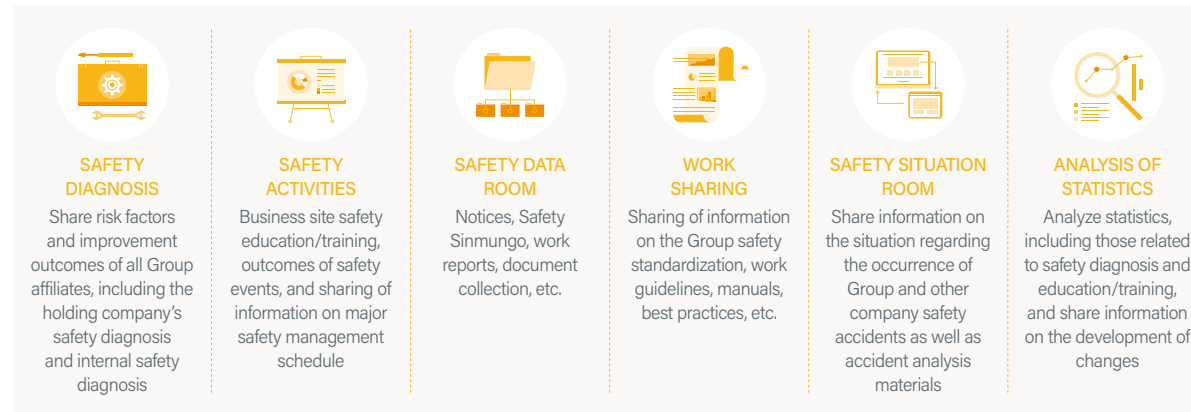


**“LOTTE Safety,” a Safety Management System** LOTTE Group operates “LOTTE Safety,” a safety management system at the Group level, to identify safety management status and issues and manage them systematically in real time. Around 2,700 employees use LOTTE Safety as its members, including Group affiliate CEOs, business site supervisors and managers, safety department staff, and safety managers. The system users can view 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 schedules; and safety management guidelines. Through the Safety Situation Room, they can also share information on the occurrence of occupational accidents and access relevant accident analysis data.

**Annual Forecast System for Safety Management by Vulnerable Period** During vulnerable periods and weather warnings, we disseminate key safety management measures along with past accident cases that we must be prepared for at our worksites while providing special training to our employees to prevent accidents.

**Signing of an MOU with the Korea Industrial Safety Association** In June 2021, LOTTE Corporation signed an MOU with the Korea Industrial Safety Association on cooperation for prevention of industrial accidents and spread of the safety culture to strengthen cooperation to establish 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 the operation and promotion of the safety and health management system, through which we will improve our safety management capabilities and make increased efforts to secure worker safety, too.

**Major Components of LOTTE Safety**



**Safety Management Guide and Countermeasures**

Classification	Period	Details
Vulnerable period	<ul style="list-style-type: none"> <li>Two weeks prior to the Lunar New Year holidays</li> <li>In February</li> <li>In May</li> <li>Two weeks prior to Chuseok</li> <li>In October</li> <li>In December</li> </ul>	<ul style="list-style-type: none"> <li>Recommended guide for safety management during the Lunar New Year holidays</li> <li>Recommended guide for safety management during the thawing season</li> <li>Recommended guide for safety management in summer</li> <li>Recommended guide for safety management during Chuseok holidays</li> <li>Recommended guide for safety management in winter</li> <li>Recommended guide for safety management during New Year's holidays</li> </ul>
Storm and flood damage	<ul style="list-style-type: none"> <li>In the event of issuance of weather warnings</li> </ul>	<ul style="list-style-type: none"> <li>Typhoon, cold wave, heavy rain, heavy snowfall, dry weather alert, etc.</li> </ul>





**Publishing a Recommended Guide for Safety Management**  
**LOTTE Group is committed to creating a safe and healthy workplace where top priority is place on safety and contributing to the promotion of a safety culture nationwide. To this end, we have established a health and safety management system and make continuous efforts to manage all hazards and risk factors.**  
 In April 2022, we published a recommended guide for safety management in order to improve the level of safety and health in cooperation with the Korea Industrial Safety Association.

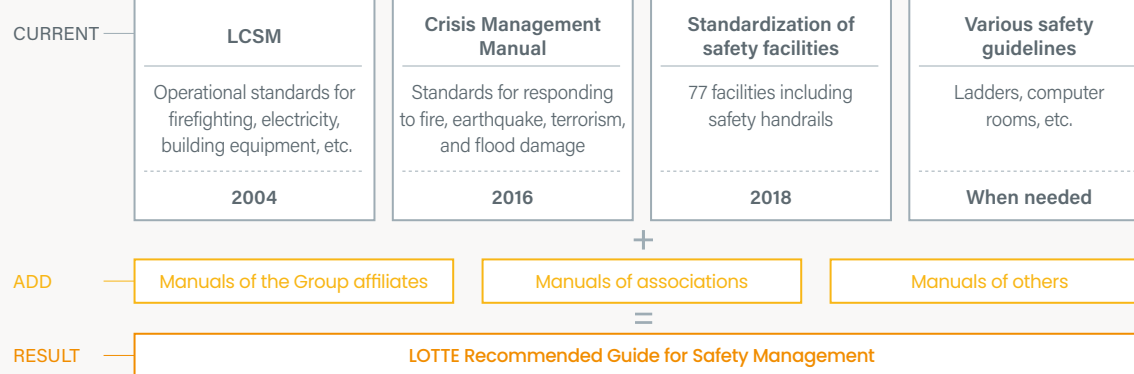
**Recommended Guide for Safety Facility Design and Construction**  
 To fundamentally remove risk factors that can cause occupational accidents, we regularly publish and distribute a recommended guide for the design and construction of safety facilities that can be commonly applied to all our Group affiliates' business sites.



**Recommended Guide for Safety Management**

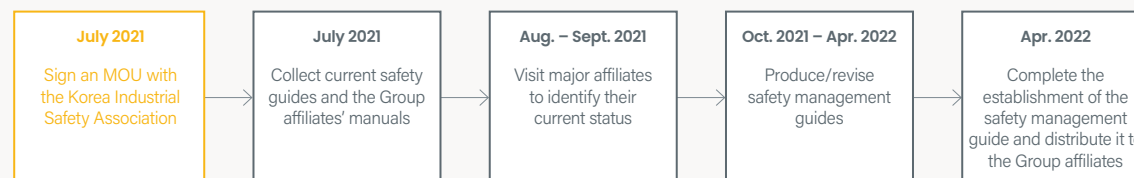
- **Purpose:** Establishing safety management standards of LOTTE Group by adding new safety rules to the existing safety manuals and guidelines

• **Plan**



- **Method:** Set the guide by the Korea Industrial Safety Association based on a service contract as well as the MOU between LOTTE Corporation and the Association

• **Schedule**



**Outline of the Recommended Guide for the Design and Construction of Safety Facilities**

• **Criteria for the guide preparations**

- Design/construction criteria to eliminate risk factors for occupational accidents
- Design/construction criteria to enable easy facility maintenance
- Design/construction criteria to make construction work cost-effective

• **Status of guide establishment**

- Classification criteria to be adopted
  - 1) Immediately: Adopted at all business sites to make improvement
  - 2) Newly: Adopted at business sites to be newly built or renovated
  - 3) Recommended: Adopted at business sites in need of the guide

• **Proposal for final items included as standards**

(Unit: Cases)

Area	Proposed	Adopted	Immediately	Newly	Recommended	Not adopted
Architecture	31	28	2	15	11	3
Civil engineering	2	2	-	2	-	-
Mechanical engineering	16	15	3	7	5	1
Electrical engineering	17	14	2	8	4	3
Firefighting	19	14	1	8	5	5
<b>Total</b>	<b>85</b>	<b>73</b>	<b>8</b>	<b>40</b>	<b>25</b>	<b>12</b>



**Safety Master Training** In May 2022, we completed the production of the "Safety Master" content, a mandatory group-level training designed to raise employees' safety awareness and develop their management skills to prevent occupational accidents through safety training. We have conducted training for more than 8,000 position holders in all Group affiliates. In 2022, we will begin to offer the safety master training to all our employees.

**Measures to Implement Safety Master Training**

<b>Target</b>	Mandatory	HQ and business site managers	<ul style="list-style-type: none"> <li>• Department members who handle safety-related work at HQ</li> <li>• Business site supervisors (plant managers, store managers, directors, etc.)</li> <li>• Business site managers (managers, part leaders, etc.)</li> </ul>
		Business site safety managers	<ul style="list-style-type: none"> <li>• Senior members with safety manager qualifications</li> <li>• Safety management staff (safety department members)</li> <li>• Staff who handles similar work (firefighting &amp; safety, hazardous materials, etc.)</li> <li>• Relevant departments (public affairs team, facility team, environment team, etc.)</li> </ul>
	Recommended	All employees	
<b>Training hours</b>	4 hours (12 sessions)		
<b>Training content</b>	<ul style="list-style-type: none"> <li>• 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 against hazardous/dangerous instruments; measures for accident prevention and management related to the environment; and safety management measures for hazardous materials, etc.</li> </ul>		
<b>Operation rules</b>	<ul style="list-style-type: none"> <li>• Obligatory training for all employees subject to mandatory training in 2022 (for all employees in 2023 onward)</li> <li>• Obligatory training within three months for new recruitments and position holders (before assignment to a position if possible)</li> <li>• Refresher training once a year (the mandatory training completion rate is reflected in the "safety area" of sustainable growth evaluation)</li> </ul>		

# Building a Sustainable Partnership

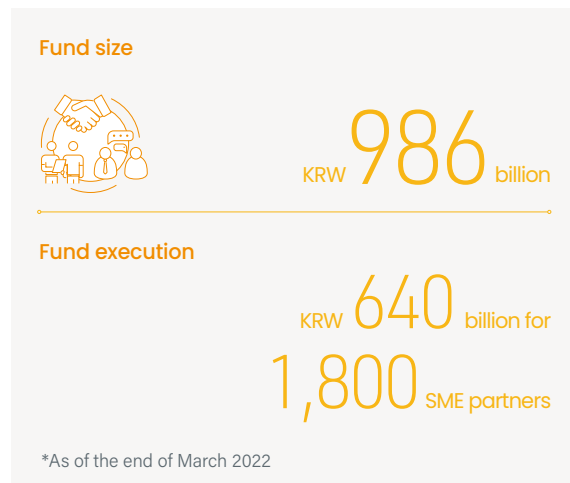
## Win-Win Growth with Partners

LOTTE Group strives to establish a fair trade culture while respecting the value of win-win in order to grow together based on mutual trust with partners. Treasuring shared growth with partners as the driving force for our sustainable management, we implement practical win-win support systems sincerely while expanding the scope of our win-win support to micro businesses and local farms.

**Support Programs for Partners** To create a stable business environment through partners' smooth cash flow, LOTTE Group operates various financial support programs such as the creation of a shared growth fund, the operation of a win-win payment system, and early payments ahead of the country's two biggest holidays.

**Forming Shared Growth Fund** The Shared Growth Fund encourages large corporations and commercial banks to contribute funds to reduce our partners' loan interests. By raising a Shared Growth Fund that amounts to KRW 986 billion, we help SMEs ease their financial difficulties.

### Performance of Shared Growth Fund



**Win-win Payment System** Since 2018, LOTTE Group has operated the "win-win payment system" that facilitates payments between large and small businesses in collaboration with the Large and Small Business Agricultural and Fishery Cooperation Foundation. The win-win payment system allows large companies to issue bonds with no right of recourse so that our partner companies can carry out early liquidation of payment for delivered goods at the same discount rate offered to large companies. We currently pay 100% of credit payment through the win-win payment system.

**Early Payments to Partners** Given that partners need additional funds to pay salaries and bonuses ahead of the most important traditional holidays, such as Lunar New Year's and Chuseok, LOTTE Group makes early payments to its partners for delivered goods to help them ease their financial burdens during the periods.

### Performance of Early Payments to Partners

Jan. 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
Sep. 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
Jan. 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
Sep. 2021	Early payments of around KRW 640 billion were made to approximately 13,000 SME partners that do business with 30 Group affiliates, including LOTTE Shopping, LOTTE Homeshopping, LOTTE Chilsung Beverage, and LOTTE Data Communication
Jan. 2022	Early payments of around KRW 600 billion were made to approximately 15,000 SME partners that do business with 29 Group affiliates, including LOTTE Shopping, LOTTE Global Logistics, LOTTE Data Communication, and LOTTE Homeshopping

## Code of Conduct for LOTTE Group Partner Companies

Recognizing that combating climate change and building a sustainable ecosystem are common human tasks, LOTTE Group is promoting ESG management to become a company that adds value to human life. In June 2022, we established the Code of Conduct for LOTTE Group Partner Companies with the hope that our partner companies will join us on the journey toward a sustainable future for humanity. The Code of Conduct includes six aspects of LOTTE Group's requirements for its partners such as "environmental protection, respect for human rights, safety management, quality assurance, compliance/ethical management, and management systems" based on the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the UN Convention on the Rights of the Child, the ILO's Fundamental Conventions, and the RBA Code of Conduct. We hope that all our partners comply with the Code of Conduct and participate in our ESG management.



\* Please refer to the Code of Conduct for LOTTE Group Partner Companies on our official website



**Contribution to the Mutually Beneficial Cooperation Fund / Agricultural and Fishing Villages Mutually Beneficial Cooperation Fund** LOTTE Corporation expands its efforts not only for shared growth with its business partners but also for win-win growth with local communities. In 2021, we invested KRW 15 billion in the Mutually Beneficial Cooperation Fund the Agricultural and Fishing Villages Mutually Beneficial Cooperation Fund run by the Large and Small Business, Agriculture, and Fisheries Cooperation Foundation. We have operated various win-win programs to support the marketing efforts of SMEs at home and abroad and promote the development of local communities and rural areas. In 2021, we used the funds to promote the overseas expansion of outstanding startups and youth startups, support the development and operation of waste PET recovery robots, help the natural disaster victims in rural areas, and present relief goods/gift vouchers for disaster recovery.

**2021 Performance of Funds of the Large and Small Business, Agriculture, and Fisheries Cooperation Foundation**

Project to help startups and youth startup expand overseas	<p><b>KRW 1 billion</b></p> <ul style="list-style-type: none"> <li>Helped 13 startups advance into overseas markets in collaboration with LOTTE Ventures</li> <li>Achieved performance including the establishment of overseas subsidiaries, move into local offices, and attraction of follow-up investments</li> </ul>
Project to support the development and operation of a PET bottle recovery robot	<p><b>KRW 900 million</b></p> <ul style="list-style-type: none"> <li>Supported technology development and product manufacturing by SMEs engaged in eco-friendly business</li> <li>Achieved performance including the development and distribution of waste PET recovery robots</li> </ul>
The relief goods/gift voucher support project for natural disaster victims and disaster recovery in rural areas	<p><b>KRW 1.5 billion</b></p> <ul style="list-style-type: none"> <li>Offered emergency relief kits and gift vouchers</li> </ul>

**Support for Startup Ecosystem**

**“L-CAMP,” a Startup Support Program** In 2016, LOTTE Group established LOTTE Ventures and launched “L-CAMP” with the purposes of promoting the social value of fostering startups and of achieving open innovation to discover new business. It has supported various startups armed with innovative ideas.

LOTTE Ventures is the first company in Korea to provide both CVC<sup>1)</sup> and accelerator<sup>2)</sup> 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. 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.

In 2021, we launched the “Food Changers” project and selected food tech startups from 166 candidates and “Global Accelerator Program” for investment/mentoring of exceptional domestic startups by CEOs of Korean VC firms and startups in Silicon Valley, achieving diversification in terms of support areas and markets. In 2022, through various programs including L-Camp, we plan to invest in around 70-80 startups including those in Vietnam and Japan as well as Silicon Valley.

<sup>1)</sup> 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.

**Investment/Collaboration for the Development of the Startup Ecosystem** LOTTE Group is promoting investment and collaboration with innovative and capable SMEs from an ESG point of view to promote win-win growth between large enterprises and SMEs and develop a comprehensive startup ecosystem while supporting the growth of startups/SMEs by creating synergies based on collaboration with Group affiliates in a variety of fields including manufacturing, retail and logistics.

In November 2021, LOTTE Corporation decided to invest about KRW 80 billion as a strategic investor (SI) in Wadiz<sup>3)</sup>, the No. 1 crowdfunding platform in Korea. Our investment will be used to expand Wadiz’s financial sector, such as corporate loans and direct investment, and to promote the scale-up of startups through Wadiz investment and marketing support to help them grow into big brands.

Following the Group’s participation in strategic investment, LOTTE Shopping signed an MOU with Wadiz to establish and nurture an ecosystem designed for startups and SMEs. The MOU is aimed at providing all-round growth solutions such as funding and securities issuance to “makers” including promising startups, SMEs, founders, and new businesses through cooperation with Wadiz. To this end, we will invest directly in “makers” verified through Wadiz or allow them do business at LOTTE Shopping (department stores, marts, hi-mart stores, home shopping, e-commerce, etc.). We plan to run offline pop-up stores for them, as well. Other Group affiliates, such as Daehong Communications, LOTTE Global Logistics, LOTTE Members, and LOTTE Ventures, will partner with Wadiz to lay the foundation for all-round growth solutions for the “makers” by enhancing their capabilities in advertising, payment and logistics.

<sup>2)</sup> 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.

<sup>3)</sup> Wadiz has a D2C (Direct to Customer) platform for startups and SMEs, including “Space Wadiz”, an offline experience shop where people can meet products being funded, and “Wadiz Store”, an online year-round sales channel for products that have been successfully funded

CASE

## “L-Camp: Global Accelerator” Program Helping Startups Advance Overseas

LOTTE Ventures launched the “Global Accelerator” program in October 2021. The program invested in exceptional startups in Korea and arranged mentoring service by Korean VC firms and startup CEOs in Silicon Valley for four months until January 2022. A total of KRW 500 million (KRW 100 million for each of three grand prize winners and KRW 20 million each for 10 excellence prize winners) was awarded to 13 companies (308 companies competed with the competition ratio of 24:1) selected for the program. We are also reviewing the investments up to KRW 2.5 billion in the startups.

12 Korean business founders from Silicon Valley including Dongshin Kim, CEO of SendBird and Chang-won Kim, CEO of Tapas Media participated in the program as mentors, and delivered advice to startups on the direction of corporate management. In February 2022, we offered a 8-day Silicon Valley field-training to the startups while offering participants a range of other support, and thus successfully concluded the program.



### Achievement of L-Camp Operation

No. of companies applied for the L-CAMP program



Chose 166 startups from among 5,056 startups that applied for the L-CAMP program that were held across a total of 13 times since 2016

5,056 companies

Corporate value of L-CAMP participants



The value of invested companies, up to the 9th group of L-CAMP, has risen an average of 3.3-fold, totaling KRW 1,380.0 billion from KRW 415.2 billion

KRW 1 trillion +

Total assets under management



Created 13 startup support funds totaling around KRW 250 billion and invest in some 200 startups

KRW 245.1 billion

\* As of the end of December 2021

# Contributing to Local Community Development

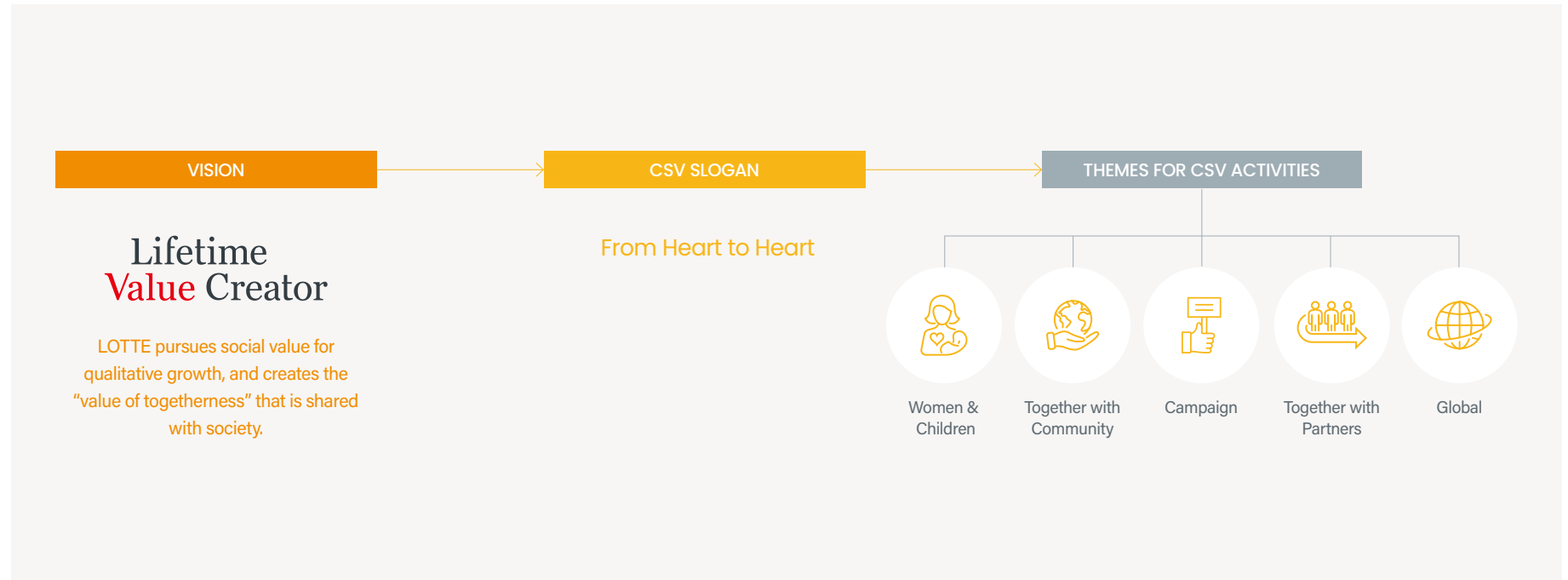
## Creating Social Value (CSV) System

**CSV Direction** LOTTE Group's CSV activities are oriented towards social values for qualitative growth while realizing the group vision "Lifetime Value Creator" calling for the sharing of the created value with society. For the purpose of "From Heart to Heart" meaning that the LOTTE Group's heart touches the hearts of members of society to create ripples of empathy, we have set the five main themes of our CSV activities such as women & children, together with community, global, together with partners, and environment. We are making concentrated efforts to provide more systematic, practical support by leveraging our business capabilities and resources.

**CSV Implementation Organization** To practice the value of coexistence and sharing, LOTTE Group is practicing sharing throughout the local community through its "Charlotte Volunteer Group" participated by Group affiliates' labor and management. LOTTE Corporation's CSV Team establishes the Group's CSV strategies and activity directions for systematic CSV activities. In 2021, we had more than 855 sharing opportunities in local communities. We compile and manage our CSR activities annually.



### CSV System of LOTTE Group





## CSV Activities

### Women & Children

**Mom's Happiness Playground** In order to guarantee children's right to play and to resolve inequalities in the children's play environment, LOTTE Group has been promoting the "Mom's Happiness Playground" project and created eco-friendly playgrounds since 2017 in association with ChildFund Korea. Furthermore, we have built different themed playgrounds through workshops dealing with local children's needs.

In 2021, we opened playgrounds in Changwon, Jinhae, Daejeon, Incheon, and Daegu. Amid the COVID-19 pandemic, we held pre- and post-construction workshops with the Children's Design Team, using online tools, to draw up playground designs and conduct satisfaction surveys on the completed facilities, respectively. By the end of 2022, we plan to build a total of 24 Mom's Happiness Playgrounds nationwide in a bid to spread a safe play culture for children.

**Mom's Happiness Dream Attic** The "Mom's Happiness Dream Attic" project renovates local children's centers, a space for children not only to play and learn but also to receive life counseling and aptitude education. LOTTE Group has been implementing the project since 2017 in association with the Salvation Army Christmas Kettle. Specifically, the project turns local children's centers into two major new spaces such as a Dream Attic Study modeled after an attic hideout and a digital learning space made of eco-friendly wood materials.

In 2021, we built 68 Mom's Happiness Dream Attics and also presented small-scale cultural experience programs such as jazz performances and magic shows to the children who were unable to freely engage in outdoor activities due to the COVID-19 situation. By the end of 2022, we plan to build 13 more Mom's Happiness Dream Attics and present programs designed to stimulate emotional development in children, too.

**Support Single-parent Women** In May 2021, Korea Seven first opened the "Angel Store", a convenience store for win-win cooperation with the Korea Association for Single Parent Family to help single-parent families become economically independent, at 7-Eleven Incheon Dongam. As part of its "Mom's Happiness" project, LOTTE Corporation helps single-parent women with their children's educational and childcare expenses while offering them self-reliance assistance and freelance trainer education.

**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 their development status and necessary treatment in a timely manner. In partnership with the Korea Welfare Services' care facility network and Bobath Children's Hospital's medical staff, LOTTE Corporation supports outpatient and inpatient treatment, with their developmental treatment provided by the Bobath Children's Hospital under the LOTTE Medical Foundation.

If treatment cannot be smoothly provided because infants reside far away, we offer them treatment in connection with each region's developmental treatment center. From 2019 when we launched the Infant Development Diagnosis Project, we have raised KRW 200 million every year and supported development diagnosis and early treatment of approximately 100 children until 2021. In 2022, we plan to present baby products that our employees make as gifts, too.



## 20 Playgrounds

Have completed the construction of 20 playgrounds until 2021 starting with the first Mom's Happiness Playground built at 2017 in Saeduelwon, a child welfare facility in Busan



## 68 Mom's Happiness Dream Attics

Have opened a total of 68 Mom's Happiness Dream Attics until 2021 starting with the first one in Hoehyeon-myeon, Gunsan-si, Jeollabuk-do in 2017



**Mind Heat 37°C Campaign** To spread the culture of sharing, LOTTE Group has been running the “Mind Heat 37°C” campaign participated by its customers since 2016. 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.

In addition, we provide a “sharing scarf kit” to each of our sponsors who donates KRW 10,000 or more and deliver scarves that they make to charity institutions. In 2021, we also donated scarf kit bags made of recycled plastic to share our concerns for the environment.



“Mind Heat 37°C Campaign” sharing scarf kit

**Together with Community**

**Youth Library** LOTTE Group's “Youth Library” is a project that provides reading/resting spaces for front line military units lacking cultural facilities. In 2021, we promised support for the improvement of soldiers' welfare through the renewal of agreement with the Army and Air Force Headquarters. In 2021, we turned the existing libraries' e-book and self-study spaces into an “online learning space” while building an additional eight libraries (7 for the Army and 1 for the Air Force), leading to the completion of a total of 65 Youth Libraries nationwide. In 2022, we plan to build Youth Libraries for the Navy, too.

**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 combating the COVID-19 crisis, such as supporting COVID-19 quarantine and transporting vaccines, along with cheer-up messages from our consumers.

**Delivery of Care Packages to the Navy** On November 11, 2021, LOTTE Group delivered 80,000 care packages of LOTTE Pepero to naval forces, marines and civilian workers in the military nationwide to celebrate the anniversary of the establishment of the Navy and express its gratitude for their service.



Delivery of care packages to commemorate the establishment of the Navy

**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 our national team athletes 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 for the exchange of technology and information. We thus contributed to Korea's first winning of an Olympic medal in snow sports at the PyeongChang 2018 Winter Olympics. We are helping the Association make thorough preparations for the Beijing 2022 Winter Olympics.

**Global**

**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. The Center is transferring LOTTE Group's knowhow to Vietnam's low-income class, high school graduates, and micro merchants through basic training that is needed in the retail and service industries, including foreign language, computer skills, service training, and store management. Until 2020, the Center trained approximately 1,100 people including low-income earners, job seekers, and small business owners.

**Contributions to Vietnam's Vaccine Fund** In May 2021, when the fourth wave of COVID-19 swept Vietnam, the central government launched the vaccine fund with support from corporations as well as the public sector. To help Vietnam overcome the COVID-19 crisis, LOTTE Group donated a total of VND10 billion, including VND3 billion each to Hanoi and Ho Chi Minh City and VND4 billion to the central government.

# GOVERNANCE




## WHY IT MATTERS

As stakeholder demands for corporate social responsibility increase, unfair business practices can have far-reaching negative effects on corporate management. As transparent and ethical management becomes ever more important, companies must establish a sound governance structure with a board of directors characterized by independence, diversity and expertise, thereby promoting transparent and responsible management and sustainable growth.

## HOW WE RESPOND

LOTTE Corporation has formed a sound and transparent Board of Directors with expertise and responsibility as the guiding principles, and identifies various financial and non-financial risks and opportunities. We thus strive to boost the efficiency and stability of corporate management and to promote the rights and interests of stakeholders and the sustainable growth of the company. In addition, we take compliance and business ethics as the basis of our corporate operations, promote fair trade, and do our business properly. In the current digital age, we are securing business stability by strengthening the management system to safely protect and use information, an important asset of the company.





A sound and transparent corporate governance based on a trusting relationship with stakeholders is the foundation and driving force for our sustainable growth. Having established an advanced governance structure centered on the BOD, LOTTE Corporation continues to enhance its corporate value while striving to ensure that its growth leads to the improvement of value for stakeholders including shareholders. Furthermore, we always do our utmost to turn crisis into opportunities to achieve corporate growth in the right and most reliable way.

# Building Advanced Corporate Governance

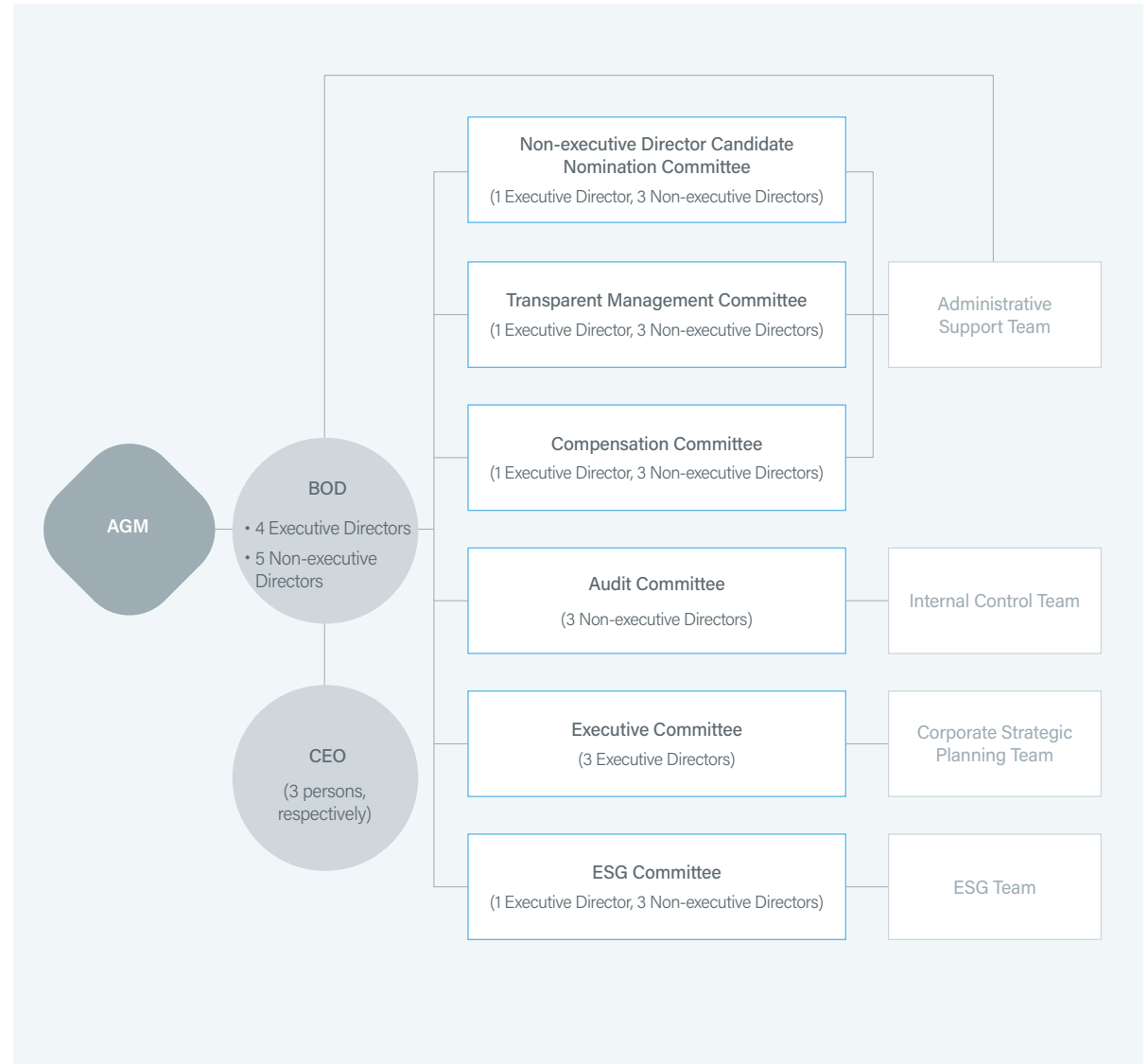
## Sound Corporate Governance

**BOD Composition** LOTTE Corporation is striving to enhance corporate value while promoting the rights and interests of its stakeholders, including shareholders, by making transparent management a corporate policy. The Board of Directors (BOD), as the company's highest standing decision-making body, has the authority to appoint the CEO. It also decides on important matters stipulated by the relevant laws and the Articles of Incorporation, matters delegated through annual general meetings (AGMs), and the basic management policies of the company and business execution, and supervises the work of the top executives.

LOTTE Corporation's BOD is organized to enable effective and thoughtful discussion and decision-making, and more than half of its members are appointed from among non-executive directors so that it can function independently from the management and controlling shareholders. The Non-Executive Director Candidate Recommendation Committee ensures that the process of recommending and appointing director candidates is fair and independent. The Committee selects persons who hold the qualifications stipulated in the relevant laws and regulations based on the company's internal regulations, and reviews their independence from the company and the largest shareholder, as well as their professional competency as required by global companies. It then recommends candidates who are in the interest of both the shareholders and the company. As of the end of March 2022, five of the nine directors were non-executive directors, accounting for approximately 55.6% of the total number of directors.

The positions of the CEO and BOD Chairman are held concurrently by the same person to ensure that the CEO can smoothly perform his roles in accordance with the BOD-related laws and internal regulations while serving as the BOD chairman to enable more efficient BOD operation and quick execution of BOD decisions. Going forward, we will make continuous efforts to enable the BOD to make decisions effectively and independently.

### Organization of the BOD



\* As of the end of March 2022

**BOD Composition**

Classification	Name	Position	Major Career	Date of Appointment	Date of Termination	Gender
Executive Director	Dong-Bin Shin	CEO	• Chairman, LOTTE Group	Oct. 12, 2017	Mar. 25, 2024	Male
	Yong-Dok Song	CEO	• (Former) CEO, LOTTE Hotel Co., Ltd. • (Former) Head of Hotel & Service BU	Mar. 27, 2020	Mar. 25, 2024	Male
	Dong-Woo Lee	CEO, Chairman of BOD	• (Former) CEO, LOTTE World • (Former) CEO, LOTTE Hi-Mart • (Former) Director of Management Support Division, LOTTE Department Store	Oct. 8, 2020	When the AGM for settlement of accounts of 2022 comes to an end (Scheduled for March 2023)	Male
	Jung uk Goh	Head of Financial Innovation Office	• (Former) CEO, LOTTE Capital • (Former) Head of Sales 2nd Division, LOTTE Capital • (Former) Head of Business Strategy Division, LOTTE Capital	Mar. 25, 2022	Mar. 25, 2024	Male
	Pyung-oh Kwon	Director	• Chair Professor, Graduate School of Marine Finance and Logistics, Korea Maritime & Ocean University • (Former) President of the Korea Trade-Investment Promotion Corporation • (Former) Korean Ambassador to Saudi Arabia • (Former) Executive Director, Office of International Trade and Investment, Ministry of Trade, Industry and Energy	Mar. 25, 2022	Mar. 25, 2024	Male
Non-executive Director	Kyung-chun Lee	Director	• Representative Lawyer, Lawfirm Class LLC • (Former) First President of Seoul Rehabilitation Court • (Former) Director, Judicial Policy Research Institute, Office of Court Administration • (Former) Chief Judge, Seoul High Court	Mar. 25, 2022	Mar. 25, 2024	Male
	Hae Kyoung Kim	Director	• (Former) CEO, KB Credit Information • (Former) VP, KB Credit Information • (Former) Head of the Northern Regional HQ, Kookmin Bank • (Former) Head of the Gangdong Regional HQ, Kookmin Bank	Mar. 25, 2022	Mar. 25, 2024	Female
	Nam-gyoo Park	Director	• Professor of Business Administration, Seoul National University • (Former) President of the Academy of Creativity Society • (Former) Vice Dean, Business School of Seoul National University • (Former) Professor, KAIST Graduate School of Innovation and Technology Management	Mar. 25, 2022	Mar. 25, 2024	Male
	Chang-Soo Kim	Director	• Professor of School of Business Administration, Chung-Ang University • (Former) President of Chung-Ang University and Director of School Corporation • (Former) Non-executive Director, LOTTE Capital (Audit Committee Member) • (Former) External Director, Korea Aerospace Industries (Audit Committee Member) • (Former) President, Korea Accounting Information Society	Mar. 26, 2021	Mar. 26, 2023	Male

\* As of the end of March 2022

**Expertise, Responsibility, and Diversity of the BOD** In accordance with its Corporate Governance Charter, LOTTE Corporation establishes policies to ensure the BOD's expertise, responsibility, and diversity, and appoints directors on the basis of reviews performed by the Non-executive Director Candidate Recommendation Committee and the AGMs. The BOD is composed of four executive directors who are corporate management experts and five non-executive directors who have expertise in accounting, audit, finance, law, and management, thus ensuring that the BOD performs its management supervision functions in an objective way, based on the diverse perspectives of its members. In accordance with the Corporate Governance Charter, LOTTE Corporation's non-executive directors can ask the company for information they need to perform their duties or seek advice from external experts. We provide non-executive directors with regular training on major matters related to the management of LOTTE Corporation and the Group affiliates as it is important for them to understand the characteristics of the affiliates as well as the holding company itself, thereby helping them to execute their duties effectively.

We consider, with priority, candidates who can make independent judgments from diverse perspectives, without prejudice regarding race, nationality, gender, region of origin, religion, or field of expertise. We appoint non-executive directors who have no significant interests in the company in performing their functions of supervising and keeping management in check in order to increase our transparency and responsibility.



**BOD Committees** To raise the BOD's operational expertise and efficiency, LOTTE Corporation has established six committees within its BOD – Audit Committee, Transparent Management Committee, Compensation Committee, Non-executive Director Candidate Recommendation Committee, ESG Committee, and Executive Committee.

All members of the Audit Committee are non-executive directors, while a majority of the Transparent Management Committee, Compensation Committee, Non-executive Director Candidate Recommendation Committee, and ESG Committee are non-executive directors. In March 2022, to raise their understanding of the company and secure the necessary expertise, we added one more non-executive director to each of the Compensation Committee, Non-executive Director Candidate Recommendation Committee, and ESG Committee.

The Executive Committee is composed solely of executive directors: As the executive body of the company's affairs, it deliberates and passes resolutions on matters delegated to it by the BOD's resolution, except as provided for in the relevant statutes and the articles of association.

**BOD Operation** The BOD must be operated efficiently and reasonably so that the best management decisions can be made in the interest of both the company and its shareholders. To this end, LOTTE Corporation's Articles of Incorporation, BOD Regulations, and Regulations on the Operation of the BOD all set forth the Board's authority, responsibilities and operational processes accordingly.

BOD meetings are categorized into regular BOD meetings, which are held at least once a quarter in accordance with the BOD Regulations, and extraordinary BOD meetings, which are held as and when required. We hold a regular BOD meeting to approve financial statements every quarter and to convene an AGM, while an extraordinary BOD meeting is held whenever an urgent matter arises.

**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.

#### Committee within Board of Directors

Committee Name	Chairman	Member	Roles
Audit Committee	Non-executive Director Chang-Soo Kim	Non-executive Director Hae Kyoung Kim Non-executive Director Nam-gyoo Park	<ul style="list-style-type: none"> <li>Review financial statements</li> <li>Demand directors to provide business reports, and investigate the company's state of assets and business</li> <li>Appoint, change, and dismiss external auditors</li> </ul>
Transparent Management Committee	Non-executive Director Kyung-chun Lee	Non-executive Director Hae Kyoung Kim Non-executive Director Chang-Soo Kim	<ul style="list-style-type: none"> <li>Enhance transparency in transactions between the Group affiliates and specially related parties, and realize transparent management</li> <li>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</li> </ul>
Compensation Committee	Non-executive Director Hae Kyoung Kim	Executive Director Jung uk Goh Non-executive Director Pyung-oh Kwon Non-executive Director Kyung-chun Lee	<ul style="list-style-type: none"> <li>Approve the registered director remuneration limit that will be submitted to an AGM</li> <li>Approve individual remunerations of registered directors (including bonuses)</li> </ul>
Director Candidate Nomination Committee	Non-executive Director Pyung-oh Kwon	Executive Director Yong-Dok Song Non-executive Director Nam-gyoo Park Non-executive Director Chang-Soo Kim	<ul style="list-style-type: none"> <li>Recommend non-executive director candidates to AGMs</li> </ul>
ESG Committee	Non-executive Director Nam-gyoo Park	Executive Director Dong-Woo Lee Non-executive Director Pyung-oh Kwon Non-executive Director Kyung-chun Lee	<ul style="list-style-type: none"> <li>Establish mid- to long-term ESG strategies and action plans, and monitor major executed matters</li> <li>Make decisions to maximize ESG-based business opportunities and minimize risks</li> </ul>
Executive Committee	Executive Director Yong-Dok Song	Executive Director Dong-Woo Lee Executive Director Jung uk Goh	<ul style="list-style-type: none"> <li>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</li> <li>Deliberate matters that require prior review for submission to the BOD</li> <li>Manage and supervise corporate-wide risks, including financial and non-financial risks, as well as management strategies</li> </ul>

\* As of the end of March 2022

## Details on BOD Meetings in 2021

No.	Date	Agenda		Approval	Attendance
		Classification	Details		
1	Feb. 9	Resolution	1. Approval of the 54 <sup>th</sup> financial statements 2. Approval and delegation of the payment guarantee 3. Approval of the 54th Business Report 4. Renewal of the Group-wide system contract 5. Approval of the introduction of the e-voting system 6. Execution of donations	Approved	9/9
		Report	1. Report on the operational status of the internal accounting control system in 2020		
2	Mar. 11	Resolution	1. Approval of changes to the financial statements and business report 2. Approval of borrowing 3. Convocation of an AGM and determination of the purpose of the meeting 4. Appointment of the AGM chairperson	Approved	8/9
		Report	1. Report on the evaluation of the operational status of the internal accounting control system		
3	Mar. 26	Resolution	1. Appointment of the BOD chairperson 2. Appointment of the members of the Transparent Management Committee 3. Appointment of a new member of the Executive Committee 4. Report on contract change between LOTTE Global Logistics' shareholders	Approved	8/9
4	May 27	Resolution	1. Approval of a consignment contract for comprehensive recruitment tools 2. Introduction of the Corporate Governance Charter 3-1. Participation in a paid-in capital increase through investment in kind and signing of a contract on investment in kind for LOTTE Chilsung Beverage 3-2. Participation in a paid-in capital increase through investment in kind and signing of a contract on investment in kind for LOTTE Food 3-3. Participation in a paid-in capital increase through investment in kind and signing of a contract on investment in kind for LOTTE Trading 4. Purchase of LOTTE Chemical shares	Approved	8/9
		Resolution	1. Execution of donations		
5	Jul. 20	Report	1. Report on the payment guarantee for overseas Group affiliates	Approved	9/9
6	Spt. 2	Resolution	1. Approval of paid-in capital increase allocated to a third party following complete share capital reduction for LOTTE Asset Development 2. Establishment of the ESG Committee	Approved	8/9
		Report	1. Report on a new organization and its head		
7	Oct. 14	Resolution	1. Approval of the acquisition/transfer of LOTTE Academy 2. Conclusion of a land lease agreement	Approved	9/9
8	Nov. 25	Report	1. Report on the reshuffle of executives and other related matters for 2022	Approved	8/9
9	Dec. 20	Resolution	1. Approval of the change of a member of the Executive Committee 2. Approval of the renewal of the brand licensing agreement and transaction amount 3. Approval of major internal trading among Group affiliates 4. Renewal of the Group-wide system contract 5. Disposition of preferred stock treasury stock 6. Payment guarantee for overseas Group affiliates 7. Approval of the bond issuance limit	Approved	7/8
		Report	1. Report on the payment guarantee for overseas Group affiliates 2. Report on the results of the treasury stock repurchase of LOTTE Chilsung Beverage 3. Report on the 2022 management plan		

# Enhancing Shareholder Value

## Shareholder Status

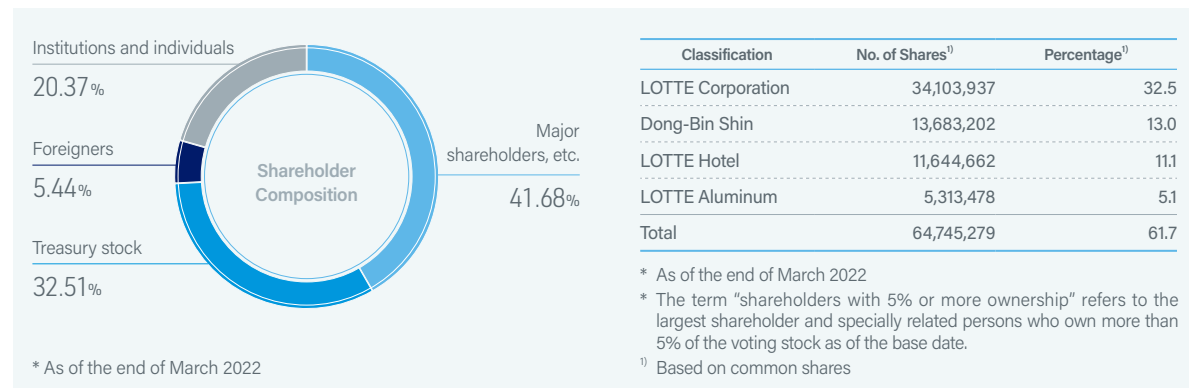
**Issuance of Shares** LOTTE Corporation specifies that a shareholder has one voting right per share in accordance with its Articles of Incorporation, and there are no voting rights for preferred shares. This reflects that LOTTE Corporation provides fair voting rights according to the types and number of shares owned by shareholders. As of the end of March 2022, 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 March 2022

### Shareholder Composition and Ownership



## Shareholder-friendly Management

**Protection of Shareholder Rights and Interests** In February 2021, we introduced the electronic voting system to enhance our shareholders' convenience and help them exercise their voting rights in various ways. When LOTTE Corporation convenes an AGM, we post a notice of the date, time, venue, and purpose of the meeting no later than two weeks prior to the AGM in order to give our shareholders sufficient time to review the items on the agenda before exercising their voting rights.

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

**Compliance Charter** LOTTE Group has implemented diverse compliance policies according to the Administrative Compliance Charter (with key compliance-related details) established in 2017, following our declaration of compliance management in 2016. We provide compliance training on a regular basis so that our employees can develop a strict understanding of the relevant regulations and internalize them. We have also built an inspection system to enable our employees to independently inspect their compliance with the regulations, while we regularly supervise the status of their implementation.

**LOTTE Personnel Code of Conduct** LOTTE Group established the LOTTE Personnel Code of Conduct, which sets forth the principles of ethical conduct to be observed by all LOTTE personnel, in 2015. The Code covers diverse regulations and social/ethical requirements at home and abroad, including the prohibition of workplace harassment, sexual harassment, and discrimination; the prohibition of unfair trade with partners; the prohibition of corruption and improper solicitation; the prohibition of insider trading; and honest marketing. It has been translated into six languages, and is distributed to all Group affiliate employees in Korea and abroad.

In April 2020, we added the “General Principles,” which specify the obligations that the company should fulfill to comply with the Code, as well as methods of whistleblowing and whistleblower protection principles. We also made an amendment to include “Trust with Our Stockholders” with the aim of enhancing shareholder value and accounting transparency. Going forward, we will continue to upgrade our Code of Conduct and the level of our compliance management in line with the latest internal and external trends.

**Training on the Code of Conduct** Since 2020, we have made it mandatory for all Group affiliate employees to complete annual training on the LOTTE Personnel Code of Conduct. In 2021, we created a curriculum with a particular focus on the reasons why they should comply with the LOTTE Personnel Code of Conduct for ESG management and provided the corresponding training to all our employees. In 2021, 36,127 employees of 55 LOTTE Group affiliates and 139 people from LOTTE Corporation completed the training program on the LOTTE Personnel Code of Conduct.

**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

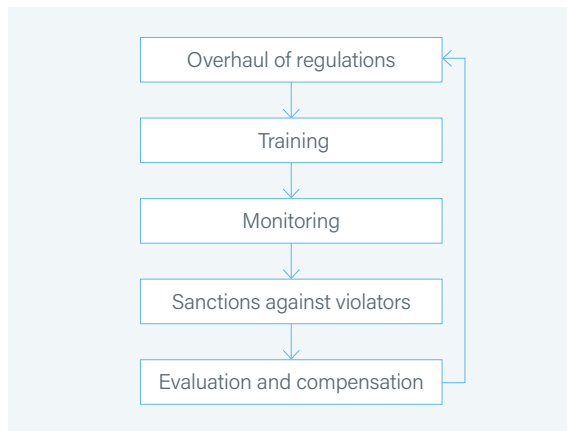
content on the importance and role of the Code of Conduct and the need for all employees to comply with the Code of Conduct for continued growth of Group affiliates through the company newsletter.

### Advancing Compliance System

**Global Compliance Work Guidelines** To strengthen the compliance management system of LOTTE Corporation and LOTTE Group affiliates at home and abroad, we established the “Global Compliance Work Guidelines” in July 2020, which stipulates the major matters needed for systematic and effective implementation and handling of various compliance-related works, including the establishment of a compliance organization, methods of risk identification, training, monitoring, and an activity reporting system.

**Global Anti-Corruption Guidelines** In July 2021, to build an anti-corruption system at all Group affiliates, LOTTE Corporation established the “Global Anti-corruption Guidelines” which include observance of overseas anti-corruption-related laws, such as the Foreign Corrupt Practices Act (FCPA) of the US and the UK Bribery Act, and the principles on the prohibition of entertainment and bribery aimed at influencing government officials, including public officials, or partners.

### Obligations and Responsibilities to Build a Compliance Management System



### 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 March 2022, 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.

**Compliance Assessment** In September 2021, LOTTE Group conducted a compliance assessment for all its Group affiliates' employees in order to identify the employees' level of awareness of the LOTTE Personnel Code of Conduct and measure the companies' level of compliance.

We conducted survey on some 40,700 employees from 40 Group affiliates, including LOTTE Corporation, on the level of awareness of the Group affiliates' institutional/cultural preparations to practice compliance and the level of determination of each individual employee to implement the Code of Conduct. Of the total, 24,525 employees responded, a response rate of 60.3%. The results of the survey show that they perceive that while the system and cultural basis are relatively well established, each employee's actual practice of compliance is relatively low. Going forward, LOTTE Group will establish and implement the necessary policies to address the shortcomings identified in the assessment while providing necessary training to its 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 security training.

**Fair Trade - Foundation for Responsible Business**

**Spreading CP Group-wide** LOTTE Corporation is making diverse efforts to spread the compliance program (CP) within the Group, thereby preventing fair trade-related risks and establishing a transparent corporate culture at LOTTE Group.

As part of our fair trade risk management policy, we have supported the introduction of CP by major Group affiliates ever since the foundation of LOTTE Corporation. Thus far, more than 30 Group affiliates have introduced and operated the CP. To comply with the Fair Trade Commission's CP operation regulations, the Group affiliates have established procedures for risk evaluation and sorting, training and monitoring, and evaluation and reporting, creating a virtuous cycle essential to the elimination of fair trade risks. Going forward, to spread and enhance the Group affiliates' CP activities, LOTTE Corporation will continue to support their fair trade competency evaluation, training, and internal monitoring as well as their policy on eradicating unfair trade practices.

**Composition of the Compliance Committee**

**CHAIRMAN**

- In-bok Lee, Former Supreme Court Justice

**INTERNAL MEMBERS**

- Eun-jae Park, Head of Legal & Compliance Division, LOTTE Corporation
- Doo-Hwan Park, Head of HR Innovation Division, LOTTE Corporation
- Jung uk Goh, Head of Financial Innovation Division, LOTTE Corporation

**EXTERNAL MEMBERS**

- Sang-joon Kim, The Representative Lawyer of KS&P Law Firm
- Sam-hyun Song, The Representative Lawyer of Amicus Law Firm
- Seung-ho Ahn, Professor at the School of Business of Soongsil University

**Major Deliberations/Decisions Made by the Compliance Committee in 2021**

- Decision on recommendations/revisions regarding the adoption of the Governance Charter by the Group's listed companies
- Decision on the training plan for the LOTTE Personnel Code of Conduct for all Group affiliates
- Deliberation on the monitoring progress of the Group affiliates' compliance
- Report on the establishment of the Group's compliance management portal system
- Review of the best compliance practices by Group affiliates



**Evaluating the Group Affiliates' Fair Trade Competency** To assess improvements in the fair trade competency of some 30 Group affiliates identified as having high fair trade risks, LOTTE Corporation conducts a fair trade competency evaluation in November of each year and reflects the results in the respective companies' employee KPI evaluations, including top management. The fair trade evaluation of the Group affiliates in 2021 indicated that approximately 20 Group affiliates had introduced and operated almost all of the eight important CP items. In particular, compared to the results of the 2020 evaluation, the affiliates' top management became more actively involved in the initiative through the CEO fair trade training and the CP plan reporting to the BOD, resulting in effective CP operations.

Going forward, our fair trade competency evaluation of LOTTE Group affiliates will focus on whether a system is in place that enables appropriate responses to potential risks and negative factors, considering that the evaluation has a significant social impact from the ESG management perspective. To this end, we will integrate the compliance evaluation into the evaluation of our Group affiliates in 2022.

#### Fair Trade Training of the Group Affiliates in 2021

Month	Course Name	Topic
1	Group affiliate team manager workshop	Informing of major policy trend and other work-related communication
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	Informing of major policy trend and other work-related 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
12	Group affiliate team manager workshop	Final review on the amended Fair Trade Act

**Fair Trade Training for the Group Affiliates** To strengthen the Group affiliates' fair trade capabilities and enhance the expertise of their departments in charge, LOTTE Corporation operates a variety of in-depth training programs customized for their business characteristics, as well as trainees' positions/ranks and work relevance among others. In 2021, we held three workshops for team leaders in charge of fair trade at Group affiliates, as well as customized in-depth training for affiliates involved in the areas of franchising, retail, agency, and subcontracting. In particular, in line with the full amendment of the Monopoly Regulation and Fair Trade Act in December 2021, we have included the content in our annual training programs for Group affiliates.

In 2022, on top of our basic education programs to be carried out according to our annual training plan, we are offering specialized training to the working-level managers of our Group affiliates that operate online malls so as to enhance our risk management and compliance practices in view of the growing need for regulation on unfair trade in online malls amid the ever expanding volume of online transactions.

**Support for the Group Affiliates' Internal Monitoring Activities** LOTTE Corporation supports the Group affiliates' internal monitoring activities according to its internal monitoring directions and themes for important areas of fair trade, such as insider trading and unfair trade practices, which are set annually. Most notably, we provide customized support to small-to medium-size Group affiliates that find it difficult to conduct an internal fair trade risk assessment on their own as a way to upgrade the level of our Group-wide compliance management. The results of the Group affiliates' internal monitoring efforts are reported to the respective company's top management along with our policy recommendations so that they can make actual performance improvements.

In 2022, we will reflect recent trends in fair trade in our fair trade compliance guides and help our Group affiliates to respond to crucial risks in a preemptive manner.

**Policy Support to Eradicate Unfair Trade Conduct** To more fundamentally address unfair trade conduct and practices that may occur while trading with suppliers, LOTTE Corporation is collaborating with Group affiliates in various areas such as the "progress check in relation to fair trade" and the "establishment of communication channels." To address the risk of labeling and advertising violations that may arise under the COVID-19 situation during 2020 and 2021, we adopted and implemented the self-risk detection RPA<sup>1)</sup> system, through which we were able to systematically filter out matters that could have been overlooked by Group affiliates, thereby reducing actual fair trade risks.

In 2022, we will make continuous efforts to enhance our Group affiliates' fair trade capabilities and build a consensus among them on fair trade policies. To this end, we will provide training on major risks, support monitoring, distribute compliance guidelines, and share major regulatory trends, while continuing to communicate with Group affiliates and offer them as much policy support as possible to eradicate any of their unfair trade practices.

<sup>1)</sup> RPA (Robotic Process Automation): Technology for automating processes by applying software to repetitive and simple tasks during business operations



## 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.

**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.

**Written Pledge on Anti-Corruption Compliance** All employees of LOTTE Corporation<sup>1)</sup> 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 "Sinmungo", 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 Sinmungo 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, informant can use email and postal mail, and a whistleblower protection program is in place, as well. A total of 283 reports were received through the Sinmungo in 2021, and they were handled 100% in accordance with an internal process.

### Ethical Management Training of the Group

Classification	2019	2020	2021
Newly-appointed CEOs	18 persons	9 persons	7 persons
Newly-hired Employees	575 persons	730 persons (online)	510 persons
Promoted Employees	1,313 persons	1,094 persons	878 persons
Themes & Positions	995 persons (investment, public disclosure, etc.)	Not held due to COVID-19 situation	Not held due to COVID-19 situation

### Workplace Ethics Sharing Activities of the Group

Classification	2019	2020	2021
Ethical Management Team Meeting per HQ	4 times/136 persons	2 times/68 persons (online)	4 times/144 persons (online)
Ethical Management Team Workshop	150 persons	Not held due to COVID-19 situation	Not held due to COVID-19 situation

### Status and Types of the Sinmungo Reporting

Classification	2020	2021	2020	Note
Corruption	61	25	14	
Partner complaints	34	48	41	
Safety	6	1	1	
Quality	11	1	0	
Sexual harassment	4	4	4	
Unfair recruitment	0	1	4	
Workplace harassment	-	26	12	New item in 2020
Sub total	116	106	76	
Customer complaints	215	101	61	
Compliment, suggestions, etc.	245	103	146	
Sub total	460	204	207	
Total	576	310	283	

<sup>1)</sup> Including regular, contract, and dispatched workers

\* Based on cases received through the official website of LOTTE Corporation

# Strengthening Risk Management

## Integrated Risk Management

**Risk Management Process** LOTTE Corporation is strengthening its risk management functions and effectively responding to business environment changes in Korea and abroad by adding a corporate-wide risk management function to the Executive Committee under the BOD and strengthening 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 is 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 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 security



- In relation to security, including personal information security and IT infrastructure vulnerabilities – identified risks related to non-compliance with information security 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 security, and establishing a process for autonomous information security inspections

### Internal Control System

**Internal Monitoring System** 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. 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; segregation 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; other internal verification processes such as independent and regular measurement, comparison, and adjustment.

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.

**Internal Accounting Management** LOTTE Corporation has established an internal accounting control system pursuant to Article 8 of the Act on External Audit of Stock Companies to develop and disclose credible accounting information while managing and operating the system in place through an organization exclusively in charge of the task.

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, evaluation and reporting of the operational status of internal control, management of internal accounting control regulations, examination of the status of operation, employee training, and change management. 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 2021 based on conceptual framework for designing and operating the internal accounting control system 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
2019	Unqualified	Unqualified	Unqualified
2020	Unqualified	Unqualified	Unqualified
2021	Unqualified	Unqualified	Unqualified



## Thorough Information Security

**Information Security Policy** Cyber-attacks, which are becoming increasingly intelligent and advanced day by day, pose a great threat to the sustainable management of companies. In response, LOTTE Group has established an information security governance system, responding to complex threat factors. We have established the "Group Information Security Policy" as the highest information security 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 security. In addition, based on the "Group Information Security 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 have established and managed information security regulations and are actively responding to various security risks.

LOTTE Corporation has established and enforced information security regulations that cover all areas of security management, including management, physical, technical, and personal information, under the principle of protecting the company's key information and personal information. Every year, we draft amendments that reflect the latest laws and relevant systems and the internal and external environment and finalize them after CEO approval. These information security regulations (including guidelines and detailed rules) provide the basic security principles that should be observed by the company and all its employees as well as detailed compliance methods for each area. They are posted on the company's intranet so all employees can access them easily.

### Information Security Organization

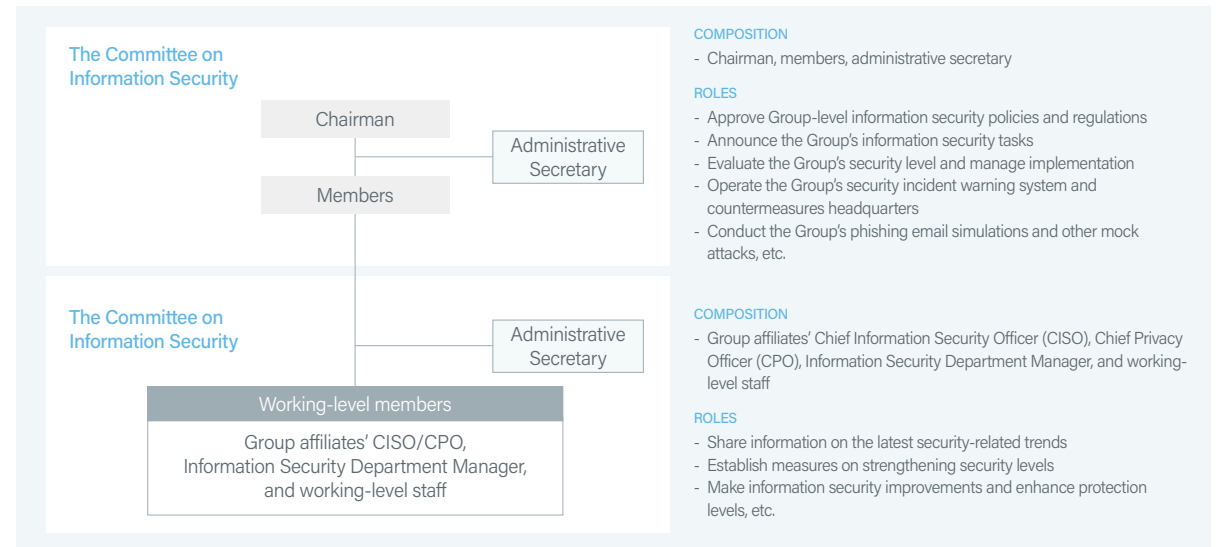
**Information Security Committees of LOTTE Group** LOTTE Group has formed an information security system that is in line with its environment and culture through "The Committee on Information Security", chaired by the CEO of LOTTE Corporation, and "The Working Committee on Information Security", based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

### Information Security Principles of the Group

- We shall consider information security in achieving management goals.
- Our employees shall be responsible for abiding by the responsibilities and obligations stipulated in the Group Information Security Regulations and relevant laws.
- As a principle, information security-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 Security Regulations are applied with priority.



### Organization Chart of the Group's Information Security Committees



**COMPOSITION**

- Chairman, members, administrative secretary

**ROLES**

- Approve Group-level information security policies and regulations
- Announce the Group's information security 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.

**COMPOSITION**

- Group affiliates' Chief Information Security Officer (CISO), Chief Privacy Officer (CPO), Information Security Department Manager, and working-level staff

**ROLES**

- Share information on the latest security-related trends
- Establish measures on strengthening security levels
- Make information security improvements and enhance protection levels, etc.

**Information Security Organization of LOTTE Corporation**

The Chief Information Security Officer (CISO) and the Chief Privacy Officer (CPO) of LOTTE Corporation collectively direct and supervise corporate and personal security protection while responding to security compliance issues such as information leakage through an information security organization. In addition, as part of a unified information security management system, we hold a "Working Council on Information Security" every quarter to raise the ability to execute information security. Staff in charge of such security areas as physical information security, technical information security, personal information security, and system personal information, attend the Council to discuss internal and external security incidents, compliance trends, security policies, and measures to strengthen information security, and make improvements.

**Information Security Management System**

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

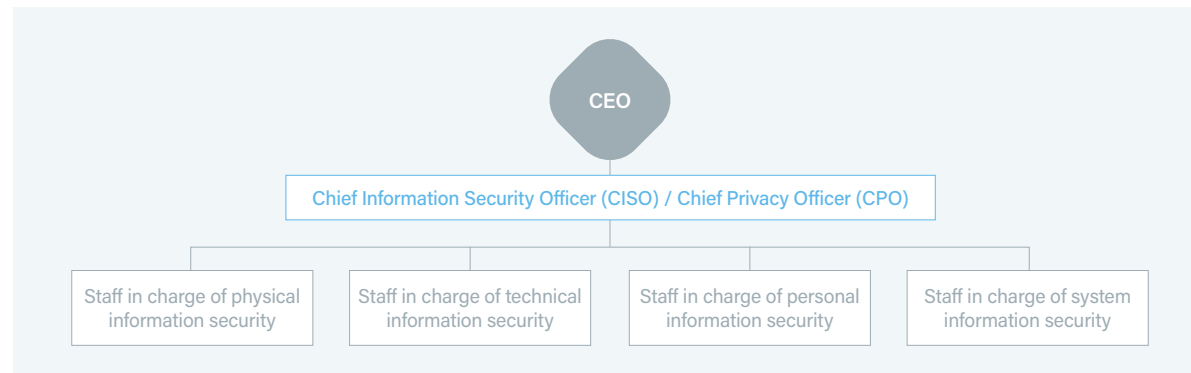
In addition to diagnosing the Group's information security level, LOTTE Corporation performs an internal evaluation to derive tasks needed to strengthen the security protection management system and make improvements accordingly. To protect information assets, we also operate security solutions, such 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 Security Management System**

LOTTE Corporation sets and implements 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 security, 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.

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 2019 to 2021.** 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.

Information Security Organization Chart of LOTTE Corporation



**Security Incident Prevention Activities**

**Security Incident Response System** The Group affiliates quickly make a report on the Group's information security 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.

**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.

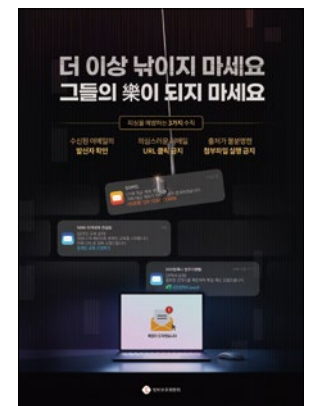
**Enhancing Employee Awareness of Information Security** LOTTE Group's Information Security Committees produce an information security poster once a year to raise employee awareness of information security and arrange it at each Group affiliate's offices and business sites, increasing security awareness. 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 security at the Group affiliates at least once a year to strengthen their professional information security capabilities.

**Employee Trainings on Personal Information Security**

Classification	Unit	2019	2020	2021
Hours of training	Hours	1	1	1
No. of trainees	Persons	164	148	141

LOTTE Corporation runs campaigns, provides training, and conducts security inspections to improve employee awareness of security. We provide legally required information protection training once a year to raise employee awareness of information security. We designate the last Friday of every month as "Information Security Day" and conduct a variety of activities. 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. In addition, we have established and implemented telecommuting security rules that reflect changes to the non-face-to-face work environment.

**Security Incident Response System of the Group**



LOTTE Group information security posters

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

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# APPENDIX



# Materiality Analysis

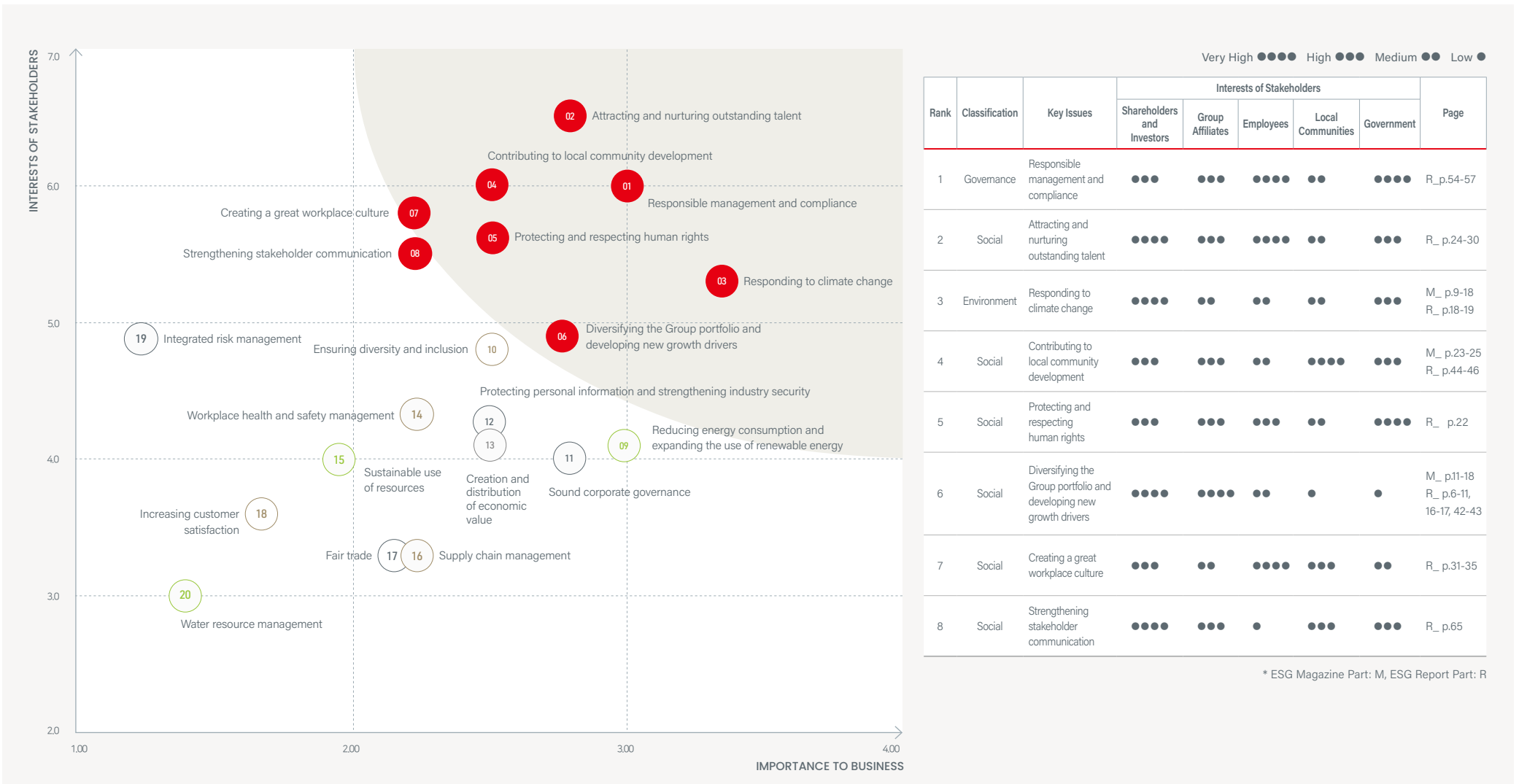
## Materiality Analysis Process

LOTTE Corporation conducted a materiality analysis to identify key issues in the economic and ESG areas that affect the company and its stakeholders. We have analyzed global ESG-related guidelines and evaluation indicators, major issues of leading companies, and domestic and foreign media reports, selected 20 reporting issues that are highly relevant to LOTTE Corporation, and evaluated the materiality of LOTTE Corporation's reporting issues after comprehensively analyzing the degree of impact on our business performance, the level of interest in each issue by six key stakeholders, and the degree of social and environmental impact.



## Materiality Analysis Results

Based on the result of the materiality analysis, we have selected eight key issues such as 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. LOTTE Corporation would like to focus on these eight key issues throughout this report.



# 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.

	 <b>Shareholders and Investors</b>	 <b>Group Affiliates</b>	 <b>Employees</b>	 <b>Government</b>	 <b>Local Communities</b>	 <b>NGOs and Associations</b>
<b>Main Interests of Stakeholders</b>	<ul style="list-style-type: none"> <li>• Maximizing shareholder value</li> <li>• Stable financial performance</li> <li>• Business outlook</li> <li>• Governance transparency</li> <li>• ESG risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Directions for the Group operations</li> <li>• Sharing information among the Group affiliates</li> <li>• Fair trading</li> </ul>	<ul style="list-style-type: none"> <li>• Fair performance evaluation and compensation</li> <li>• Grievance handling</li> <li>• Employee benefits</li> <li>• Respecting female leadership</li> <li>• Supporting employees' capacity building</li> </ul>	<ul style="list-style-type: none"> <li>• Obeying the law</li> <li>• Job creation</li> <li>• Tax payment</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with local communities</li> <li>• Contributions to local communities</li> <li>• Support for COVID-19 response</li> </ul>	<ul style="list-style-type: none"> <li>• Governance transparency</li> <li>• Social responsibility toward local communities and the environment</li> <li>• Expanding investments in eco-friendly management</li> </ul>
<b>Communication Channels</b>	<ul style="list-style-type: none"> <li>• Annual general meeting and extraordinary general meeting (at least once a quarter and frequently)</li> <li>• Corporate day (frequently)</li> <li>• IR disclosure materials including business report, corporate governance report, sustainability report (frequently)</li> </ul>	<ul style="list-style-type: none"> <li>• Regular VCM (twice a year)</li> <li>• ESG Working-Level Council (monthly)</li> <li>• LOTTE Personnel Code of Conduct (when amended)</li> </ul>	<ul style="list-style-type: none"> <li>• Labor-Management Council (quarterly)</li> <li>• Corporate Ethics Counseling Center including Sinnungo (year-round)</li> <li>• Smart working platforms (year-round)</li> <li>• People of LOTTE Group (when revised)</li> <li>• LOTTE Diversity Forum (annually)</li> </ul>	<ul style="list-style-type: none"> <li>• Policy meetings and seminars (frequently)</li> </ul>	<ul style="list-style-type: none"> <li>• Local government briefings and meetings (frequently)</li> </ul>	<ul style="list-style-type: none"> <li>• Press releases (frequently)</li> <li>• Relevant councils or meetings (frequently)</li> </ul>

\* 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

## Environmental

Indicator		Unit	2019	2020	2021	
Status of GHG emissions	Total	tCO <sub>2</sub> e	295.62	321.53	296.12	
	Direct (Scope 1) GHG emissions	tCO <sub>2</sub> e	190.92	224.25	198.54	
	Indirect (Scope 2) GHG emissions	tCO <sub>2</sub> e	104.70	97.28	97.58	
	GHG intensity <sup>2)</sup>	tCO <sub>2</sub> e/ KRW trillion	33.38	35.38	29.84	
Status of energy consumption	Total	TJ	5.07	5.39	5.05	
	LNG	TJ	0.29	0.23	0.21	
	Gasoline	TJ	2.62	3.16	2.80	
	Electricity	TJ	2.16	2.00	2.04	
	Energy intensity <sup>4)</sup>	TJ/KRW trillion	0.57	0.59	0.51	
Status of waste management	Waste generation	General waste	Tons	5.03	5.18	6.01
	Waste treatment	Total	Tons	5.03	5.18	6.01
		Recycling	Tons	2.60	3.56	3.46
		Incineration	Tons	2.19	1.46	2.30
		Landfill	Tons	0.24	0.16	0.26
Waste treatment costs <sup>5)</sup>	KRW million	1.63	1.69	1.49		
Status of water consumption	Water consumption <sup>6)</sup>	Tons	1,014	762	740	
	Water recycling	Tons	427	361	328	
	Water recycling rate <sup>7)</sup>	%	42	47	44	

<sup>1)</sup> GHG emissions are calculated based on CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O emissions in accordance with relevant guidelines; and the figures for 2019 and 2020 are adjusted by including mobile combustion emissions in direct GHG emissions (Scope 1).

<sup>2)</sup> Total GHG emissions of the year ÷ Consolidated sales

<sup>3)</sup> The figures for 2019 and 2020 are adjusted by including gasoline consumption.

<sup>4)</sup> Total energy consumption of the year ÷ Consolidated sales

<sup>5)</sup> Total waste treatment costs, including outsourced treatment costs

<sup>6)</sup> Volume of waterworks consumed

<sup>7)</sup> (Volume of recycled water ÷ Total water consumption) x 100

## Social

Indicator		Unit	2019	2020	2021	
Employment	Total number of employees <sup>1)</sup>	Persons	179	151	193	
	Male	Persons	136	118	147	
		Persons	43	33	46	
	Number of full-time employees <sup>2)</sup>	Total	Persons	179	150	188
		Male	Persons	136	117	144
		Female	Persons	43	33	44
Number of part-time employees <sup>3)</sup>	Total	Persons	0	1	5	
	Male	Persons	0	1	3	
	Female	Persons	0	0	2	
	Number of employees by region <sup>2)</sup>	In Korea	Persons	179	151	193
Number of employees by age <sup>4)</sup>	Under 30 years old	Persons	17	13	14	
	Over 30 to under 50 years old	Persons	143	119	161	
	Over 50 years old	Persons	19	19	18	
Respect for diversity	Person with disabilities	Employees with disabilities	Persons	4	4	1
	Female employees	Female managers <sup>5)</sup>	Persons	7	3	7
		Percentage of female managers <sup>6)</sup>	%	4	2	4
New employee hires and turnover	Total	Persons	32	41	73	
		By gender	Male	Persons	21	29
	Female	Persons	11	12	23	
		By age	Under 30 years old	Persons	7	6
	Over 30 to under 50 years old	Persons	23	28	64	
		Over 50 years old	Persons	2	7	5

<sup>1)</sup> Total No. of LOTTE Corporation employees in Korea (no expatriate working overseas), and including advisors and consultants, while excluding registered executives/non-executive directors/workers dispatched to the Group affiliates/service positions. The figures for 2019 and 2020 are revised due to the change in the data calculation criteria.

<sup>2)</sup> The figures for 2019 and 2020 revised due to the change in the data calculation criteria.

<sup>3)</sup> The figures for 2020 revised due to the change in the data calculation criteria.

<sup>4)</sup> Based on the "Western age." The figures for 2019 and 2020 revised due to the change in the data calculation criteria.

<sup>5)</sup> No. of female managers with a leader (S grade or higher) position

<sup>6)</sup> Percentage of female managers with a leader position (S grade or higher) among total employees

<sup>7)</sup> Including regular workers, contract workers, newly hired experienced workers, and workers transferred from the Group affiliates Based on the "Western age." The 2020 figures are revised due to a calculation error.



**Social**

Indicator		Unit	2019	2020	2021	
New employee hires and turnover	Length of service	Average length of service <sup>8)</sup>	Years	10.8	10.3	10.2
	Employee turnover	Total employee turnover <sup>9)</sup>	Persons	34	70	32
		Voluntary turnover <sup>10)</sup>	Persons	2	3	7
Employee turnover rate <sup>11)</sup>		%	1	2	4	
Employee benefits and childcare leave	Childcare leave	Number of people subject to childcare leave <sup>12)</sup>	Persons	7	6	6
		Number of people used childcare leave <sup>13)</sup>	Persons	6 (Male: 3)	5 (Male: 5)	7 <sup>14)</sup> (Male: 4)
		Return to work rate after childcare leave <sup>15)</sup>	%	83	100	100
	Parental leave	Continue to work rate for more than 12 months after childcare leave <sup>16)</sup>	%	80	80	100
		Number of people used parental leave	Persons	3	1	6
		Return to work rate after parental leave	%	100	100	100

<sup>8)</sup> 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

<sup>9)</sup> Including workers who transferred to the Group affiliates

<sup>10)</sup> The figure for 2020 revised due to the change in the data calculation criteria.

<sup>11)</sup> Based on voluntary turnover. The figure for 2020 revised due to the change in the data calculation criteria.

<sup>12)</sup> Based on employees with a child born in the corresponding year (including a spouse's childbirth)

<sup>13)</sup> Based on the start date of a childcare leave, including a compulsory childcare leave for men

<sup>14)</sup> Including 1 person who did not take childcare leave after childbirth in the previous year

<sup>15)</sup> (No. of employees who returned to work after a leave ÷ No. of employees on leave) x 100

<sup>16)</sup> (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

Indicator		Unit	2019	2020	2021	
Employee training	Training on LOTTE Personnel Code of Conduct <sup>17)</sup>	Training hours	Hours	-	513	278
		Number of employees completed the course	Persons	-	162	139
	Personal information security training	Training hours	Hours	1	1	1
		Number of employees completed the course	Persons	164	148	141
	Job training	Total training hours	Hours	12,723	12,765	10,729
		Number of employees completed the course <sup>18)</sup>	Persons	196	202	173
Training hours per person <sup>19)</sup>		Hours	64.91	63.19	62.02	
Total training expenses		KRW million	454	253	155	
Performance evaluation and compensation	Regular performance evaluation	Training expenses per person <sup>20)</sup>	KRW million	2.32	1.25	0.89
		Number of people subject to performance evaluation <sup>21)</sup>	Persons	146	119	155
	Employee satisfaction survey	Percentage of people subject to performance evaluation <sup>22)</sup>	%	82	79	82
		Employee satisfaction survey results <sup>23)</sup>	Points	79	78	78
	Paid vacation	Average length of paid vacation <sup>24)</sup>	Days	22.51	22.49	21.15
		LOTTE CSV Donations of LOTTE Corporation	KRW million	2,884	17,041	2,564

<sup>17)</sup> Began to offer training in 2020

<sup>18)</sup> Including employees who completed legally mandatory trainings among those dispatched to the Group affiliates

<sup>19)</sup> Total training hours ÷ No. of trainees

<sup>20)</sup> Total training costs ÷ No. of trainees

<sup>21)</sup> No. of total regular employees excluding executives and supporting professionals. Contract employees of the Design Management Center included to measure the performance of regular employees. The Design Management Center established in 2021. The figures for 2019 and 2020 revised due to the change in the data calculation criteria.

<sup>22)</sup> (Employees subject to performance evaluation / Total No. of regular employees) x 100. Total No. of regular employees: No. of employees excluding fixed-term contract workers from all employees. The figures for 2019 and 2020 revised due to the change in the data calculation criteria.

<sup>23)</sup> Results of LOTTE Value Creation Culture Survey (L-VCS) on all employees

<sup>24)</sup> Average no. of days of paid leave (annual leave, seasonal leave) provided across the board to employees in a year

**Governance**

Indicator		Unit	2019	2020	2021
BOD composition	Total	Persons	7	9	9
	Scale of the BOD				
	Number of executive directors	Persons	3	4	4
	Number of non-executive directors	Persons	4	5	5
Board diversity	Number of female registered executives <sup>1)</sup>	Persons	0	0	1
Average attendance rate of the Board meetings		%	88	92	93
Average tenure of directors		Years	2.2	2.2	0.29 <sup>2)</sup>
Rate of actual payment against the director remuneration limit <sup>3)</sup>		%	31	40	66
BOD operations	Operation of the Non-executive Director Candidate Recommendation Committee				
	Number of committee meetings held	Times	0	2	1
	Percentage of non-executive directors	%	67	67	75
	Operation of the Audit Committee				
	Number of committee meetings held	Times	5	7	5
	Percentage of non-executive directors	%	100	100	100
	Operation of the Transparent Management Committee				
	Number of committee meetings held	Times	9	7	4
Operation of the Compensation Committee	Percentage of non-executive directors	%	75	75	75
	Number of committee meetings held	Times	1	5	2
	Percentage of non-executive directors	%	67	67	75
	Value of the company stock owned by the CEO equal to the multiple of his/her base salary	Times	171	123	79
Governance transparency	Share ownership <sup>4)</sup>				
	Value of the company stock owned by an executive director equal to the multiple of his/her base salary	Times	136	100	79
	Percentage of 5% or more share ownership of the founder and families	%	12	13	13

<sup>1)</sup> As of the end of March 2022. Appointment of 1 female non-executive director.

<sup>2)</sup> Appointment of a new non-executive director due to an executive's expiration of term of office

<sup>3)</sup> (Total amount of "actually paid director remuneration" ÷ Amount approved at the AGM as the "director remuneration limit") x 100

<sup>4)</sup> Based on No. of common shares as of the end of December of the relevant year

Indicator		Unit	2019	2020	2021
Governance transparency	Management compensation				
	Annual total compensation for the highest-paid individual	KRW million	2,072.07	3,517.4	4,357
	Median annual total compensation for all employees (excluding the CEO) <sup>5)</sup>	KRW million	144.18	129.73	138
	Ratio of the annual total compensation for the highest-paid individual to the median annual total compensation for all employees	Times	14.37	27.11	31.57
Shareholder communication	Number of IR activities (corporate day) a year <sup>6)</sup>	Cases	3	0	2
Management of workplace ethics violation	Operations of online Sinmungo				
	Number of cases received via online Sinmungo	Cases	576	310	283
	Reports on irregularity and corruption <sup>7)</sup>	Cases	116	106	76
	Customer complaints <sup>8)</sup>	Cases	460	204	207
	Rate of handling complaints received via online Sinmungo	%	100	100	100
Management of personal information	Number of received cases of personal information violation and complaints <sup>9)</sup>	Cases	0	0	0

<sup>5)</sup> Annual average salary of all employees excluding registered executives (unregistered executives and general regular employees)

<sup>6)</sup> Corporate day was not held due to the spread of COVID-19 in 2020.

<sup>7)</sup> No. of cases of partners complaints and cases of important VOCs related to safety and quality received via LOTTE Corporation's official website

<sup>8)</sup> No. of cases of simple complaints and inquiries received via LOTTE Corporation's official website. The figures for 2019 and 2020 revised due to the change in the data calculation criteria (total cases registered on the website).

<sup>9)</sup> No. of cases of complaints received regarding data leakage and infringement incidents

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<b>Economic Performance</b>			
Economic Performance	201-1	Direct economic value generated and distributed	R_ p.5
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	M_ p.23-25 R_ p.42-46
	203-2	Significant indirect economic impacts	M_ p.23-25 R_ p.42-46
Anti-corruption	205-1	Operations assessed for risks related to corruption	R_ p.55-56
	205-2	Communication and training about anti-corruption policies and procedures	R_ p.54-56, 68
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p.549 of the 55th Business
<b>Environmental Performance</b>			
Energy	302-1	Energy consumption within the organization	R_ p.67
	302-3	Energy intensity	R_ p.67
Water and Effluents (2018)	303-5	Water consumption	R_ p.67
Emissions	305-1	Direct (Scope 1) GHG emissions	R_ p.67
	305-2	Indirect (Scope 2) GHG emissions	R_ p.67
	305-4	GHG emissions intensity	R_ p.67
Waste (2020)	306-3	Waste generated	R_ p.67
	306-4	Waste diverted from disposal	R_ p.67
	306-5	Waste directed to disposal	R_ p.67
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	No violation

GRI Standard		Page	
<b>Social Performance</b>			
Employment	401-1	New hires and employee turnover	R_ p.67
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	R_ p.34-35
	401-3	Parental leave	R_ p.35, 68
Occupational Health and Safety (2018)	403-1	Occupational health and safety management system	M_ p.20-22 R_ p.36-37
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	R_ p.37-38
	403-4	Worker participation, consultation, and communication on occupational health and safety	R_ p.37
	403-5	Worker training on occupational health and safety	R_ p.40
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	R_ p.38-40
Training and Education	404-1	Average hours of training per year per employee	R_ p.68
	404-2	Programs for upgrading employee skills and transition assistance programs	R_ p.26-29
	404-3	Percentage of employees receiving regular performance and career development reviews	R_ p.68
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	R_ p.23, 31, 66
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	R_ p.57
Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	R_ p.35
Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	R_ p.22
Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	R_ p.22
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	R_ p.22
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	M_ p.23-25 R_ p.42-46
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	R_ p.61
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	p.549 of the 55th Business



# UNGC

As a member of the UN Global Compact (UNGC), LOTTE Corporation supports The Ten Principles of the UN Global Compact of human rights, labour, environment, and anti-corruption and does its utmost to comply with them; We seek various methods to create social value and implement them to achieve the UN SDGs (Sustainable Development Goals) for the wellbeing of the entire humankind.

Going forward, as a global corporate citizen, we will strive to maximize the creation of both corporate and social value while keeping pace with the goals being pursued earnestly by the international community.

## UN Global Compact – 10 Principles

	Principles	Related activities	Page
<b>Human Rights</b>	<ol style="list-style-type: none"> <li>1. Businesses should support and respect the protection of internationally proclaimed human rights; and</li> <li>2. make sure that they are not complicit in human rights abuses.</li> </ol>	<ul style="list-style-type: none"> <li>• As a member of the UNGC, LOTTE Corporation supports the “UN Guiding Principles on Business and Human Rights” and implements our human rights management based on them.</li> <li>• To promote the human rights of all the employees of the LOTTE Group, LOTTE Corporation specifies its human rights protection policy for its employees in all its documents that form the basis of its corporate management, such as the LOTTE Compliance Management Policies and the LOTTE Personnel Code of Conduct.</li> <li>• In June 2022, LOTTE Group enacted and announced the “LOTTE Group Statement on Human Rights” stipulating the standards for behavior and value judgment that all its staff and executives must comply with in the course of business activities and business execution.</li> </ul>	R_ p.22
<b>Labour</b>	<ol style="list-style-type: none"> <li>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</li> <li>4. the elimination of all forms of forced and compulsory labour;</li> <li>5. the effective abolition of child labour; and</li> <li>6. the elimination of discrimination in respect of employment and occupation.</li> </ol>	<ul style="list-style-type: none"> <li>• To promote sound development based on the engagement and cooperation of labor and management, LOTTE Corporation launched the Labor-Management Council in December 2017 and has operated it successfully.</li> <li>• Consisting of 12 members (six each from labor and management), the Council holds regular meetings every quarter to discuss and decide on matters related to all the working conditions of the company's employees.</li> <li>• LOTTE Corporation prohibits all forms of forced and child labor, nor does it tolerate any discrimination based on an individual's inherent characteristics such as gender, age, race, nationality, or disability.</li> </ul>	R_ p.22-23, 35
<b>Environment</b>	<ol style="list-style-type: none"> <li>7. Businesses should support a precautionary approach to environmental challenges;</li> <li>8. undertake initiatives to promote greater environmental responsibility; and</li> <li>9. encourage the development and diffusion of environmentally friendly technologies.</li> </ol>	<ul style="list-style-type: none"> <li>• To present the value of clean nature to our stakeholders, LOTTE Group has established and implemented its priorities and themes in the area of environmental protection such as the climate crisis, a virtuous cycle of resources, the protection of water resources, and sustainable production and consumption.</li> <li>• To advance the Group's environmental management philosophy, LOTTE Corporation implements Group-wide environmental management, considering the Group affiliates' industrial characteristics and management status, based on the principles of ISO 14001.</li> <li>• With an aim to achieve carbon neutrality by 2040, LOTTE Group has set Group-wide directions and strategies so that each business HQ can act on specific decisions about reducing GHG emissions, developing innovative technologies, and expanding eco-friendly businesses.</li> </ul>	M_ p.8-18 R_ p.12-19
<b>Anti-Corruption</b>	<ol style="list-style-type: none"> <li>10. Businesses should work against corruption in all its forms, including extortion and bribery.</li> </ol>	<ul style="list-style-type: none"> <li>• LOTTE Group has established the “LOTTE Personnel Code of Conduct” as a collection of principles of ethical behavior that all its staff and executives must comply with based on not only domestic and international laws but also social and ethical norms. All LOTTE employees strive to abide by it.</li> <li>• To help its employees internalize various ethical management activities, LOTTE Corporation continues to provide its employees with training on ethical management including case studies and preventative measures.</li> <li>• LOTTE Corporation operates Sinnungo (Corporate Ethics Counseling Center), a counseling and reporting channel for ethical management violations such as corruptive behavior, and deals with reports according to its internal procedures based on the confidentiality of informants' identity.</li> </ul>	R_ p.54-57

# Independent Assurance Statement

## Assurance Statement on The Sustainability Report for LOTTE Corporation

### Dear Stakeholders of LOTTE Corporation,

KFQ has been engaged by LOTTE Corporation to provide independent assurance on the 2021 Sustainability Report for LOTTE Corporation (the 'Report'). It is our responsibility to provide an independent assurance statement in accordance with the standards and scope of assurance as specified below. LOTTE Corporation has sole responsibility for the preparation of the Report.

### Standards and Scope of Assurance

- Standards: AA1000AS(v3) and AA1000AP(2018)
- Type: Type 2, covers the assessment of adherence to the Accountability principles of inclusivity, materiality, responsiveness, impact; and reliability and quality of disclosed information on sustainability performance.
- Level: Moderate, limited evidence has been obtained to support our assurance statement
- Scope:
  - GRI Standards(2020) Core option
    - Reporting Principles
    - Universal Standards
    - Topic Specific Standards

Topic	GRI Disclosure	Topic	GRI Disclosure
Management Approach	103-1, 103-2, 103-3	Occupational Health and Safety	403-1, 403-2, 403-4, 403-5, 403-7
Economic Performance	201-1	Training and Education	404-1, 404-2, 404-3
Indirect Economic Impacts	203-1, 203-2	Diversity and Equal Opportunity	405-1
Anti-Corruption	205-1, 205-2	Non-discrimination	406-1
Anti-competitive Behavior	206-1	Freedom of Association and Collective Bargaining	407-1
Energy	302-1, 302-3	Child Labor	408-1
Water and Effluents	303-5	Forced or Compulsory Labor	409-1

Topic	GRI Disclosure	Topic	GRI Disclosure
Emissions	305-1, 305-2, 305-4	Human Rights Assessment	412-1
Waste	306-3, 306-4, 306-5	Local Communities	413-1
Environmental Compliance	307-1	Customer Privacy	418-1
Employment	401-1, 401-2, 401-3	Socioeconomic Compliance	419-1

### Methodology

In order to assess the reliability of disclosures about the sustainability performance in the Report by applying the standards, we reviewed sustainability-related processes, systems, internal control procedures, and available data. The documentation reviewed during the assurance engagement includes:

- Non-financial information e.g., data provided to us by LOTTE Corporation, disclosed Business Reports, the previous Sustainability Report, and information obtained from media and/or the internet; and
- Financial information i.e., Financial statements reported on the DART (Data Analysis, Retrieval and Transfer System, <http://dart.fss.or.kr>), the Electronic Disclosure System managed by Financial Supervisory Service.

The assessment was performed by document review and onsite inspection. We interviewed employees who are responsible to prepare the Report, where we evaluated the validity of the materiality assessment processes, a stakeholder-centric approach to select material issues, data collection and management procedures, report preparation procedures, and validation of claims stated in the report. It was confirmed that errors, inappropriate information, and ambiguous expressions identified during the assessment were properly corrected prior to the Report being published.

### Competency and independence

The assurance team was organized in accordance with KFQ's internal regulations. KFQ has no conflict of interest which could threaten the independence and impartiality of verification, other than providing third-party audit services to the LOTTE Corporation business.

### Limitations

The completeness and responsiveness of sustainability performance represented in the Report have inherent limitations due to its nature and the methodology used to determine, calculate and estimate its performance. In accordance with the terms of the contract, we assessed the information and evidence provided by the company. We did not perform any further assessment procedures on raw data.

**Findings and Conclusions**

As a result of the assessment, we confirm that the Report fulfills the 'Core options' requirements of GRI Standards, adheres to the AA1000AP(2018)'s Accountability principles, and demonstrates a Type 2 assurance level, as evidenced by reviewed data and information. Based on the assessment, nothing has come to our attention to suggest that the Report provides material errors or misstatements and does not properly describe the adherence to the Accountability principles.

• **Inclusivity**

LOTTE Corporation is gathering opinions from various stakeholders including shareholders and investors, group affiliates, employees, government, local communities, NGOs through communication channels such as annual general meeting, LOTTE Personnel Code of Conduct, sinmungo, policy meetings and seminars. Nothing came to our attention to suggest that the main stakeholders are not stated in the Report.

• **Materiality**

LOTTE Corporation identifies important issues by conducting a materiality assessment in terms of stakeholders' interests and business importance, followed by prioritization. It is confirmed that the Report properly describes the identified issues resulting from the materiality assessment without any omission.

• **Responsiveness**

LOTTE Corporation consistently engages with stakeholders to respond to their feedback and main interests. Nothing came to our attention to suggest that its responses and performance are inappropriately described in the Report.

• **Impact**

We found during our assessment that LOTTE Corporation is identifying and monitoring impacts relating to stakeholders and reporting them to the extent possible. Nothing came to our attention to suggest that it does not properly assess and report impacts relating to material issues.

• **Reliability and quality of disclosed information on sustainability performance**

We assessed the reliability of specified environmental and social performance data related to sustainability. We conducted an interview with managers responsible for the Report preparation, where we reviewed internal data on a sample basis and publicly available documentation, and confirmed the reliability of the processes for collating qualitative and quantitative sustainability data described in the Report. Nothing came to our attention to suggest that intentional misstatements and/or material non-conformities in data are presented during the assessment.

**Recommendation for improvement**

KFQ recommends following developmental approaches in order to systematize sustainability management in the future and to disclose the results of the report effectively.

- The sustainability report for LOTTE Corporation presented ESG management direction and performance throughout the group with diverse industries. We look forward to seeing the group-wide sustainability management strategy will be consistently and appropriately covered in the upcoming report.
- In the future, we hope that LOTTE Corporation transparently discloses its ESG performances related to climate change response, human rights, and supply chain management. The action can allow stakeholders to understand the LOTTE group's active responses for sustainability.



June, 2022  
Seoul, Korea  
Ji Young Song, CEO  
Korean Foundation for Quality (KFQ)

*Ji Young Song*

# Awards & Membership

## Awards

### 2021

- LOTTE Academy received the 1st Korea Human Resource Development Award (The Korean Association of Human Resource Development)
- Commendation from the Minister of Culture, Sports and Tourism in the sector of chair company at the "2nd Korea Sports Mecenat Awards"

### 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)

## Membership

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

\* As of the end of 2021

## Publishing Department in Charge

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# About This Report

LOTTE Corporation publishes a sustainability report to share its ESG activities and performance with stakeholders. This is LOTTE Corporation's second sustainability report following the first one released in November 2021. Going forward, LOTTE Corporation will continue to publish a sustainability report every year to transparently disclose its endeavors for sustainable growth and social value creation.

## Reporting Period

This report mainly contains information on activities and performance from January 1 through December 31, 2021. Some information includes content up to June 2022. 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. 70-71 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 Korean Foundation for Quality (KFQ), 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. 73-74).

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The paper used in printing the 2021 LOTTE Corporation Sustainability Report is certified as an environment-friendly product by the Forest Stewardship Council®. In addition, this report was printed at an FSC-certified print shop using soy oil ink.



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