

2022

LOTTE Corporation Sustainability Report



New today, Better tomorrow
LOTTE

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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 MAGAZINE

New LOTTE, Beneficial to all.

ESG has been an integral part of LOTTE's story for many years. LOTTE's commitment to ESG management is embodied in its mission of enriching the life of humankind by providing products and services that are loved and trusted by all its customers.

In 2021, LOTTE Group held the ESG Management Declaration Ceremony, and in 2022, LOTTE Corporation embodied "New LOTTE" by putting ESG into action. We have erected new milestones towards the future to be achieved with ESG, **NEW MILESTONES** while setting new coordinates for achieving carbon neutrality by 2040, **NEW COORDINATES** and seeking for new business opportunities as new engines of sustainable growth. **NEW TRACTION** As such, we are ready to take ESG action in our stride and prove our commitment to ESG.

Together with our stakeholders, we are opening a new chapter of LOTTE toward a better future. It is our great pleasure to share with you our latest ESG stories through this ESG Magazine 2022.



New Milestones



New Coordinates



New Traction



New LOTTE

ESG STATEMENT

Esteemed stakeholders,
Thank you for your continued interest in
and support for LOTTE Corporation.

2022 was a very challenging year due to the ongoing COVID-19 pandemic, rising inflation, and the global economic slowdown. Despite these circumstances, LOTTE Corporation made continuous efforts to enhance its corporate value by pursuing healthy growth. As a result, our consolidated sales increased by 42% year-on-year to KRW 14.1 trillion, while our operating profit reached the record high of KRW 489.8 billion, an increase of 126% from the previous year. LOTTE Corporation's net income on a separate basis achieved a positive turnaround. Based on these achievements, we decided to pay a dividend at the market price of 4.6%, which was equivalent to double the average payout rate of 2.3% for KOSPI-listed companies in 2021.

LOTTE Group conducted all its efforts to enhance its corporate value based on ESG management. LOTTE is faithfully fulfilling the promises it announced at the ESG Management Declaration Ceremony in July 2021, including "Achieving carbon neutrality by 2040," "Forming an ESG Committee under the Board of Directors," and "Reflecting ESG management performance when evaluating the Group affiliates." In recognition of these achievements, many listed companies of the Group have been achieving outstanding results in domestic and international ESG evaluations. Going forward, we will continue to keep pace with the global trend towards strengthening ESG disclosures and regulations through ESG management based on data and systems.

This report covers the LOTTE Group's ESG management achievements over a three-year period and its future plans; the current status of the 2040 Carbon Neutral Roadmap 1.0 for the Group affiliates, including LOTTE Corporation; and the potential scale of future new growth businesses such as biopharma and healthcare to achieve their sustainable growth. All the information contained in this report is accurate and truthful. Going forward, LOTTE Corporation will continue making concerted efforts to contribute to the Group's progress towards gaining the full support of its stakeholders based on ESG management, and will transparently disclose its activities to its stakeholders through the Sustainability Report.



Dong-Woo Lee
CEO, LOTTE Corporation





New Milestones

PAVING THE WAY TO ACHIEVE GREAT MILESTONES

For LOTTE, ESG management is a growth strategy that will enable the sustainable future that LOTTE dreams of, as well as the standard for all its decisions and actions. All of us at LOTTE are moving towards the future by reaching meaningful milestones in ESG by accumulating capabilities and wisdom centered on LOTTE Corporation, which presents the Group's ESG vision and direction.

Advancing ESG Management

In a world where ESG regulations are tightening and legislation is becoming ever more visible, ESG will present new opportunities for those companies that have prepared for the new business environment. Therefore, LOTTE will respond proactively to the changing environment and prepare for ESG 3.0 well in advance.

Internalizing ESG Management

In 2022, when LOTTE Group adopted ESG management as its major strategy and corporate culture, LOTTE laid the foundations for internalizing ESG management by focusing on enhancing the ESG management execution ability of its employees and expanding the disclosure of its ESG information.

Implementing ESG Management in Earnest

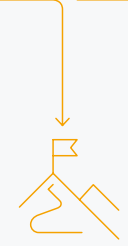
At its ESG management declaration ceremony held in July 2021, the LOTTE Group announced both internally and externally that it would promote ESG management in earnest. As the first step of this process, it has established a solid ESG system and reformed the relevant organizations.

CEO REFLECTIONS



In the face of an unprecedented pandemic and the burgeoning climate crisis, the international community realizes that global cooperation and solidarity are necessary for the survival and sustainable development of humanity. In addition, as the social expectations and demands of companies are increasing, ESG management is now becoming their main management principle, taking precedence even over their growth strategy. Accordingly, in 2021, LOTTE Group recognized that responding to climate change and building a sustainable ecosystem for society constituted the common task of all humanity in our times, and reaffirmed ESG as its management principle. With this report, we would like to share with our stakeholders the three-year record of LOTTE's ESG management, which we have achieved with new approaches while introducing the future direction of our efforts.

2021 ESG becomes the New Management Principle of LOTTE



In 2021, LOTTE Group established an ESG management implementation plan with the goal of achieving carbon neutrality by 2040, launching an ESG committee under the board of directors of each of the Group's listed companies, and reflecting ESG management performance in the CEO performance evaluation of the Group affiliates. We promoted our ESG management in earnest by publicizing our achievements internally and externally. Most notably, recognizing the need to establish solid governance in order to boldly implement ESG that will enable practical change and innovation, we first established an ESG Committee under the board of directors of each Group affiliate and then began to pay close attention to ESG at the board level. In 2021, each of the nine listed companies¹⁾, including LOTTE Corporation, established an ESG committee under its board of directors, and each began to operate a dedicated ESG team while building a framework for systematic ESG management. In addition, LOTTE Corporation is striving to strengthen the Group's ESG capabilities by fostering organic cooperation among the Group affiliates, such as by holding regular ESG Working-Level Council meetings and environmental management seminars.

100%

In 2021, LOTTE Group established an ESG Committee under the BOD of each of its 10 listed companies, as well as an ESG performance management system, and completed the establishment of an ESG governance system to implement ESG in a systematic and practical manner.

We also implemented a plan to reflect ESG management performance in the evaluation of the Group affiliates' CEOs. To that end, LOTTE Group established the "key (ESG) performance indicators (KPIs)" in 2021 and has been applying them since 2022. In terms of operation, we are focusing on strengthening each Group affiliate's ESG capabilities by evaluating its ESG performance with the goal of encouraging practical ESG management.

¹⁾ LOTTE Rental, LOTTE Shopping, LOTTE WELLFOOD (merger of LOTTE Confectionery and LOTTE Food in July 2022), LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Corporation, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hi-Mart (Excludes REITs, real estate investment trusts)

LOTTE Corporation has already presented the vision and future direction of the LOTTE Group's ESG management. In 2022, we focused on internalizing ESG management, and established various institutional mechanisms to encourage all LOTTE employees to integrate good ESG values into their work performance. For example, in June 2022 LOTTE Corporation established the "LOTTE Group Statement on Human Rights," which sets forth the standards by which all executives and employees should judge and act properly, and the "Code of Conduct for LOTTE Group Partner Companies" in order to set up a system for managing the human rights and supply chain risks of its partner companies. Then, in September, we announced the "LOTTE Group Statement on the Environment," which recognizes environmental values as a core element of the Group's management activities and promises to practice environmental management, reinforcing our commitment to establishing and spreading the ESG culture. Newly enacted in 2022, the LOTTE Group Statement on Human Rights, the LOTTE Group Statement on the Environment, and the Code of Conduct for LOTTE Group Partner Companies are based on the relevant domestic and international laws and global initiatives, thus showing that LOTTE's ESG values are directed not only at Korea but also towards the whole world.

In 2022, LOTTE made it mandatory for its listed companies to publish sustainability management reports at the Group level, and all nine listed companies¹⁾ including LOTTE Corporation disclosed their efforts and achievements for ESG management in the report, which showcases the fact that LOTTE's ESG management is not merely about making statements, but is rather about actively taking action. LOTTE is the first Korean conglomerate to have set up an ESG Committee under the board of directors of each of its listed companies and to make it mandatory for all of them to publish sustainability reports. Such extraordinary thinking and bold actions are also leading to good results in our external ESG evaluations. In 2022, LOTTE Rental received an "AA" rating in the MSCI ESG evaluation, while LOTTE Shopping, LOTTE Chemical, LOTTE Data Communication, LOTTE Hi-Mart, and LOTTE Fine Chemical all achieved higher ratings compared with previous years. In the 2022 ESG evaluation conducted by the Korea Corporate Governance Service (KCGS), seven²⁾ out of eight targeted Group affiliates obtained an "A" grade. Most notably, LOTTE Hi-Mart was selected as an "excellent company in the category of governance" in recognition of its successful efforts in the field of ESG management.

¹⁾ LOTTE Rental, LOTTE Shopping, LOTTE WELLFOOD (merger of LOTTE Confectionery and LOTTE Food in July 2022), LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Corporation, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hi-Mart (Excludes REITs, real estate investment trusts)

²⁾ LOTTE Shopping, LOTTE WELLFOOD, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Corporation, LOTTE Chemical, LOTTE Hi-Mart



- LOTTE Group Statement on Human Rights →
- LOTTE Group Statement on Environmental Management →
- Code of Conduct for LOTTE Group Partner Companies →

100%

In 2022, all nine listed companies of LOTTE Group published sustainability reports, transparently disclosing and communicating their efforts and achievements to create ESG value.



A company where all employees recognize and embrace each other's differences, and where diverse talents are given fair opportunities, not only means that it is being managed properly in social and ethical terms, but also that it has secured a competitive advantage. LOTTE Group recognizes the value of diversity as an important factor in its corporate capabilities and strategies. In 2013, before diversity indicators gained traction following the spread of ESG management, the LOTTE Group enacted the Diversity Charter and has since applied the value of diversity to all areas of the Group's management. In 2022, marking the 10th anniversary of the "LOTTE Diversity Forum," which provides a platform for communication to build a culture of diversity, LOTTE Group held a forum to look back at the last ten years of its efforts to foster female talents, and presented four strategic directions, including the development of female talent leadership.

We have prepared and steadily implemented a plan to increase our recruitment of persons with disabilities to ensure that physical limitations do not prevent talented people from developing their capabilities to the full at LOTTE Group. The LOTTE Group's employment rate for people with disabilities in 2022 was 3.16%, which was higher than the average for large conglomerates. Furthermore, LOTTE Corporation (representing LOTTE Group), on the occasion of the Month of Persons with Disabilities in April 2022, participated in the "Joint Agreement and Declaration Ceremony for the Promotion of Employment of Persons with Disabilities and ESG Management Practices" (hosted by the Ministry of Employment and Labor and organized by the Korea Employment Agency for Persons with Disabilities) in order to introduce the Group's efforts to fulfill its obligation to employ persons with disabilities at the group level and its pledge to work together to improve awareness of persons with disabilities. In addition, by launching a digital advertisement in March 2022 with fifteen people with disabilities from various occupations who were exerting a beneficial influence, we conveyed the harmony of empathy by emphasizing the value of diversity embodied in LOTTE's brand slogan, "New Today, Better Tomorrow."

2022 LOTTE Diversity Forum

New Today, Beneficial to All



In 2022, while striving to internalize ESG management, LOTTE Corporation shared the Group's ESG direction with all Group employees and encouraged them to move forward with the same perspective. In May, we established "ESG, LOTTE's long-standing story" as a new training course for all our executives and employees, introduced the concept and necessity of ESG management, disseminated the founder's management philosophy and current best practices within the Group, and encouraged our employees to actively participate in ESG management.

Furthermore, in preparation for the advancement of ESG management, LOTTE Corporation held two ESG team leader workshops for the ESG team leaders of all the Group affiliates in 2022. At the first "ESG Camp" held in May 2022, thirty-two ESG team leaders and representatives of ESG-related startups gathered to share together their insights on ESG management and take the opportunity to network. At the second "ESG Camp" held in August 2022, twenty-four ESG team leaders from Group affiliates attended expert lectures, shared the best practices of the Group affiliates, and discussed the Group's carbon neutrality roadmap and ESG performance management system. In November, we conducted the "LOTTE Group ESG Practitioner Training" to strengthen the capabilities of our ESG practitioners. About 50 ESG practitioners from the Group affiliates attended four hour-hour training sessions and hared ideas about the future direction of LOTTE ESG.

Going forward, we will continue to run a series of ESG-related education programs deigned to cultivate professionals who will lead the Group's ESG management.



2023 ESG Opens up a New Future for LOTTE



LOTTE Corporation will set 2023 as the base year of its efforts to advance its ESG management and support the Group's increasingly systematic promotion of ESG management. In addition, we will move forward vigorously to become a leading ESG company in 2025 and a "New LOTTE" that will not tremble even during periods of prolonged crisis.

Dong-Woo Lee
CEO, LOTTE Corporation

The international community is working on a framework that will compel companies to disclose their ESG information while strengthening the ESG regulations, including the carbon border tax. ESG has become an unstoppable global trend. Under the leadership of LOTTE Corporation, the LOTTE Group is promoting consistent approaches with an ESG data management system that can respond quickly and accurately to mandatory ESG disclosures as well as stakeholders' requests for ESG information. The LOTTE ESG data management system is based on the LOTTE Environment & Energy Total Service (LETS) system, which it developed in 2018 for the purpose of GHG & energy management and emission trading. LOTTE Corporation plans to build a system that integrates and manages the Group's ESG data based on the expertise accumulated in the establishment and operation of the LETS system. With the newly upgraded system, we will not only manage ESG data at the group level, but also monitor the status of implementation of the roadmap to achieve carbon neutrality by 2040 (by 2050 for LOTTE Chemical HQ), while responding to domestic and international disclosures and regulations. Prior to the full-scale development of this system, LOTTE Corporation is currently selecting ESG management indicators that can be applied to all of the Group affiliates, establishing management standards, and preparing a management governance system.

2023 will be the base year of ESG advancement for LOTTE Group. LOTTE Corporation therefore aims to enhance LOTTE's ESG management practices both at the Group level and within each individual Group affiliate in a more systematic manner via the Group's integrated ESG data system. Most notably, recognizing that the key to effective ESG management lies in the green business portfolio, we will focus on upgrading the Group's carbon neutrality roadmap and responding to chemical export regulations, while concentrating our capabilities and passion on promoting new businesses that will prove the value of LOTTE's long-term efforts. This will enable us to create balanced financial and non-financial performance and consequently to become a leading ESG enterprise in 2025 and a "new LOTTE" that will not tremble even during periods of prolonged crisis.

40,000 +



"ESG, LOTTE's Long-standing Story," a lecture intended to publicize the Group's ESG direction and internalize ESG management for employees, has been attended by about 40,000 LOTTE employees as of the date of publication of this report.

32+24



By holding two ESG Camps (attended by 32 and 24 participants, respectively), we have strengthened networking between LOTTE Corporation and the Group affiliates in order to promote the Group's ESG management organically.

ESG COMMITMENT

Dear and esteemed stakeholders including customers, shareholders and employees,

Amid the rising social demand for corporate ESG management and rapid institutional reform, the LOTTE Group announced a practical and specific ESG management promotion plan at the ESG Management Declaration Ceremony held in July 2021. The Group has faithfully delivered on that promise over the past two years, and at the center of it all stands LOTTE Corporation.

Led by the ESG Team, LOTTE Group has established its Carbon Neutrality Roadmap 1.0, enabled all Group affiliates to achieve substantial carbon reduction, launched the Group-wide Eco-friendly Management Task Force Team, promoted a pilot project for carbon reduction measures, and established a model for cooperation among the Group affiliates. Starting in 2023, we plan to reflect our investment in and development of carbon reduction technologies in the ESG performance management indicators in order to encourage Group affiliates to reduce their carbon emissions. Meanwhile, LOTTE Corporation has established and distributed the "LOTTE Group Statement on Human Rights" to contribute to human prosperity. Based on the belief that the most important thing in promoting ESG management is the happiness of our employees, we will create a virtuous cycle structure from the perspective of human resources, establish a culture of respect for human rights, and strive to create beneficial values that can positively change our society.

All ESG-related decisions of LOTTE Corporation are made with the approval of the ESG Committee, which promotes the internalization of sustainability, manages environmental, social and governance risks and opportunities, and monitors key initiatives in line with its ESG management strategies. In this regard, the ESG Committee will continue supporting LOTTE's sustainable management with a keen sense of responsibility as the company's highest decision-making body in the area of ESG.

LOTTE Group aims to become an ESG leader by 2025. To this end, we have prepared a blueprint for sustainable growth over the past two years and, in the future, we will implement a carbon-neutral roadmap, establish an integrated ESG system for the Group, fully implement human rights management and supply chain management, and build an ESG-based portfolio. In this way, we aim to create a virtuous cycle in which LOTTE's business activities will have a positive impact on society and the Group will grow through beneficial changes.

We look forward to your continued encouragement and support.
Thank you.

Today, corporate ESG management has become an inevitable management strategy, rather than merely a good thing to do, for ensuring sustainable growth. Furthermore, in the face of a climate crisis that threatens the survival of humanity, it is imperative for companies to assume accountability and take prompt, prudent action.



Nam-gyoo Park
Chairperson of ESG Committee,
LOTTE Corporation

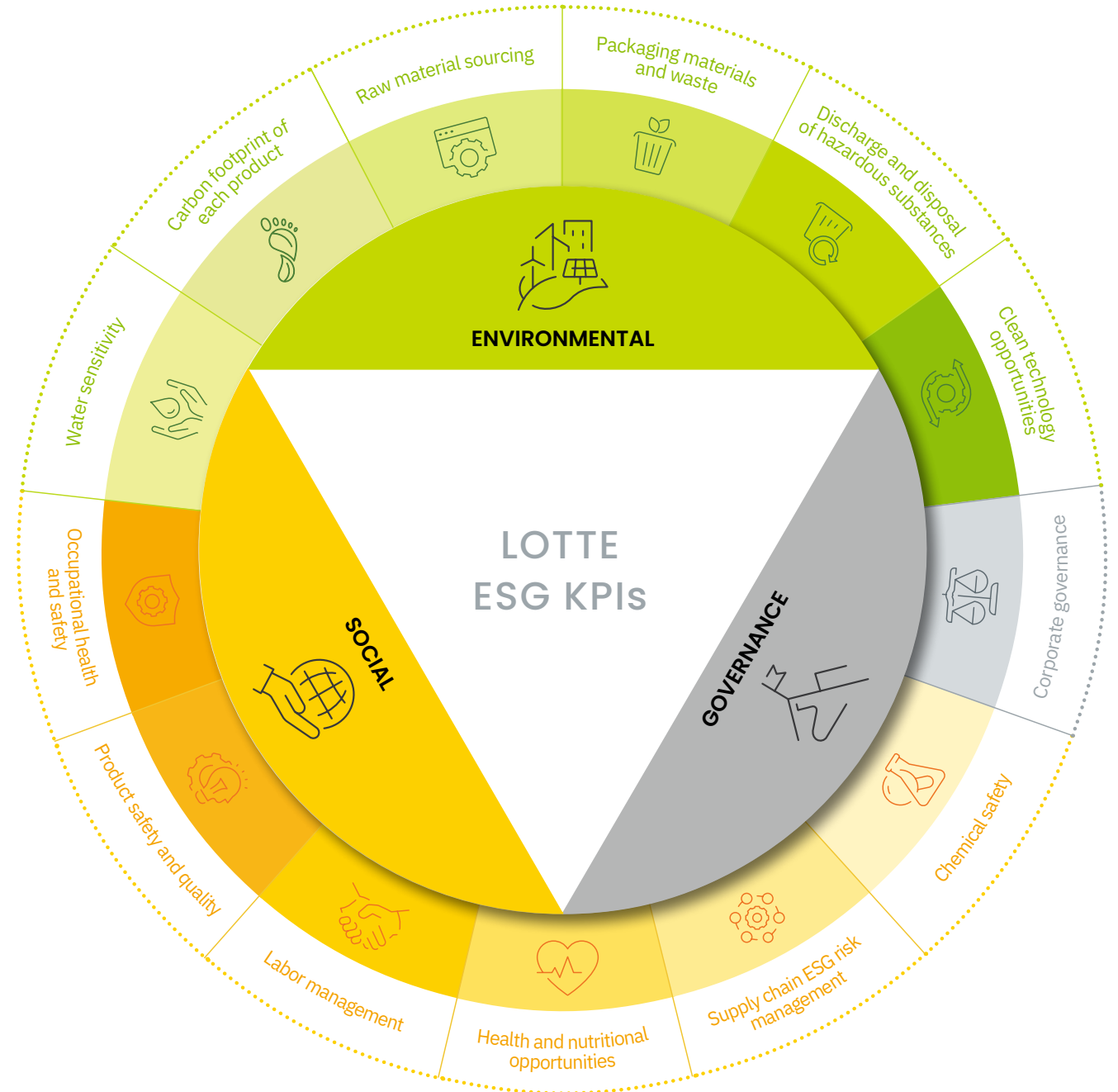
ESG PROGRESS

LOTTE ESG KPI Framework

As declared at the 2021 ESG Management Declaration Ceremony, LOTTE now reflects ESG management performance in the performance evaluation of the CEOs of the Group affiliates in order to encourage the practical promotion of ESG management. To set the ESG KPIs (Key Performance Indicators), LOTTE Corporation analyzed the ESG management status of the Group affiliates in 2021 and derived the necessary improvements, and then selected customized KPIs for each Group affiliate accordingly. In the process of determining the scale and weight of the evaluation, as well as selection of the indicators, LOTTE Corporation engaged in close communication and consultation with the Group affiliates. Finally, based on a deep understanding of our goals and our willingness to achieve them, we started applying the ESG KPIs in 2022.

LOTTE applies its ESG KPIs differently to Group A and Group B. As of 2023, Group A consists of eleven companies¹⁾, including all the listed companies and major unlisted companies that require ESG priority management, while Group B consists of nine privately held companies²⁾ with major ESG management issues. In the case of Group A, the ESG KPIs are reflected in the weight of 30% while the weight applied to Group B stands at 10%. Early in 2023, LOTTE Global Logistics, which had belonged to Group B the previous year, was incorporated into Group A to respond to the ESG needs of its customers. Going forward, we plan gradually to expand the proportion of target Group affiliates and evaluations in consideration of the feasibility of promoting ESG management.

In 2022, LOTTE used a total of 37 ESG indicators to strengthen Group A's ability to promote ESG management, and a total of 14 indicators to establish the basic requirements for Group B's ESG promotion, with each Group affiliate reflecting about 10 of these indicators as KPIs according to the characteristics of each industry and the current level. As such, LOTTE has operated the ESG KPIs differently in consideration of the current status of ESG promotion and improvement tasks, with the aim of enhancing the ESG capabilities of each Group affiliate, rather than using the indicators specified by LOTTE Corporation. In this way, many Group affiliate have been able to raise the level of their ESG management in line with the characteristics of the Group affiliate, resulting in a significant increase in LOTTE's ratings in domestic and international ESG evaluations.



¹⁾ LOTTE E&C, LOTTE Global Logistics, LOTTE Rental, LOTTE WELLFOOD, LOTTE Shopping, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hi-Mart, HOTEL LOTTE

²⁾ LOTTE Cultureworks, LOTTE Capital, LOTTE Home Shopping

* Based on Group A, and as of 2022 year-end

In 2023, based on the experience and insights gained in the first year of applying the ESG KPIs, we were able to improve the evaluation indicators to reflect the global ESG management trends and the capital market requirements. In the case of Group A, we allow the companies to select KPIs from among twenty indicators and then add one key indicator for each of them. In the case of Group B, we allow the companies to select KPIs from among thirteen indicators and then add two key indicators for each of them according to each company's characteristics.

Selected Indicators

KEY ISSUE	KPI		
ENVIRONMENTAL	Water sensitivity	Continuous improvement of water efficiency Implementation of water risk management	
	Carbon footprint of each product	Measurement and management of upstream and downstream carbon intensity	
	Raw material sourcing	Expansion of the use of sustainable products	
	Packaging materials and waste	Reduction of the use of packaging materials	
		Use of eco-friendly materials	
		Ease of recycling of products and packaging materials	
	Discharge and disposal of hazardous substances	Reduction of hazardous substances and waste emissions	
	Clean technology opportunities	Strengthening of clean technology capabilities	
	SOCIAL	Occupational health and safety	Reduction of the LTIR (Lost Time Incident Rate) Operation of dedicated organizations/securing of expertise Amount of investment in health and safety
		Product safety and quality	Quality and safety education and audits
Labor management		Advancement of human rights management Advancement of the employee education system	
Health and nutritional opportunities		Reduction of health hazards in products Increase of nutritional contents of products	
GOVERNANCE	Supply chain ESG risk management	Supply chain ESG risk management	
	Chemical safety	Current status of replacement of high-risk chemicals with substitutes	
	Corporate governance	Enhancement of the ESG Committee within the BOD	

* Based on Group A, and as of 2022 year-end

The most important change consists in applying the common indicators to improve the management of major issues such as information protection, the carbon neutrality roadmap, and ESG disclosure. In order to manage ESG management systematically and increase the efficiency and effectiveness of its execution, LOTTE will set mid- to long-term ESG directions at the Group level and operate the ESG key performance indicators (KPIs) in such a way as to lead and manage the ESG management of each Group affiliate.

Common indicators

KEY ISSUE	KPI		
CORE	Implementation of the carbon neutrality roadmap	Climate change governance Management of emissions against reduction targets Management of carbon intensity compared to the previous year Execution performance of investment cost	
	Strengthening information protection	Appropriateness of investment in information technology in accordance with IT technology investment Current status of activities aimed at improving security Management of the introduction status of the Group's essential security solutions Management of establishment status of the disaster recovery system Minimization of information security issues and accidents	
		Key indicators by company	Key indicators by company
		ESG disclosure	ESG disclosure



2040 NET ZERO



New Coordinates

EXPLORING THE WAY TO WALK THE TALK ON NET ZERO

The Intergovernmental Panel on Climate Change (IPCC) has emphasized the urgency of climate action, stating in its sixth assessment report (2021) that human activity is indisputably the cause of climate change. At a time when stronger climate action plans and more active carbon-neutrality practices are needed, the LOTTE Group has set itself the challenging goal of achieving net-zero carbon emissions by 2040 and is implementing the plan by reducing its carbon footprint. Furthermore, LOTTE Group is promoting green growth that is beneficial to both humanity and the natural environment by materializing its goals and plans for the introduction of renewable energy and the development of innovative new technologies.

RACE TO NET-ZERO

At the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) held in Paris, France in 2015, some 195 countries agreed to make joint efforts to restrict the increase in the global average temperature to well below 2°C above pre-industrial levels and to limit the temperature increase to 1.5°C above pre-industrial levels. Responding to the climate crisis cannot be achieved by the efforts of a single country or a few companies alone, so about 130 countries and 910 companies¹⁾ around the world have declared their commitment to carbon neutrality and are working together to solve the common problem on behalf of humanity.

LOTTE Group, as a major global company and responsible corporate citizen, is also playing an active role in the global race for carbon neutrality. We declared our commitment to achieving “carbon neutrality by 2040” in 2021, after which we specified our reduction goals and directions, formed the Carbon Neutrality TFT to prepare and verify our detailed reduction plans, and established the Carbon Neutrality Roadmap 1.0 in September 2022.

¹⁾ Source: Net Zero Tracker

NET-ZERO ROADMAP

To realize carbon neutrality, LOTTE aims to reduce its carbon emissions by improving its energy efficiency and making the transition to eco-friendly energy. As such, we have established a carbon neutrality roadmap to achieve green growth by utilizing LOTTE's technological capabilities in hydrogen energy, carbon capture utilization and storage (CCUS) technology, virtuous cycle of resources, and eco-friendly mobility.

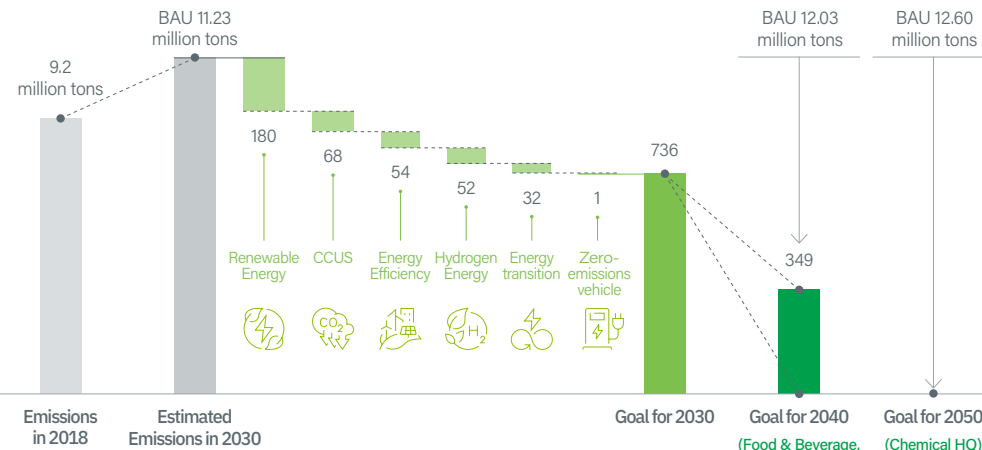


16 Group affiliates currently operating under the GHG & Energy Target Management System and the GHG Emissions Trading System, including LOTTE Chemical and LOTTE Chilsung Beverage, have contributed to the creation of the LOTTE Carbon Neutrality Roadmap. They have selected a number of reduction measures, which can be in the short-, mid-, and long-term perspective, and have set carbon neutrality targets on a consistent basis. In addition, we have selected the following six key reduction measures: improve energy efficiency, apply CCUS facilities, increase the use of renewable energy, switch to eco-friendly raw materials and fuels, adopt hydrogen energy, and convert to zero-emission vehicles. We will reduce our emissions by 3.87 million tons of BAU (Business As Usual) by 2030, and by 8.54 million tons and 12.6 million tons of BAU by 2040 and 2050, respectively. As a result, we will achieve carbon neutrality for Group affiliates in the areas of food, distribution, and hotels by 2040, while achieving carbon neutrality for our chemical affiliates by 2050, taking into account their respective technological capabilities.

Among the six reduction measures, we will focus on the external procurement of renewable energy through long-term power purchase agreement (PPA) by 2030, and strive to reduce emissions based on LOTTE's technological capabilities, such as the introduction of hydrogen energy and the use of carbon capture facilities. In addition, we plan to accelerate the drive for carbon neutrality by developing innovative new technologies, applying large-scale CCUS facilities, and increasing the use of hydrogen energy.

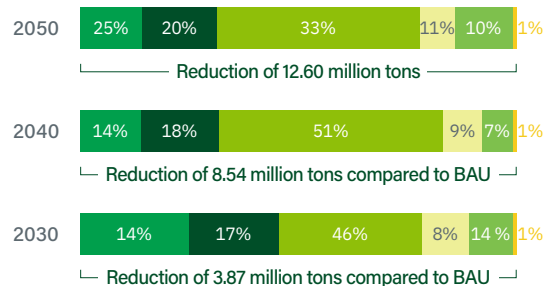
LOTTE Carbon Neutral Roadmap 1.0

(Unit: million tons)



Plans by Key Reduction Measures

- Energy Efficiency
- Renewable Energy
- Hydrogen Energy
- CCUS
- Energy transition
- Zero-emissions vehicle

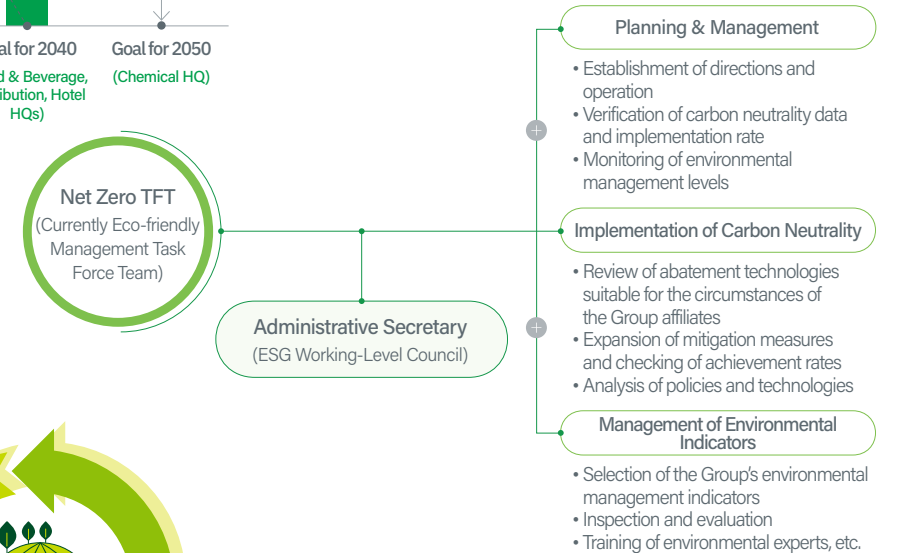


Please refer to P6 of this Report to find more information about the mid-to long-term strategies to respond to climate change

NET-ZERO DRIVING SYSTEM

The most essential factor in establishing a carbon neutrality roadmap and putting it into action is for everyone involved to fully understand, and work together towards, the same common goal. LOTTE's Carbon Neutrality Roadmap 1.0 is the result of collaboration between LOTTE Corporation's ESG Team and each Group affiliate's Environment Team. Our Carbon Neutrality TFT regularly upgrades our strategies, while the ESG Committee discusses the strategies as major agenda items, analyzes climate change risk and opportunity factors and reflects them in corporate management decision-making.

Carbon Neutral Implementation Governance



The LOTTE Group plans to monitor on a continuous basis the execution of its commitment to carbon neutrality in the future and to upgrade its roadmap to reflect changes in its policies and technologies. Notably, in 2023, we plan to install more photovoltaic power generation facilities at our business sites and to improve process efficiency based on professional diagnostics. In addition, we will continue to review and invest in new technologies such as hydrogen energy and carbon capture technology through a dedicated organization in order to achieve sustainable green growth and contribute to accelerating the transition to the low-carbon economy.

CASE STUDY



Participation in the Public Campaign Organized by the 2050 Carbon Neutrality and Green Growth Commission

In September 2022, LOTTE Group participated in the production of a public service campaign video launched by the 2050 Carbon Neutrality and Green Growth Commission, with the aim of promoting public understanding of carbon neutrality and spreading awareness about climate action. The video emphasizes that by combining efforts to decrease carbon emissions with the use of innovative technologies, we can discover new economic opportunities in our daily activities aimed at protecting the planet. It features examples such as LOTTE Chilsung Beverage's ICIS 8.0 ECO, which is the first label-free mineral water in Korea, and LOTTE Data Communication's new venture of electric vehicle (EV) charging stations, showcasing how ordinary citizens can easily reduce carbon emissions. In addition, the video was shown in 93 LOTTE CINEMA branches nationwide, 112 LOTTE Mart locations, and at LOTTE World Tower and LOTTE World Mall. The group also supported promotional activities by posting the video on the Group affiliates' social media platforms.



▶ A New Discovery in the Economy!
2050 Carbon Neutral and Green Growth

GREEN CAMPAIGN

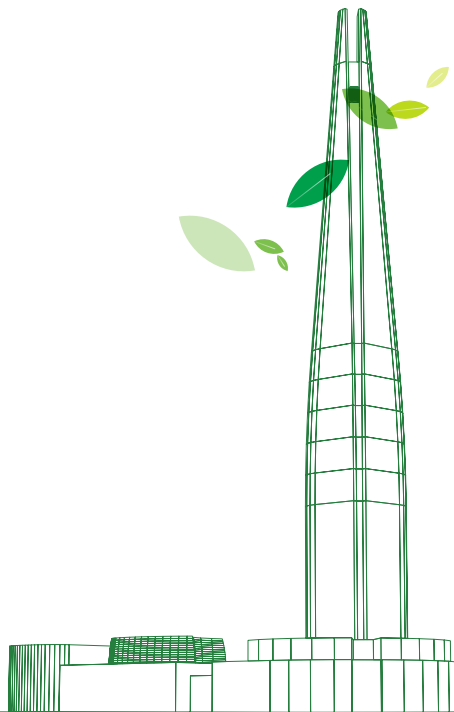


LOTTE Property & Development Recognized as an Eco-friendly Landmark Creator

LOTTE Property & Development has established itself as a global leader in creating eco-friendly landmarks through its ongoing commitment to expanding renewable energy adoption and improving energy efficiency. Over the past three years, LOTTE Property & Development has invested approximately KRW 3 billion in eco-friendly facilities and other equipment optimization. By utilizing Building Energy Management Systems (BEMS), the company has been able to identify energy efficiency improvement measures, resulting in a total investment of approximately KRW 5 billion from 2017 to 2021. As of 2021, the company has achieved a 10.8% reduction in energy consumption compared to 2019, amounting to cumulative savings of KRW 1.04 billion. Furthermore, it is consistently improving its energy facilities through efforts such as upgrading the automated control system for air conditioners in shopping malls and replacing fluorescent lights in rear facilities with LED lighting. By continuously improving energy facilities, the company has been able to save approximately 70,000 tons of water resources annually through the recycling of condensed water from air handling unit and improvements to the water reuse system.

Thanks to these efforts, and in recognition of its adoption of geothermal and hydrothermal power as renewable energy sources and its reduction of energy consumption, LOTTE Property & Development was awarded the Best Prize in the energy conversion category at the 2022 Seoul Environmental Awards held in June 2022. Also in November 2022, LOTTE World Tower received the Prime Minister's Commendation in the Energy Efficiency Improvement category at the 2022 Korea Energy Awards organized by the Ministry of Trade, Industry, and Energy and the Korea Energy Agency. LOTTE World Tower had previously achieved the LEED Gold certification, the world's first certification for environmentally friendly buildings, in the high-rise new construction category in 2017.

GREEN BUILDING



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

LOTTE Global Logistics Expands Its Use of Renewable Energy

LOTTE Global Logistics is expanding its use of eco-friendly renewable energy to achieve carbon neutrality and enhance ESG management. In December 2022, LOTTE Global Logistics signed third-party power purchase agreement (PPA) with power generators and Korea Electric Power Corporation to utilize electricity generated by solar power facilities installed on the rooftop of its logistics center. Aiming to operate in the first half of 2023, the company is installing solar power generation facilities in two locations: its mega hub terminal in the central region and its sub-terminal in Dongdaegu. LOTTE Global Logistics plans to gradually expand the use of renewable energy in the future to strengthen its eco-friendly management for climate crisis response and carbon neutrality.

Solar power generation facility installed at the mega hub terminal in the central region

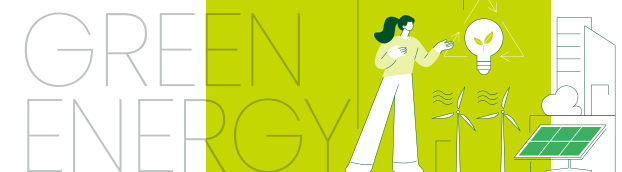


Power generation capacity under PPA

6.9 MW

Reduction of GHG emissions

4,000 tCO₂/year





New Traction

TAKING THE UNTRODDEN WAY TO SUSTAINABLE GROWTH

LOTTE Group recognizes that in times of global market volatility and uncertainty, during a persistent crisis, seizing new growth opportunities and securing sustainable competitiveness requires disruptive innovation that breaks away from conventional norms. In a long-term perspective, LOTTE Group looks to the future and contemplates ways to enhance LOTTE's value and contribute to our society by aligning with stakeholders, including customers. In 2022, LOTTE Group embarked on a significant transformation, aiming for fundamental changes in its success formula and business approach. This marked the beginning of an innovation-driven journey towards a "New LOTTE" and a better tomorrow.



NEW GROWTH DOMAIN

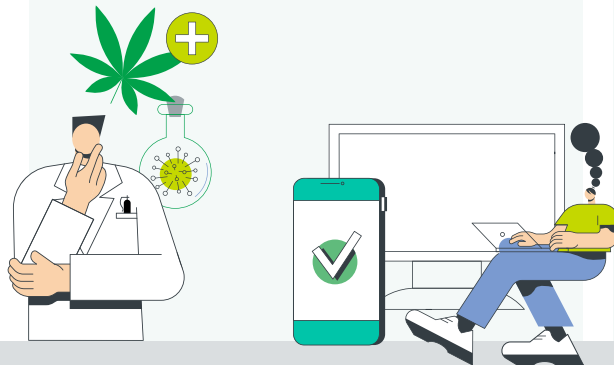
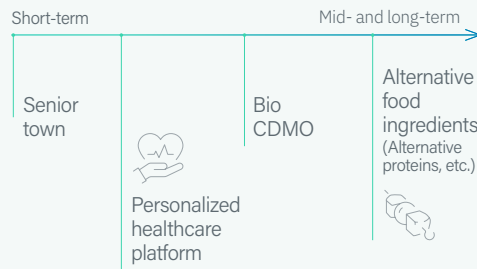
Since its establishment in 1967 with the food business, LOTTE Group has expanded its business into various sectors such as distribution, chemicals, and hotels. The company has made continuous efforts to deliver cherished and reliable products and services, enriching the quality of people's lives. In the face of a swiftly evolving business landscape, LOTTE Group is actively engaged in enhancing long-term corporate value and pursuing sustainable growth. It is currently undertaking portfolio optimization efforts to achieve these goals.

To explore new sources of growth beyond its existing business domains, LOTTE Group has engaged in extensive deliberations. Firstly, we analyzed approximately 80 mega trends and 700 detailed trends in a future-oriented perspective, identifying domains with high growth potential. Next, considering the alignment with the Group's vision and leveraging LOTTE's capabilities and DNA, four main domains were selected: Health & Wellness, Mobility, Sustainability, and New Life Platform. LOTTE Corporation is responsible for discovering and nurturing new growth engines, including the selection of new growth domains and identification of specific business opportunities, fostering and strategizing growth engines, coordinating with related Group affiliates for new business ventures, and monitoring and supporting the growth of these ventures.

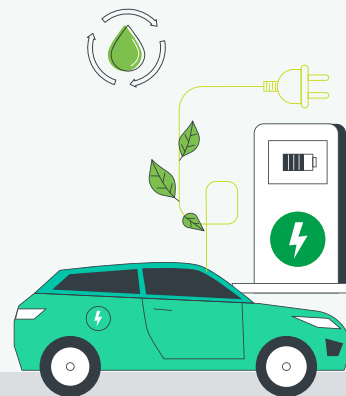
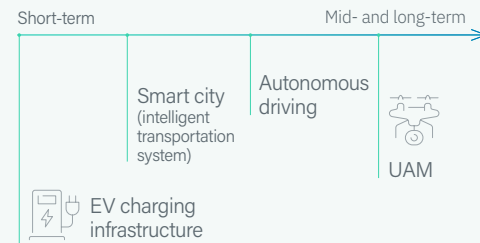
LOTTE Group's New Growth Domains

Health & Wellness

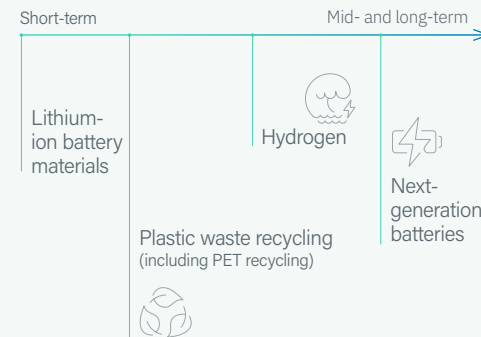
Areas of Business Opportunities



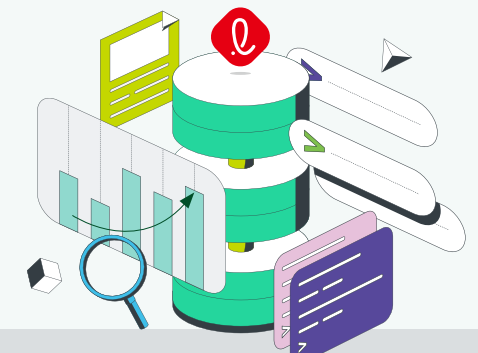
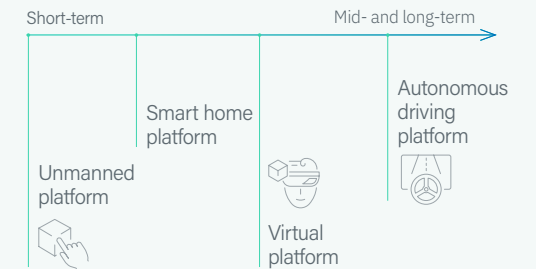
Mobility



Sustainability



New Life Platform



Health & Wellness

In the Health & Wellness domain, new business opportunities refer to the high-growth prospects resulting from the extension of human lifespan and the increasing options for disease diagnosis, prevention, and treatment. It also includes business opportunities arising from biotechnological innovations in the fields of food, materials, and healthcare.

LOTTE Group is exploring business development strategies in various areas, with a focus on bio CDMO, personalized healthcare platforms, senior businesses, home meal replacement (HMR), and alternative food materials. LOTTE Corporation established a new business team in 2021 to initiate the commercialization of bio CDMO and personalized healthcare platform businesses. In the first half of 2022, we formed two subsidiaries, LOTTE Healthcare and LOTTE Biologics, to further support these initiatives. In the food sector, LOTTE is strengthening its HMR business capabilities through collaboration between its distribution and food divisions, focusing on joint product development and facility improvements. In addition, we focus on developing health-oriented foods, including low-sugar, low-sodium, and plant-based options. In the medium to long term, we aim to lead the field of next-generation food ingredients, such as alternative meat, by pursuing both in-house development and investments in promising companies.



LOTTE Biologics' Syracuse plant

Mobility

In the Mobility domain, new business opportunities arise from the development of new means of transportation such as EVs and urban air mobility (UAM), as well as the advancement of remote solutions. These opportunities lie in the mobility services sector excluding vehicle manufacturing, presenting new avenues for business growth.

LOTTE Group is fostering collaboration among its Group affiliates, with a focus on autonomous driving and related services, EV charging infrastructure, and UAM. LOTTE Data Communication, for instance, acquired JoongAng Control in January 2022, integrating capabilities across the entire value chain from EV charger manufacturing to charging station operations. In July, it also introduced the EV charging operation platform called "EVSIS." LOTTE Group has also prepared for the era of UAM business by establishing the LOTTE UAM TF in April 2022, which consists of LOTTE Rental, LOTTE E&C, LOTTE Data Communication, and partner companies. Furthermore, LOTTE Group has been selected as a participating organization in the K-UAM Grand Challenge, a national project aimed at supporting the commercialization of UAM in Korea by 2025.



EVSIS - EV charging infrastructure

Sustainability

The new business opportunities in the Sustainability domain refer to the business opportunities arising from the global shift towards sustainable development, driven by the increasing awareness of sustainable consumption in response to various environmental issues, as well as the transition to renewable energy.

LOTTE Group is focusing on battery materials, hydrogen, and recycling/bio-plastics, with the LOTTE Chemical HQ playing a leading role. To drive the battery materials business in a more systematic manner, we established LOTTE Chemical's Battery Materials Division and LOTTE Battery Materials to oversee battery materials investments in the United States. Through the acquisition of Energy Materials, we have incorporated the business of the four major lithium-ion battery materials¹⁾ and are actively pursuing the development of next-generation batteries, such as vanadium battery electrolytes and ESS charging. In the hydrogen business, we are exploring business opportunities across the entire value chain, from production to utilization. To support this initiative, we established LOTTE Chemical's Hydrogen Energy Division and formed joint ventures with SK Eneroot and Air Liquide. We are also engaged in the physical and chemical recycling of plastics and the bio-PET business. We plan to expand the scope of our business to include thermal decomposition recycling plastics and biodegradable plastics.

¹⁾ Anode material, cathode material, electrolyte solution, and separator



LOTTE Energy Materials' elecfoil (copper foil)

New Life Platform

New business opportunities in the New Life Platform domain refer to business opportunities created by the rise of the millennials and Generation Z; changes in food, clothing and lifestyle; changes in offline distribution channels due to the 4th industrial revolution; and expansion of online and offline consumption channels.

LOTTE Group is actively fostering business development in various opportunities within the New Life Platform domain, with a focus on virtual platforms, unmanned platforms, and autonomous driving platforms. In the distribution sector, LOTTE Group is nurturing rapidly growing businesses such as the second-hand trading platform and live commerce. Furthermore, we are actively investing and exploring business opportunities in new channels beyond traditional online and offline distribution, including the utilization of metaverse and NFTs in shopping. LOTTE Data Communication acquired a virtual reality and metaverse specialized company in 2021, enhancing platform-related technologies. In CES 2022, the company introduced a hyper real metaverse platform, demonstrating competitiveness and potential. It is planning to open a virtual space called "Hub World" in 2023 at a location 25 times larger than Yeouido.

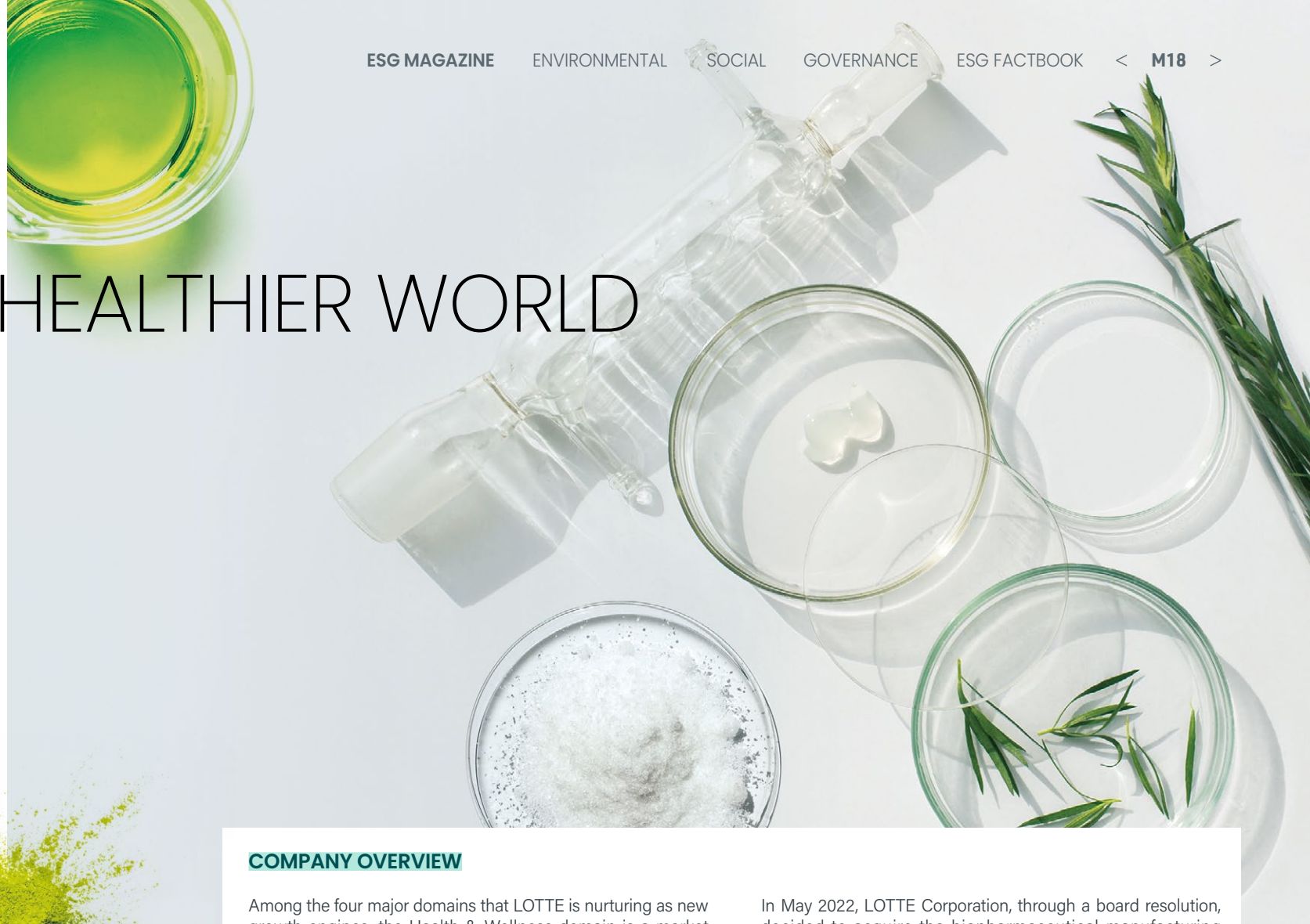


Hub World - metaverse created by LOTTE Data Communication

BIO THERAPIES THAT ENABLE A HEALTHIER WORLD

LOTTE Biologics, a biopharmaceutical contract development and manufacturing organization (CDMO), is dedicated to making a positive impact on the world by advancing healthcare and enhancing the quality of life. The organization's overarching goal is to secure a position among the world's top 10 global CDMO companies by 2030. To achieve this, we are rapidly establishing our standing as a strong player in the CDMO landscape through two strategic approaches: acquisitions and new facility construction.

[LOTTE Biologics Website](#) →



COMPANY OVERVIEW

Among the four major domains that LOTTE is nurturing as new growth engines, the Health & Wellness domain is a market where steady growth is expected due to the increase in health awareness, aging population and advancements in medical technology. LOTTE Corporation has directed its investments to particularly cultivate the biopharma sector, in conjunction with healthcare. In 2022, LOTTE made a swift decision to enter the bio CDMO business with determination and drive. **In the field of bio-business, particularly in conjunction with healthcare, LOTTE Corporation has directly invested in and fostered this sector. In 2022, LOTTE made a swift decision and entered the bio CDMO business with determination and drive.**

In May 2022, LOTTE Corporation, through a board resolution, decided to acquire the biopharmaceutical manufacturing facility of Bristol-Myers Squibb (BMS) located in Syracuse, New York. In June, LOTTE Biologics was established as a subsidiary, and active investments were made to complete the acquisition process of the BMS Syracuse Site by year's end. This acquisition has enabled us to produce monoclonal antibodies on a scale of 35,000 liters. Going forward, we plan to make additional investments to augment our manufacturing facilities for antibody-drug conjugates (ADC) and strengthen our CDMO capabilities, aiming to provide comprehensive one-stop-shop CDMO services.



LOTTE Group is accelerating its efforts in the biopharmaceutical business due to the market growth potential. The global pharmaceutical market was valued at USD 1,265.2 billion in 2020, with the biopharmaceutical segment accounting for USD 340 billion or 26.8%. It is projected that by 2026, the biologics market will exceed USD 622 billion, representing 35.5% of the overall pharmaceutical market value¹⁾. Recognizing this growth potential, LOTTE has swiftly entered the biopharmaceutical CDMO market and is actively investing in LOTTE Biologics to facilitate rapid growth. We are also focused on creating synergies with other Group affiliates to bolster LOTTE Biologics' success.

¹⁾ Source: IQVIA



2022 Key Milestones

- 05.13**
 - Signed an agreement to acquire BMS' Syracuse Site
- 06.07**
 - Established LOTTE Biologics
- 07.01**
 - Signed an MOU with MilliporeSigma to strengthen bio business capabilities
- 07.05**
 - Established a US subsidiary of LOTTE Biologics
- 10.27**
 - Signed an MOU with Huons Global for clinical and commercial manufacturing
- 12.31**
 - Completed the post-merger integration of BMS Syracuse Site

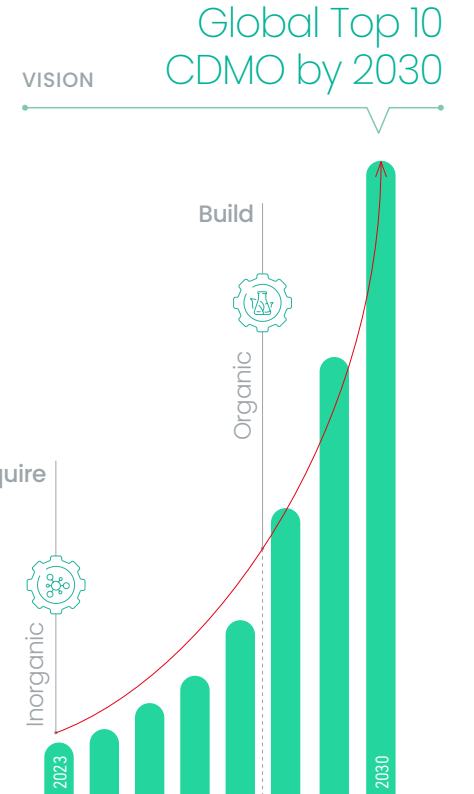


FUTURE PLANS

In 2023, LOTTE Biologics has identified key initiatives in operations and strategy to enhance corporate value. In terms of operations, we will focus on strengthen the operations of the U.S. facility and enhancing competitiveness in securing contracts, working in parallel to adhere to production schedules and seamlessly transition the site to full-fledged CDMO operations. In addition, we plan to complete the scheduled batch production and effectively manage on-time delivery. From a strategic perspective, we will focus on commencing construction of domestic Mega Plant and the antibody-drug conjugate (ADC) expansion at the U.S. facility. This entails carrying out tasks related to securing the site for the mega-plant and its expansion plans in Korea, as well as adhering to timelines for the expansion of the ADC business in the United States. Furthermore, we will establish detailed action plans for each department and foster collaboration among departments to strengthen our position in the global market and enhance corporate value.

Over the medium to long term, we will pursue a two-track approach involving acquisition and new construction to strengthen our business competitiveness. With continued investment, we aim to nurture the Syracuse Site as LOTTE Biologics' North American manufacturing hub. To this end, we will be offering ADC contract manufacturing services and reviewing the addition of facilities for clinical materials and drug products.

LOTTE Biologics plans to invest approximately KRW 3 trillion in Korea by 2030 to build three mega plants and achieve a total production capacity of 360,000 liters of antibodies, securing a global-leading CDMO business competitiveness. The construction of the mega plants is scheduled to begin at the end of 2023, with mechanical completion targeted for the second half of 2025 and to be ready for GMP (Good Manufacturing Practice) production for the second half of 2026. We are committed to executing our plan seamlessly, aiming to initiate commercial production by 2027, with the goal of achieving full operational capacity across all three mega plants by 2034. Furthermore, within the mega plant complex, named "LOTTE Bio Campus," we aim to build a collaborative platform called the "Bio-Venture Initiative," providing a place for startups and bio-ventures involved in new drug development to utilize the facilities and a forum for collaboration and shared growth. Through this initiative, LOTTE Biologics plans to contribute to the establishment of a sustainable pharmaceutical value chain and ecosystem, extending from new drug development to commercial production.

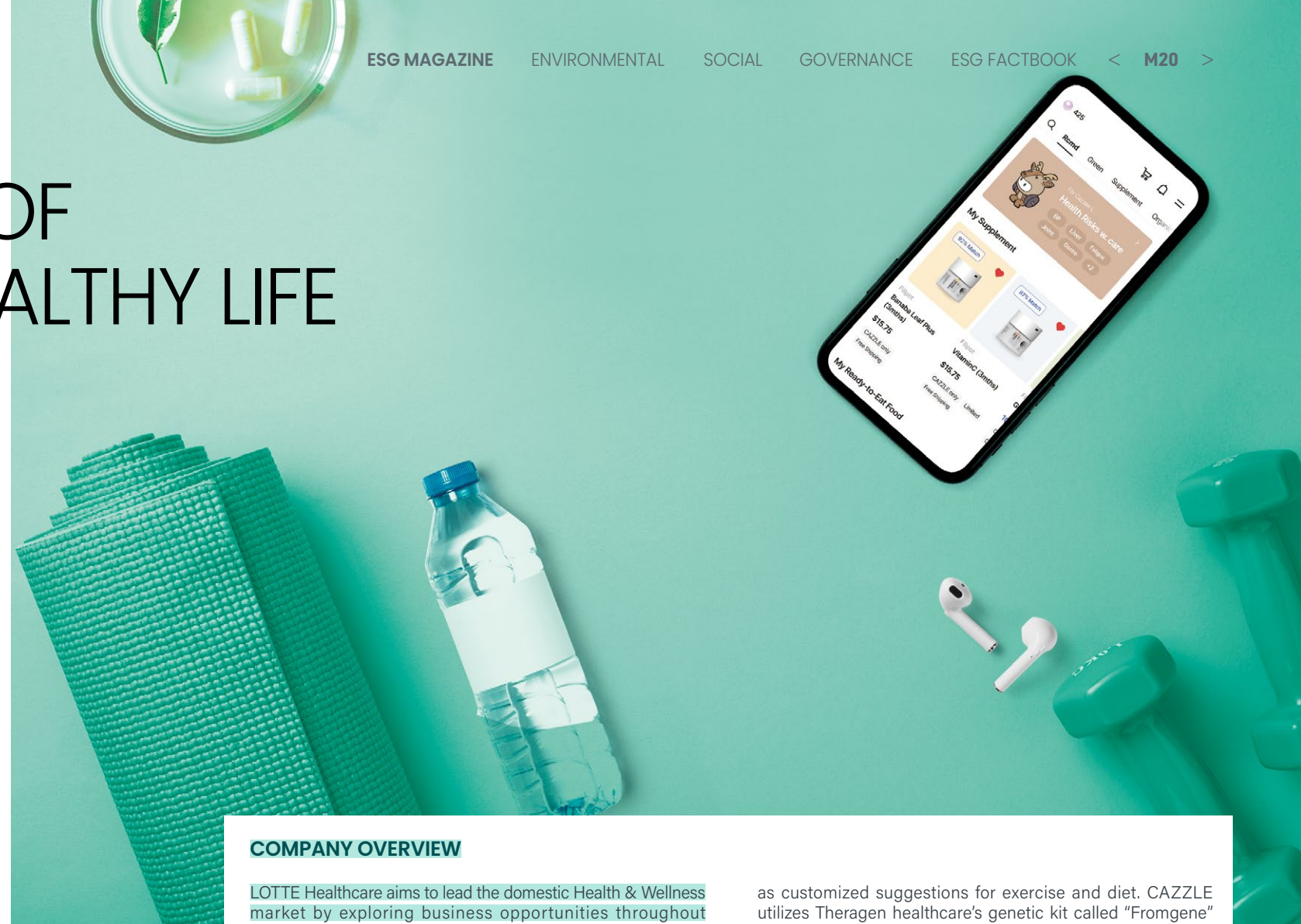


HEALTHCARE

EVERY MOMENT OF YOUR HEALTHY LIFE

LOTTE Healthcare is a healthcare specialized company, which was established in April 2022 to create a scalable Health & Wellness business. The creation of the company enables entrance into a brand-new industry and provides a new growth engine for the LOTTE Group. With a mission to provide a lifestyle-oriented healthcare experiences accompanying customers anytime, anywhere in their lives, LOTTE Healthcare aims to improve and promote health maintenance and enhancement, as well as provide preventive measures against diseases through tailored customized services.

[LOTTE Healthcare Website](#)



COMPANY OVERVIEW

LOTTE Healthcare aims to lead the domestic Health & Wellness market by exploring business opportunities throughout the entire healthcare industry, including preventive care for disease avoidance, medical care for diagnosis, treatment, and prognosis management, and even after care. LOTTE Healthcare is committed to continuous efforts in its journey to become a global healthcare company which prioritizes comprehensive care for individual health, as well as the health & well-being of families, communities, and the planet. As a first step in this journey, the company is creating the healthcare vertical commerce platform "CAZZLE."

CAZZLE is a personalized healthcare management platform that strives to make care enjoyable by collecting and assembling scattered health information like puzzle pieces, enabling the personalized management of health. The platform collects and analyzes customer health data, including genetic data, health screenings and medical records, lifestyle logs, and health surveys. Based on this data, CAZZLE provides tailored recommendations for nutritional supplements as well

as customized suggestions for exercise and diet. CAZZLE utilizes Theragen healthcare's genetic kit called "Fromgene" to collect and analyze genetic data. The process involves collecting samples using a genetic kit and conducting analysis. The objective is to enhance the accessibility of genetic testing by providing it at an affordable price and enable customers to undergo tests without financial burden. As for health screenings and medical data, CAZZLE utilizes data from the Health Insurance Review and Assessment Service with the customer's consent.

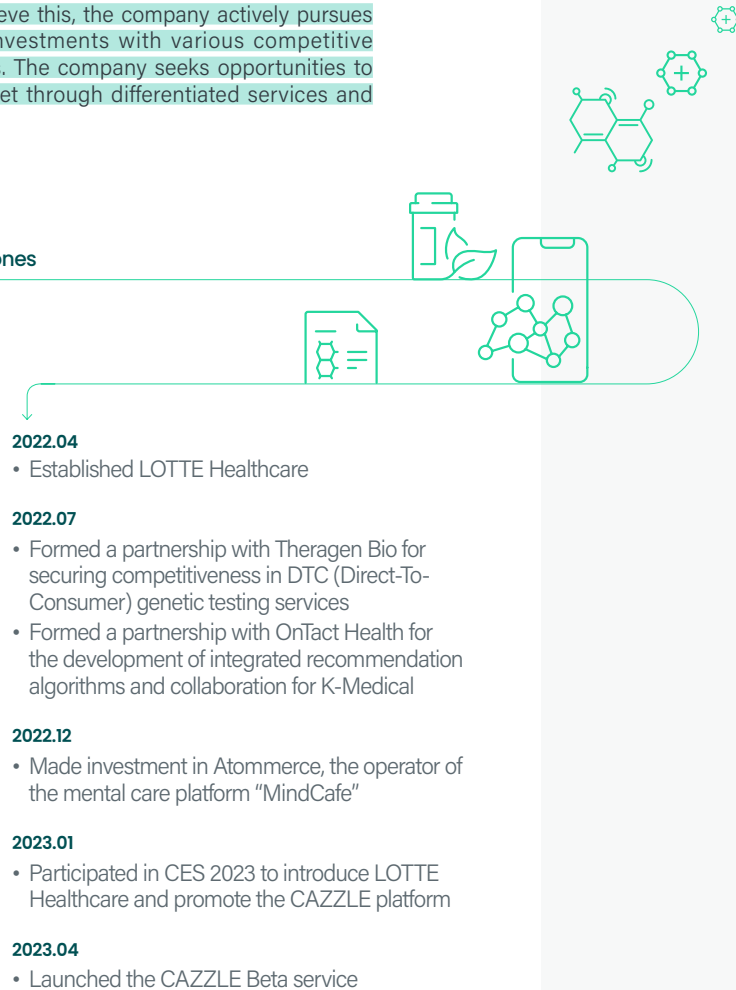
For lifestyle logs, CAZZLE initially focuses on collecting simple data such as steps through customers' mobile phones. In the future, it plans to utilize wearable devices and other portable devices to gather more comprehensive data for analysis and inclusion into recommendations. Lastly, health surveys are conducted through a series of questions to understand customer health management goals, as well as characteristics and preferences that may not be evident in collected health data.



Based on the collected data, CAZZLE generates personalized results data for individuals through its algorithms and recommendation logic, to recommend suitable health management products for the individual. CAZZLE's algorithms will continue to evolve through deep learning based on customer usage, in an attempt to provide more advanced and accurate recommendations. LOTTE Healthcare is committed to collecting more data and improving the platform's core capabilities to deliver better services. Additionally, stringent security controls and the establishment of robust information management systems are top priorities to ensure the confidentiality and protection of personal customer information.

LOTTE Healthcare seeks to broaden its horizons extending beyond the Preventive Care market, beginning with the CAZZLE platform, to include the Medical Care and After Care markets. To achieve this, the company actively pursues collaborations and investments with various competitive healthcare companies. The company seeks opportunities to enter the global market through differentiated services and products.

2022-2023 Key Milestones

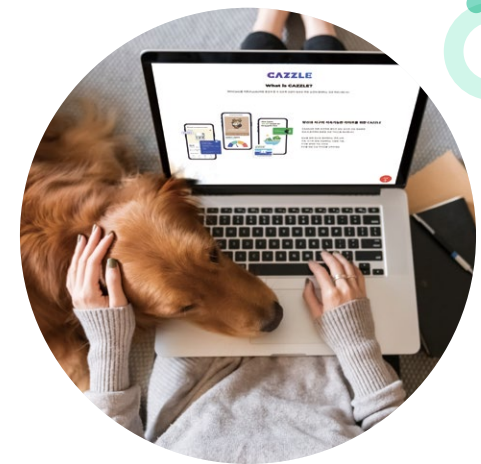


FUTURE PLANS

LOTTE Healthcare is exploring collaboration opportunities with other LOTTE Group affiliates based on its expertise in the healthcare sector. The company is currently prioritizing discussions with distribution, hotel, and food business units which require linkage with the healthcare sector. LOTTE Healthcare aims to create synergies through various forms of collaboration, such as providing customized healthcare services linked to senior towns, establishing integrated on/offline healthcare centers in shopping malls to attract customers, and developing joint products through collaboration with research institutes.

LOTTE Healthcare will continue to enhance the CAZZLE service. Moving beyond the 1.0 version, which collects and analyzes general health data, the 2.0 version will provide users with more personalized and in-depth health management experiences based on their specific needs. The 3.0 version will further evolve into a community platform based on a group of experts, including healthcare professionals.

LOTTE Healthcare has been paying close attention to the global expansion plan in the Medical Care business segment since its establishment. However, entering international markets requires careful consideration due to different environments, regulations, and the need for additional investments and organizational resources. LOTTE Healthcare plans to thoroughly examine the business viability and profitability with a long-term perspective. The company aims to expand and strengthen its related businesses and services across the entire healthcare spectrum, ensuring uninterrupted health management experiences for its customers.



Launched the CAZZLE Beta service

2023.04



Mental health (mental care) services to be offered

2023.10



EAP (Employee Assistance Program) for employee health check-ups to be offered

2024.01



CAZZLE PET to be launched

2024.06

2023-2024 Key Tasks and Plan

ESG REPORT

2022 LOTTE CORPORATION SUSTAINABILITY REPORT



IN THIS SECTION

Strengthening Environmental Management

Responding to Climate Change

Facilitating the Circular Economy

ENVIRONMENTAL

WHY IT MATTERS

The world is experiencing abnormal weather such as heat waves, heavy rains, heavy snowfalls, typhoons, and wildfires. Recognizing the severity of the climate crisis, the international community signed the Paris Agreement in 2015 to limit the rise of average global temperatures to 2°C below pre-industrial level and has been strengthening related regulations and policies. 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 companies are taking proactive action accordingly.

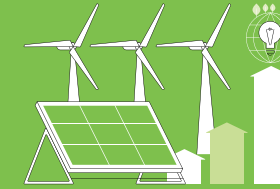
Meanwhile, awareness pertaining to hygiene has increased, and the parcel delivery market has grown rapidly while overcoming the COVID-19 pandemic over the past three years, which exponentially increased the use of single-use products such as single-use plastics. In particular, as single-use plastic waste increases, marine pollution, threats to the ecosystem, and accumulation of microplastics in the body are becoming important social issues. In response to these issues, we are expanding our activities to actively solve the problems by establishing a circular economy system from the perspective of recycling and reuse, in addition to efforts to reduce plastic use.

KEY ACHIEVEMENTS IN 2022



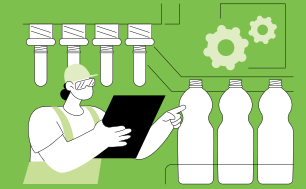
Strengthening Environmental Management

To recognize environmental value as a key factor in management activities and practice environmental management, LOTTE Group has established the Environmental Management Charter as a standard to dictate proper behavior and value judgment while also managing business activities and performing business. Accordingly, all LOTTE employees have pledged to comply with the Statement on Environmental Management as we continue to do our best to establish and spread environmental management.



Responding to Climate Change

LOTTE Group has set in place the Net Zero TFT to set a firm direction at the Group level and established the “Carbon Neutral Roadmap 1.0” which specifies the method of responding to climate change and the target of greenhouse gas reduction, to achieve carbon neutrality by 2040. We are also making concentrated efforts to reduce greenhouse gas emissions by promoting energy efficiency based on connectivity between climate change scenarios and business and is responding to climate change from a long perspective, such as the development of innovative technologies from a mid-to-long-term perspective and expansion of eco-friendly business.



Facilitating the Circular Economy

LOTTE Group strives make all value chain phases eco-friendly, from manufacturing to distribution. To this end, we are introducing eco-friendly elements in all activities, from raw material purchase to packaging, products, delivery, and sales. 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.

Strengthening Environmental Management

APPROACH

Statement on Environmental Management

LOTTE Group recognizes environmental value as a core element of management activities and gives it top priority to present the best value of clean nature to all customers, employees, and stakeholders, and to contribute to the sustainable development and affluent life of mankind.

LOTTE Group established the "Statement on Environmental Management" in September 2022 in order to practice environmental management in full scale and stipulate the standards for proper behavior and value judgment that should be followed by all employees when managing business activities and performing business. The Statement on Environmental Management includes compliance with laws, the establishment of an environmental management system, minimization of pollutants, fulfillment of agreements, and social and ethical responsibilities. It has been posted on our website for public disclosure.

Environmental Management Organization

The ESG Team of LOTTE Corporation is doing its utmost to establish and diffuse environmental management to realize the LOTTE Group's environmental management philosophy.

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

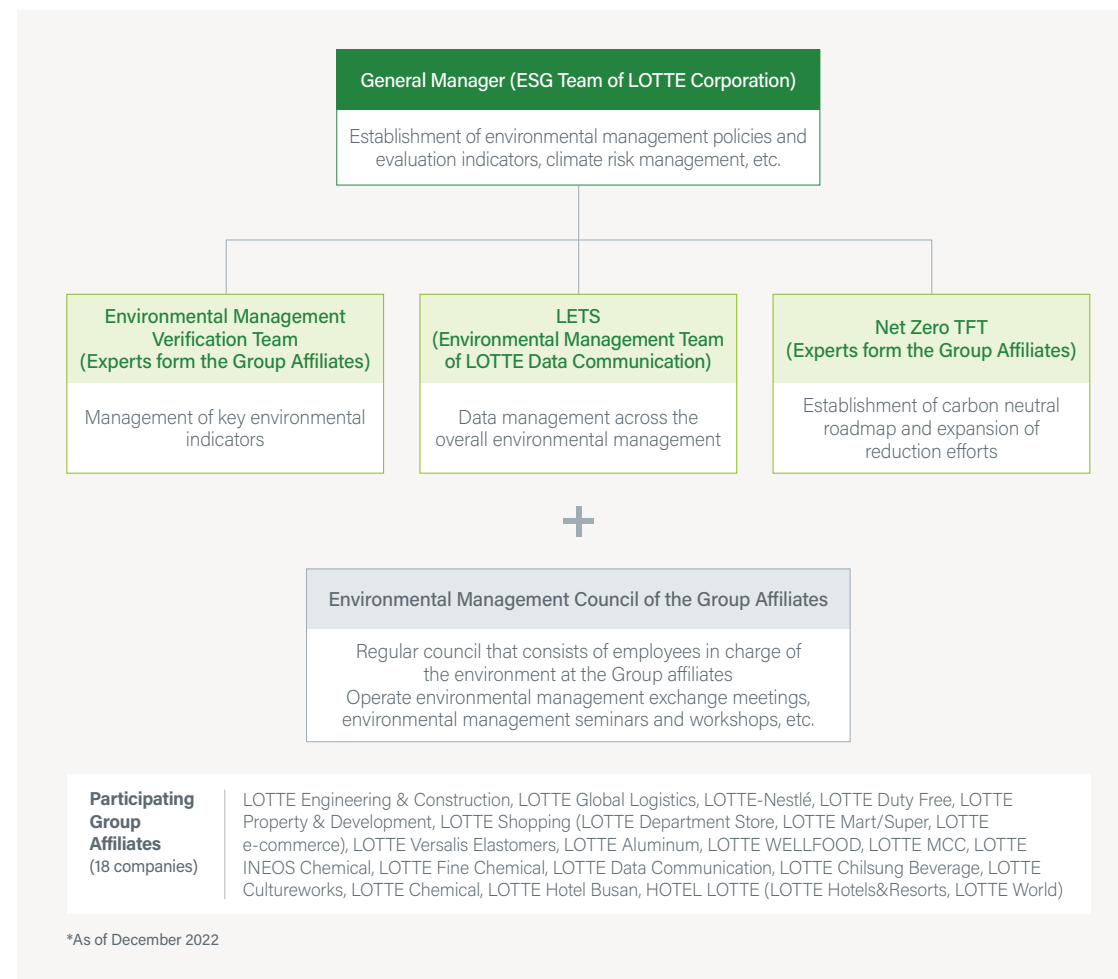
Areas	Themes
Response to climate change (2040 Net Zero)	<ul style="list-style-type: none"> Establish eco-friendly production processes Establish low-carbon logistics Build eco-friendly stores
Virtuous resource circulation	<ul style="list-style-type: none"> Establish a virtuous cycle of recycling plastics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

With the ESG Team playing a central role, LOTTE Group establishes and operates a system that is linked to an organization in charge of the environment in major Group affiliates.

In 2022, we organized the Net Zero TFT and established the "Carbon Neutral Roadmap 1.0" with the participation of environment and energy experts of the Group affiliates, and conducted reduction activities based on the roadmap.

The ESG Committee is the highest decision-making organization that manages matters related to company-wide ESG and has discussed agendas related to the environment such as corporation environmental information disclosure in 2022, establishment of the Statement on Environmental Management, and the Group strategy of promoting carbon neutrality.

Environmental Management Organizations of LOTTE Group



LOTTE Environment & Energy Total Service (LETS) System


LOTTE Group systematized overall tasks related to environmental data such as greenhouse gas and energy management, emission trading, and environmental pollution indicator management, by operating the LOTTE Environment & Energy Total Service (LETS) system.

Environmental Management System Certification

LOTTE Group affiliates have acquired ISO 14001, an international standard for environmental management systems, and are promoting systematic environmental management based on it.

Environmental Management System Certification of LOTTE Group

ISO 14001



*16 companies

LOTTE Engineering & Construction, LOTTE Global Logistics, LOTTE-Nestlé, LOTTE Aluminum, LOTTE MCC, LOTTE WELLFOOD, LOTTE INEOS Chemical, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Chilsung Beverage, LOTTE Cultureworks, LOTTE Chemical, LOTTE Hi-Mart, LOTTE Home Shopping, LOTTE Hotel Busan, HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE Duty Free)

Please refer to PM13 of this Report to find more about the governance of Net Zero TFT

Strengthening Environmental Management

PERFORMANCE

Green Procurement

LOTTE Group 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-label¹⁾, GR Mark²⁾, or other eco-friendly mark/certification.

Environmental Education

LOTTE Corporation holds environmental management seminars by inviting experts from the government and related organizations to improve the competence of persons in charge of environmental management so that they can understand major trends and acquire expert knowledge and share best practices among Group affiliates. With the intent to strengthen ESG capabilities, seminars inviting environmental management experts were held five times in 2022.

Environmental Management Communication

To promote stakeholder understanding of carbon neutrality through publicity and communication, we at LOTTE Group produced related videos along with the Presidential Commission on Carbon Neutrality and Green Growth in November 2022 and presented them at LOTTE Cinema, LOTTE World Tower, and LOTTE Mart offline stores, and sent using the affiliated company social media for about a month.

¹⁾ Eco-label: A voluntary certification system to select a green product that can reduce energy and resource consumption and minimize the generation of pollutants throughout the entire process of the product, and to include a logo and explanations.

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



Please refer to PM14 of this Report to find more about the public campaign organized by the Presidential Commission on Carbon Neutrality and Green Growth

ASSESSMENT

Environmental Management Indicators

LOTTE Group is operating the LOTTE Sustainable Growth Environmental Management Index, which is composed of operation management, performance management, and responding to stakeholders in consideration of the Group affiliates' major industry types, for the purpose of operating the environmental management system and securing practical environmental performance based on ESG environmental best practices. The LOTTE Sustainable Growth Environmental Management Index is managed by the LETS system. To increase the reliability of data and ensure a sense of responsibility for reporters, our Group affiliates' executives approve the performance report every month. LOTTE Corporation not only provides guides for Group affiliates to check and utilize the LOTTE Sustainable Growth Environmental Management Index on their own but also provides feedback on the result of performance analysis and evaluation every year. The ESG KPI system was established in November 2022 and was applied to the ESG KPI in 2023.

Green Procurement of LOTTE Group in 2022



Environmental Management Verification

To monitor the present condition of environmental management and advance environmental management, LOTTE Group organizes the environmental management verification team with the participation of environmental experts in Group affiliates and promotes internal audit activities in the form of data management and field inspection. Going beyond simple evaluation, the team is participated in by all Group affiliates and utilized as a meeting group for sharing information. 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 2022, 18 employees from 10 Group affiliates are serving as team members. The environmental management audit is conducted twice a year (the first half and the second half), and correction measures against non-conforming matters and recommendations found during the environmental management audit are taken according to the environmental management guide.

272 non-conforming matters and recommendations were identified according to the results of environmental management audits on Group affiliates in 2022. Actions were taken for most of them while mid-to-long term correction measures were established and taken for some others.

Environmental Management Verification Team



OUTLOOK

LOTTE Group plans to advance the LOTTE Environment & Energy Total Service (LETS) system by adding a carbon neutrality management function and improving the evaluation system such as reflecting ESG KPI evaluation. LOTTE Group also plans to expand the role and functions of the Environmental Management Verification Team.

Composition of the LOTTE Sustainable Growth Environmental Management Index

Index	Details
 Operation management	<ul style="list-style-type: none"> • Operation of the environmental management organization • Availability of the environmental management process • Employee education activities on environmental management • Climate change risk management • Holding an internal environmental audit • Performance reporting system (climate change) • Performance reporting system (environment) • Availability of the ISO certification system
 Performance management	<ul style="list-style-type: none"> • Carbon intensity management • Reduction target vs. performance management • Investment execution performance • Basic unit management of energy consumption • Basic unit management of waste generation • Basic unit management of water consumption • Green purchase performance management • Other management
 Stakeholder relations	<ul style="list-style-type: none"> • Status of environmental information disclosure • Conducting internal and external environmental conservation activities • Occurrence of violations of government environmental laws and regulations • Level of participation in initiative activities • Sharing internal and external ESG best practices

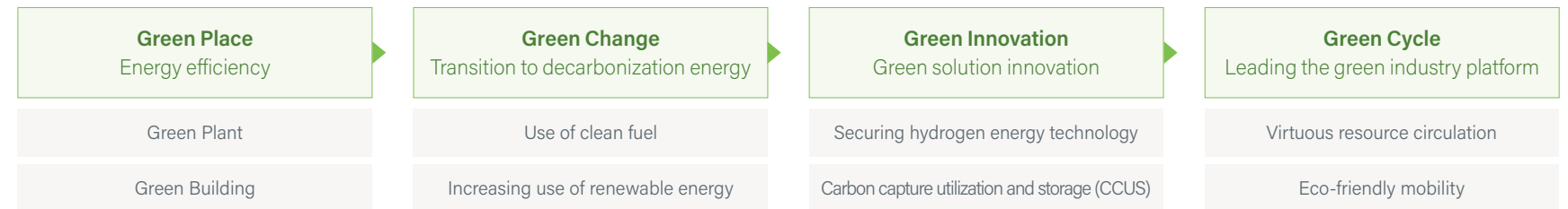
Responding to Climate Change

APPROACH

Mid- to Long-term Carbon Neutral Roadmap

The sustainability of countries and communities is threatened by the climate crisis throughout the world, and the impact of climate change on corporate value is also increasing from a financial perspective. As a result, the international community was faced with a situation in which they have to realize both values of carbon neutrality and energy security at the same time. Facing this irresistible trend, LOTTE Group publicly stated our goal of "2040 Net Zero" and specified the reduction goal and direction to achieve it. We set in place the Net Zero TFT in 2022 to establish and verify detailed reduction plans and, established "Carbon neutral Roadmap 1.0" in September.

Mid- to Long-term Strategy for Climate Change Response



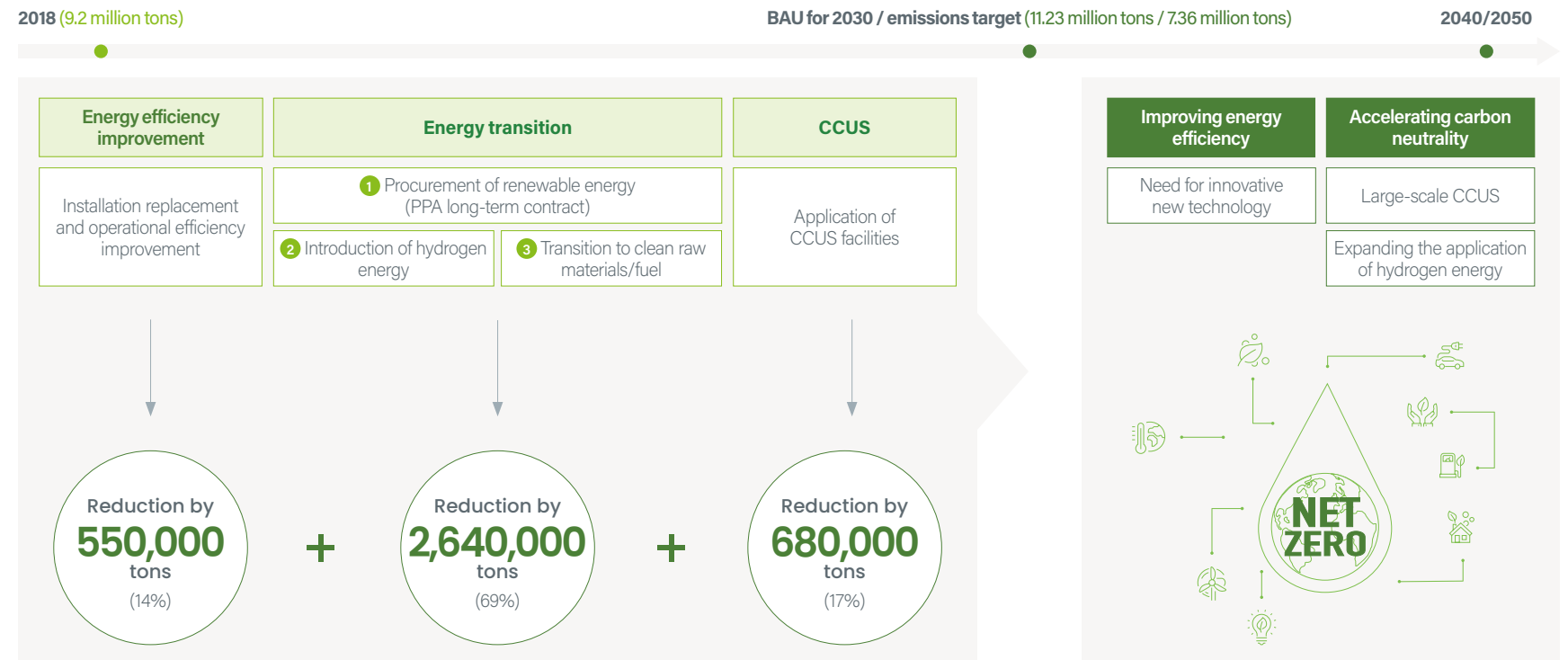
Climate Change Response Strategy

LOTTE Corporation discusses the need for responding to climate change as a major agenda of regular meetings such as the ESG Committee, raises management awareness, analyzes climate change risks and opportunities, and reflects the result in corporate management decision-making. 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.

Climate Risk Management

Category	Issue	Financial risk factor	Opportunity factor
Transition risk	Policy/Regulation	Transition to renewable energy	Increase in procurement cost
	Acute	Disasters such as the typhoon and flood	Occurrence of workplace maintenance costs
Physical risk	Chronic	Continuous average temperature rise	Increase in direct and indirect workplace management costs

Carbon Neutral Roadmap Implementation Strategy



☐ Please refer to P. M12-13 of this Report to find more information about the carbon neutral roadmap.

Responding to Climate Change

Establishing GHG Reduction Goals

LOTTE Group established carbon neutrality targets for 2030 and 2040 after selecting a means of carbon reduction that can be utilized in the short-term, mid-term, and long-term. In addition, some chemical-affiliates devised a reduction plan by 2050 in consideration of current technology levels.

LOTTE Corporation specified the indicator of greenhouse gas reduction activities in major evaluation indicators to lead the improved energy use efficiency and greenhouse gas reduction activities of the Group affiliates. LOTTE Group separately manages its GHG reduction performance attributable to the direct introduction of energy-saving technologies, not natural reduction due to business conditions and external environmental factors, and will carry out GHG reduction activities according to the group carbon neutral roadmap.

Separately from the government's emissions allowance and target allowance, the Group affiliates calculate estimated emissions based on an annual management plan, use this as the basis for deriving target emissions, and implement the corresponding GHG emissions reduction activities.

PERFORMANCE

Promoting the Adoption of Renewable Energy

LOTTE Group induces the Group affiliates to adopt and increase the use of renewable energy in line with 2040 Carbon Neutral Roadmap. As of 2022, the Group affiliates installed solar power generation facilities with a capacity of 14.97 MW inside their premises, and these facilities can produce 17,569 MWh of electricity annually.

Expanding the Installation of EV Charging Stations


LOTTE Group is installing more electric vehicle charging stations, mainly at the Group affiliates in the distribution and service industry, to increase the utilization of electric vehicles by employees and actively participate in government policies to increase the supply of eco-friendly vehicles.

Development and Production of Low-carbon Products

LOTTE Group affiliates are making continuous efforts to reduce the carbon footprint of their products by developing and manufacturing low-carbon 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.

The Group Affiliates Subject to Energy and GHG Regulations

GHG and energy target management system



1 company
LOTTE Cultureworks

GHG emission trading scheme




14 companies

LOTTE Global Logistics, LOTTE-Nestlé, LOTTE Property & Development, LOTTE Shopping (LOTTE Department Store, LOTTE Mart/Super, LOTTE e-commerce), LOTTE Versalis Elastomers, LOTTE Aluminum, LOTTE MCC, LOTTE WELLFOOD, LOTTE INEOS Chemical, LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Chilsung Beverage, LOTTE Chemical, HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE Duty Free, LOTTE World)

Energy Management System (ISO 50001) Certification at LOTTE Group

ISO 50001 Certification




5 companies

LOTTE Property & Development, OTTE Shopping (LOTTE Department Store, LOTTE Mart/Super), LOTTE Data Communication, LOTTE Chemical, HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE World)

LOTTE Group's Installation of Photovoltaic Power Generation as of 2022

Power generation capacity



14.97 MW
715 MW of self-generated energy + 782 MW of solar leases (purchased energy)

Estimated power generation


17,569 MWh

*11 companies

LOTTE Global Logistics, LOTTE Property & Development, LOTTE Versalis Elastomers, OTTE Shopping (LOTTE Department Store, LOTTE Mart/Super), LOTTE Aluminum, LOTTE MCC, LOTTE WELLFOOD, LOTTE INEOS Chemical, LOTTE Chilsung Beverage, LOTTE Chemical, HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE Duty Free)

LOTTE Group's Operation of EV Charging Stations as of 2022

No. of charging stations



1,511
417 units of fast charging stations + 1,094 units of standard charging stations

*10 companies

LOTTE Global Logistics, LOTTE Property & Development, OTTE Shopping (LOTTE Department Store, LOTTE Mart/Super), LOTTE Aluminum, LOTTE WELLFOOD, LOTTE Data Communication, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hotel Busan, HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE Duty Free, LOTTE World)

Responding to Climate Change

SPECIAL CASE

LOTTE Chemical Enters New Green Business



LOTTE Chemical announced its 2030 vision and corporate slogan "Every Step for GREEN" in May 2022 and is trying to restructure its business to enable sustainable growth by increasing the proportion of green businesses such as high value-added specialty, hydrogen energy, battery materials, recycling, and bio to 60% of sales, as a growth strategy of achieving the vision. In particular, LOTTE Chemical has newly organized the "Hydrogen Energy Business Group" and the "Battery Materials Business Group" to strategically execute future green business and actively cope with infrastructure changes in the petrochemical industry. Each business group nurtures new businesses and executes investments systematically to preoccupy the hydrogen market and enter additional battery/high value-added materials business.

Hydrogen Energy



The domestic hydrogen market is expected to grow to a size of 5.8 million tons by 2030—a growth mainly driven by demand for power plants, fuel cells, and mobility. LOTTE Chemical promotes a variety of projects throughout the hydrogen industry value chain at home and abroad to import 1.2 million tons of eco-friendly blue and green hydrogen in the form of ammonia. LOTTE Chemical also seeks active collaboration with the Group affiliates and strategic partners at home and abroad to continuously develop new business opportunities within the hydrogen ecosystem and to build up Korea's hydrogen infrastructure.

LOTTE Data Communication's EV Charging Infrastructure Business



The transition from internal combustion engine vehicles to eco-friendly electric vehicles (EVs) should be accelerated to reduce GHG emissions, which requires the expansion of electric vehicle charging infrastructure. To meet these requirements, LOTTE Data Communication is taking a leading role in expanding the EV charging infrastructure and meeting the needs of EV customers through its subsidiary EVSIS.

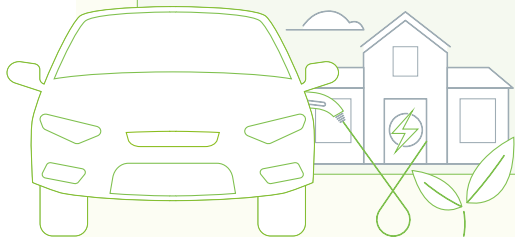
EVSIS was selected as a supplier of Hyundai Motor Company's ultra-high-speed EV charging brand "E-pit" through joint R&D on a next-generation ultra-high-speed charging platform with Hyundai Motor Company. EVSIS participates in the special purpose corporation (SPC) of LOTTE Group, Hyundai Motor Company, and KB Asset Management as a key manufacturer for ultra-high-speed charger infrastructure. EVSIS launched an integrated charging operation platform that connects the mobile app, PC website, and charger in July 2022 to provide end-to-end services for the entire value chain of the charging industry, from charger design and manufacturing to platform and operation.

In particular, EVSIS is expanding public fast charging infrastructure in daily life, by spreading public chargers in the early days by utilizing the site that distribution, hotel, and service Group affiliates can easily access downtown, establishing medium and high-speed charging infrastructure that requires a heavy investment, and continuously increasing customer convenience services using the cloud-based charging platform. As a result, EVIS is contributing to eliminating the charging black spots throughout the country by expanding charging stations not only in LOTTE Group stores nationwide, but also in downtown areas, offices, and residential areas nationwide, including local governments, hospitals, gas stations, parking lots, and apartments.

Battery Materials



Battery materials are a high-value-added market that is expected to grow at an average annual rate of 30% over the next 10 years thanks to increased demand for carbon-neutral eco-friendly vehicles. To be reborn as a leading "global comprehensive battery materials company," LOTTE Chemical started construction of the EC and DMC plants in 2022 to preoccupy the organic solvent market for electrolytes in 2022 with a goal of KRW 7 trillion in sales by 2030. The plants aim to begin commercial production in 2024. It also plans to build the EMC and DEC plants using its proprietary technology, which will enable the company to produce organic solvents for electrolytes for major. It is also reviewing the possibility of securing a global production base by using these plants. To respond to the separator market and rapid growth, LOTTE Chemical plans to increase the annual production capacity from 7,000 tons in 2023 to 100,000 tons in 2030 and increase the market share of materials for separators.

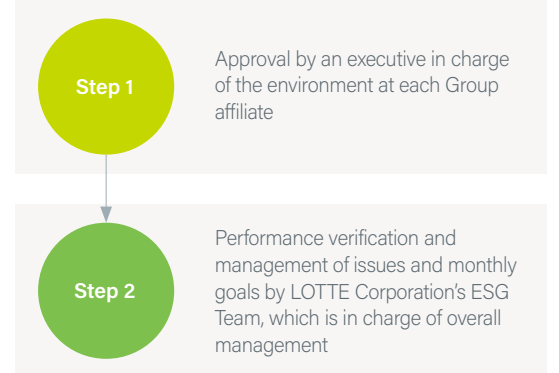


ASSESSMENT

Managing GHG Emissions

LOTTE Group calculates and verifies energy consumption and GHG emissions every month using the LETS system and reports the result to the responsible executives in all of our Group affiliates. In addition, the Environmental Management Verification Team verifies the performance and provides feedback twice a year for more systematic management. Going forward, we plan to reduce GHG emissions by applying a variety of means according to our carbon neutral target.

GHG Emissions Reporting Process



OUTLOOK

We will implement carbon neutral activities by continuously updating the Carbon Neutral Roadmap 1.0, monitoring and managing performance; monitoring the status and performance of reduction activities and reflecting it in KPIs; and improving external reliability.

Facilitating the Circular Economy

APPROACH

LOTTE Group's Virtuous Resource Circulation Structure

From the long-term perspective, LOTTE Group will apply its unique execution model for the "5Re (Reduce, Replace, Redesign, Reuse, Recycle)" to all our business areas while striving to improve its performance on a continuous basis.

PERFORMANCE

Virtuous Resource Circulation Project

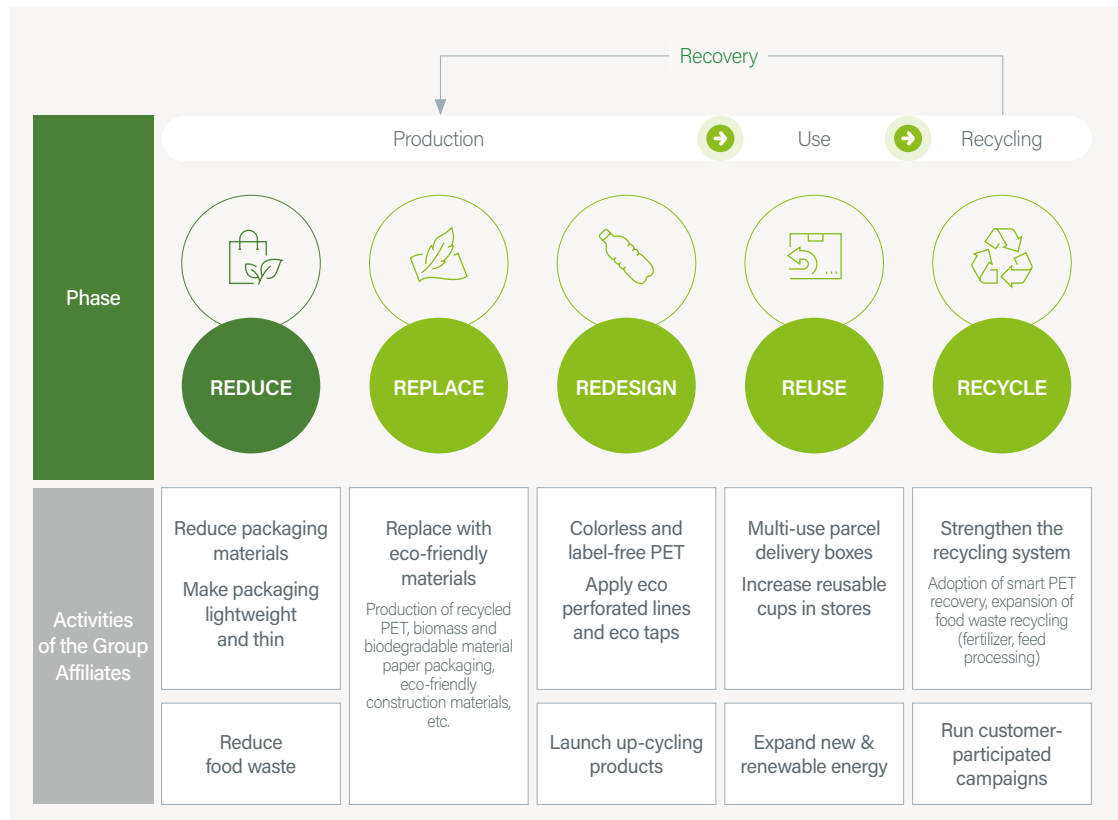
LOTTE Group has formed a consultative group from related Group affiliates for each task of three "virtuous resource circulation" projects (establishing a virtuous plastic recycling system, expanding eco-friendly packaging, and reducing food waste) and promoted the relevant activities.

Establishing a virtuous plastic recycling system 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.

In particular, LOTTE Group plans to increase the establishment of the virtuous plastic circulation system, based on the technological prowess possessed by LOTTE Chemical.

In 2022, we laid the groundwork for establishing a systematic cooperation model by operating the virtuous resource circulation TFT in the Group. LOTTE Chemical is building a plastic recycling plant that is set to begin operation in 2024, and LOTTE Global Logistics is carrying out the waste resource distribution and logistics project. LOTTE Property and Development established the virtuous wastepaper circulation system in LOTTE World Tower after signing an MOU with Yuhan-Kimberly.

5Re Execution Model



Facilitating the Circular Economy

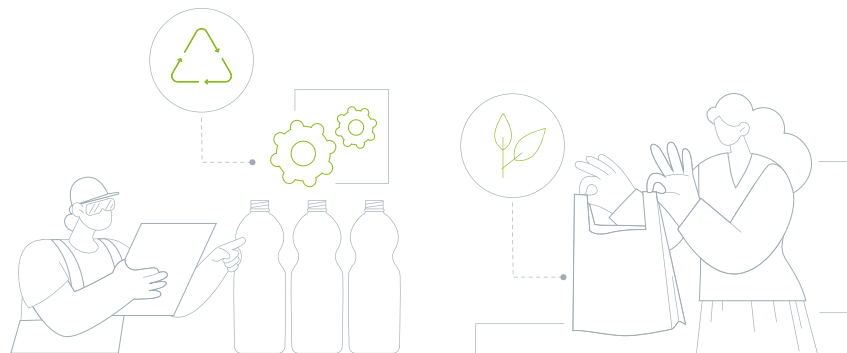
Expanding eco-friendly packaging LOTTE Group plans to reduce the use of unnecessary disposables and increase eco-friendly packaging in its efforts to facilitate the circular economy. To this end, we have launched a Group-wide council to deal with the development and application of ecofriendly packaging. 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.

Reducing food waste While continuing to conduct R&D on reducing food waste generated in each business division, LOTTE Group is also planning to create a manual after measuring the amount of food waste produced by each affiliated company and studying the method of reducing food waste in each phase of food production, processing, and distribution. To reduce food waste, we will develop food freshness improvement technology to minimize food waste and study recycling methods such as fertilizer and feed processing to minimize final landfill waste.

In particular, LOTTE Well Food is researching how to convert waste oil into biodiesel as an energy source, LOTTE GRS develops deck materials using coffee waste, and Korea Seven tries to minimize shop waste by providing last order service that sells products that will soon expire at a discount.

Activities to Reduce Waste Plastics

LOTTE Group identifies waste reduction items and puts waste reduction into action in the entire cycle, from manufacturing to consumption, to routinize waste plastic reduction activities within the Group. We are building an atmosphere where both offices and sales sites can practice a variety of efforts and innovations and spreading best practices throughout the entire Group affiliates to minimize waste plastic generated in the workplace, thereby creating a clean social environment.



Virtuous Plastic Circulation Activities of the Group Affiliates

Item	Description	Category
	<ul style="list-style-type: none"> Physical recycling: LOTTE Giantss uniform, eco bag, shoes, buetooth earphones, etc. Chemical recycling: Scarf, razor, washing machine control panel Green plastic: Cosmetic case, reusable cup, beverage bottle, HDPE for boat 	LOTTE Chemical
	<ul style="list-style-type: none"> Label-free mineral water (ICIS ECO, Trevi) Use of recycled PET and recycled film (ICIS ECO) Recycled PET products (Chilsung Cider Zero, Chum-Churum) Transparent PET, first of its kind in the beer industry (Cloud) Eco tab, eco perforated line, lightweight PET PET bottle upcycling uniform 	LOTTE Chilsung Beverage
	<ul style="list-style-type: none"> Upcycling jerseys 	LOTTE GRS
Virtuous plastic circulation	<ul style="list-style-type: none"> Perinen upcycling → Cooking apron, laundry bag, room slippers Upcycling fixtures: Large-capacity amenities Eco-friendly fixtures: Walnut room key PET bottle upcycling uniform 	LOTTE Shopping (LOTTE Department Store)
	<ul style="list-style-type: none"> Upcycling mini bags made of abandoned banners Pencil case made of waste plastic Eco-friendly eco bag Only One Earth Kit 	HOTEL LOTTE (LOTTE World)
	<ul style="list-style-type: none"> RE: EARTH products 	LOTTE Shopping (LOTTE Mart/Super)
	<ul style="list-style-type: none"> Upcycling items using waste linen 	HOTEL LOTTE (LOTTE Hotels&Resorts)
	<ul style="list-style-type: none"> Sneakers and bags made of waste PET bottles 	Korea Seven
	<ul style="list-style-type: none"> Development of a virtuous resource circulation platform 	LOTTE Global Logistics

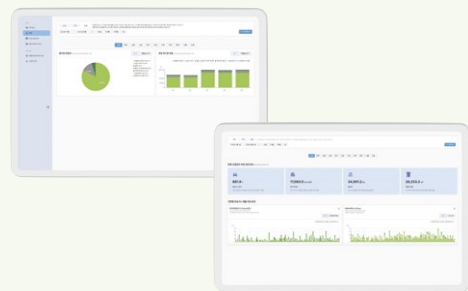
Facilitating the Circular Economy

SPECIAL CASE

LOTTE Global Logistics Established Resource Circulation Platform



In December 2021, LOTTE Global Logistics signed a business agreement with HRM (Hanvit Resource Management), the resource circulation platform "ECOYA" development company, to build a resource circulation system. Based on the agreement, LOTTE Global Logistics developed an eco-friendly logistics conversion solution for the distribution centers in cooperation with HRM and introduced ECOYA at 10 operational distribution centers. ECOYA performs the function of integrated data management inside the distribution center by checking the status of all waste disposal processes, recycling rate, and carbon reduction effect. By managing related data using ECOYA, LOTTE Global Logistics is actively establishing a resource circulation system at the distribution centers, such as improving transparency in waste management, increasing the recycling rate, and developing eco-friendly recycling subsidiary materials for logistics. LOTTE Global Logistics plans to realize carbon neutrality and green logistics by further expanding the resource circulation system by developing integrated eco-friendly logistics solutions.



Landing page of "ECOYA" – a resource circulation platform

LOTTE Mart Certified by GREEN STAR



In October 2021, LOTTE Mart introduced the eco-friendly campaign brand "RE:EARTH," which means "renew the Earth." LOTTE Mart also introduced eco-friendly raw materials and packaging materials mainly for its private brand (PB) products and installed solar energy systems to operate in-store systems. In recognition of these activities to take the lead in sustainable eco-friendly management, LOTTE Mart acquired GREEN STAR¹⁾ certification in 2022 for the first time among large marts in Korea and was certified again in April 2023.

LOTTE Mart complies with the seven eco-friendly packaging guidelines when producing PB products, including the use of removable stickers, application of eco-friendly perforated lines, use of recycled packaging materials, and substitution of eco-friendly materials. In addition, LOTTE Mart laid the groundwork for revitalizing green products by acquiring the "Environmental Product Declaration" mark for four types of mineral water in 2022, including the PB product "OnlyPrice Mineral Water ECO" which uses label-free packaging to reduce waste and improve the convenience of separate garbage collection.



"Yorihada" adopted eco-friendly kraft packaging



LOTTE Mart also developed biodegradable kraft wrapping paper for meal kits and applied it to all products with its own meal kit brand "Yorihada" to replace all plastic packaging materials with eco-friendly kraft packaging materials.

LOTTE Mart is conducting a variety of activities to operate stores across the country as the base for resource recovery while also operating empty bottle collection machines and plastic collection machines to collect high-quality recyclable materials. About 2.6 million empty bottles were collected by unmanned empty bottle collection machines in 2022, and the collected bottles were recycled, which contributed to environmental protection by reducing CO₂ emissions of 5,358CO₂eq. In addition, about 31 tons of plastic PET bottles were collected in 2022 using plastic recovery machines, and the collected plastic was recycled to produce eco-friendly products by collection companies. In addition, 10 more unmanned empty bottle collection machines were installed in 8 stores in April 2023, to increase stakeholders' interest in the virtuous cycle of resources.

OUTLOOK

Going forward, LOTTE Group will conduct campaigns and projects that can be practiced in everyday life and continue to develop new products by considering resource circulation as a new growth green business. LOTTE will make continuous efforts in 2023 to establish our unique resource circulation system and reduce plastic waste.



¹⁾ The Korea Management Registrar identifies and certifies products and services with qualified eco-friendliness, such as quality, design, and user environment, based on the consumer research conducted by a specialized research institute "Korea Research"



IN THIS SECTION

Achieving the Value of Diversity and Human Rights

Fair Recruitment and HR Management

Nurturing and Managing Outstanding Talent

Building a Creative Organizational Culture

Global HR Management

Establishing a Creative Labor-Management Culture

Innovating Business Site Safety Management

Building a Sustainable Supply Chain

Facilitating the Startup Ecosystem

Local Community Development

SOCIAL

WHY IT MATTERS

In a rapidly changing business environment, attracting and nurturing outstanding talent is a key factor for a company's sustainable growth and competitiveness enhancement. As the way of working is changing due to a decrease in the economically active population and the development of digital technology, companies are making efforts to nurture professional talent, introduce digital work programs, and improve the quality of life of their employees. Meanwhile, as corporate social responsibility has become an important agenda for corporate management, leading companies are seeking ways to contribute to solving social problems by conducting social contribution activities based on their professional capabilities and cooperation with various stakeholders.

KEY ACHIEVEMENTS IN 2022

Achieving the Value of Diversity and Human Rights

LOTTE Group strives to create an organizational culture in which people trust each other without any prejudice or discrimination while cherishing the value of respecting diversity, eliminating discrimination related to gender, age, race, nationality, region of origin, generation, religion, disability, etc. In addition, we aim for human rights management that can positively change society while contributing to the affluent life of mankind with our products and services. In order to become an enterprise that adds value to human life, we have established the "LOTTE Group Statement on Human Rights" as a standard for correct behavior and value judgment that all executives and employees must abide by in the course of management activities and business operations while doing our best to establish and spread human rights management.

Fair Recruitment and HR Management

LOTTE Group places a higher value on the possibility of shaping the future, rather than the present. We therefore set in place a variety of systems and programs to recruit global talents with passion and responsibility who will lead not only individual growth but also the development of the company, and furthermore, our society. In particular, we are striving to break away from the traditional method of recruiting and assigning applicants at a fixed time and to secure talents with diversity and expertise in a timely manner by subdividing the selection process by job.

Nurturing and Managing Outstanding Talent

LOTTE Group encourages its employees to learn and grow on their own, with an aim to create a corporate culture in which employees join forces to create results. To this end, we provide a wide range of job experience opportunities so that employees can develop their careers on their own and grow into talents with job expertise. In addition, in response to changes in the business environment, we are promoting changes in our business portfolio while intensively nurturing experts in strategic jobs such as finance, HR, and digital transformation (DT) so that they can take the initiative to set business directions and implement strategies.

Building a Creative Organizational 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.

Global HR Management

As we expand our overseas business, LOTTE Group operate a variety of systems and programs that motivate expatriates working overseas to immerse themselves in their work with pride and competence without any inconvenience in local life. In particular, as global business has become the Group's core growth engine in the mid-to-long-term, and the importance of operating and managing overseas subsidiaries has gradually increased, LOTTE Corporation, with a key focus on the HR Innovation Division, has established strategies to manage overseas subsidiaries and improve the capabilities of local people and is now working on related plans.

Establishing a Creative Labor-Management Culture

LOTTE Group has established the LOTTE creative labor-management culture system to achieve the continuous growth of our affiliates and the happiness of our employees through joint creative activities between labor and management. In addition, we operate labor-management communication channels such as the Labor-Management Council to enhance trust and cooperation between labor and management.



Building a Sustainable Supply Chain

In order to create a healthy business ecosystem that respects the value of win-win based on mutual trust with partners, LOTTE Group has established a variety of shared growth systems and programs. Furthermore, looking forward to our partners joining us on the journey of LOTTE for a sustainable future for mankind, we have established the "Code of Conduct for LOTTE Group Partner Companies" that contains the value of ESG management for the sustainable growth of LOTTE Group and the creation of social value.

Facilitating the Startup Ecosystem

With the goal of creating social value by fostering startups and open innovation to discover new businesses, LOTTE Group continues to operate "L-CAMP", an excellent startup support program led mainly by LOTTE VENTURES, to discover startups with innovative ideas.

Local Community Development

In order to promote the rights of the underprivileged and raise awareness of the socially disadvantaged so that our society can become a more prosperous world, LOTTE Group carries out various forms of sharing activities by leveraging our business capabilities and resources, focusing on areas such as women & children, together with community, win-win, and global.



Achieving the Value of Diversity and Human Rights

APPROACH

Human Rights and Diversity Principles

LOTTE Group places top priority on human rights management in its corporate management, with the goal of making positive change to the lives of its customers and wider society while also contributing to the affluent life of mankind. 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 and 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.

Statement on Human Rights

LOTTE Group aims to develop into a future-oriented enterprise that adds value to human life on the back of capabilities and experience it has accumulated. To this end, we established the "LOTTE Group Statement on Human Rights" and disclosed to stakeholders through the website in June 2022. The Statement is the standard for correct behavior and value judgment that all executives and employees must abide by in the course of management activities and business operations. It 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.

Diversity Charter

In order to ensure the future competitiveness of a company, it is essential to create a workplace culture where talented people with diverse thinking are respected. In 2013, LOTTE Group became the first Korean company to establish and proclaim the "Diversity Charter" which clarifies its will to respect its employees' diversity in terms of gender, culture, physical attributes, and generation and to eliminate discrimination based on any of them. Being applied to entire operations at the Group level, including employee recruitment and development, communication programs, and overseas business, the Diversity Charter is leading the way in establishing a corporate culture that embraces diversity and driving LOTTE's creativity and innovation.

PERFORMANCE

Gender Diversity Programs

LOTTE Diversity Forum LOTTE Group has held the "LOTTE Diversity Forum" (formerly LOTTE Wow Forum, renamed in 2021) every year since 2012 in order to promote the importance of ensuring diversity across generations, abilities, genders, and global backgrounds. Under the slogan of "The Power of Diversity - For New and Better," the 2022 LOTTE Diversity Forum stressed the message that it is necessary to shift the concept of diversity from the perspective of caring to the perspective of future-oriented growth in order to ensure continued growth. In particular, LOTTE Group has improved consensus building by expanding employee participation programs, such as intergenerational relay speeches to look at people beyond the generation frame, and diversity talk shows to look back on 10 years of female talent development policies and prepare for the future. In addition, we added significance to the event by embracing diversity by making souvenirs from the products of "Donggubat," a social enterprise that contributes to creating sustainable jobs for persons with developmental disabilities.

Diversity Charter

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

1 We respect gender diversity.



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

2 We respect cultural diversity.



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

3 We respect physical diversity.



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

4 We respect generation diversity.



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



Logo and poster for 2022 LOTTE Diversity Forum



Achieving the Value of Diversity and Human Rights

OUTLOOK

Securing Global Diversity Since 2006, LOTTE Group has been engaged in a variety of overseas businesses in 26 countries, including the U.S., Japan, India, and Vietnam. As of 2022, there were 44,000 local people working at our overseas subsidiaries. We have adopted a management localization strategy as the main direction of our business operations by expanding local recruitment and reducing the dispatch of expatriates. In order to gain global competitiveness, we focus on nurturing local leaders so that they can play top management roles, while conducting cross-cultural training for expatriates to become familiar with cross-culturalism. In 2023, we plan to hold a “Global HR Conference” to publicize our global HR policy and support the recruitment and development of local people.

Nurturing Female Talent LOTTE Group makes company-wide efforts to create working conditions where all employees, regardless of gender, can fully demonstrate their capabilities, while also focusing on recruiting and nurturing female talents. To this end, we are continuously pushing ahead with not only the quantitative procuring of female talent, but also the expansion of job diversity for female talent, the establishment of a female leader pipeline, and the operation of female leadership programs. Since 2014, we have been running the “Female Leader Mentoring Program” where female executives serve as mentors for female leaders and established a team leader course, opened a leadership diagnosis program and modules tailored for leaders’ competency level with the purpose of empowering female talents to choose and take the necessary training courses on their own initiative.

LOTTE Group officially declared its support for the United Nations’ Women’s Empowerment Principles (WEPs) in 2019, and in 2022 we conducted consulting to promote the qualitative growth of female talent development programs from a mid-to-long-term perspective, in addition to building the female talent pipeline and establishing family-friendly systems. Based on the results, we are preparing to implement a variety of systems and programs such as ensuring the management’s will to female talents, raising diversity awareness at the company-wide level, reviewing the effectiveness of support systems, and developing leadership for female talents.

Expanding Employment for Persons with Disabilities As part of its efforts to realize the values of diversity and inclusion, LOTTE Group has set and is implementing a plan to expand the employment of persons with disabilities, and thus strives to meet the mandatory employment rate of persons with disabilities in all Group affiliates. We aim to respect differences, provide equal and fair opportunities, support job creation and social integration, and grow together through the spread of an inclusive culture rather than discriminatory perceptions and prejudices. As a result, LOTTE Group’s employment rate for persons with disabilities stood at 3.14% and 3.16% in 2021 and 2022, respectively, higher than the average for large companies in Korea. In line with the Group-level efforts to expand the employment of persons with disabilities, the Group affiliates are helping them to become economically independent through job creation so that they can grow together as healthy members of society. Our efforts include the execution of agreements to promote the employment of people with disabilities and the operation of standard workplaces for people with disabilities¹⁾ while taking the lead in spreading a culture where people with disabilities and non-disabled people can work together.

In 2022, LOTTE Corporation signed an agreement to improve the employment rate of people with disabilities and improve awareness of people with disabilities at the “Joint Agreement on Promotion of Employment of Persons with Disabilities and ESG Management Practices” hosted by the Ministry of Employment and Labor and organized by the Korea Employment Agency for Persons with Disabilities. In addition, we are creating jobs for persons with disabilities in various ways to respect diversity and practice ESG. Canon Korea, which had an employment rate of 7.54% for persons with disabilities in 2022, is contributing greatly to the job creation for persons with disabilities through its subsidiary “Angel With,” a standard workplace for persons with disabilities. “LOTTE Chilsung Beverage has launched “Green With” while LOTTE E&C is the first in the construction industry to open a café run by a barista with a disability at a construction site. LOTTE Cultureworks was selected as an excellent employer for people with disabilities in 2022.

Going forward, LOTTE Group will make continuous efforts to improve its organizational culture that embraces diversity, thereby lowering the barriers of prejudice and misconceptions about disabilities in our society.

LOTTE Group will expand diversity within our organization in four areas such as generations, abilities, genders, and global backgrounds. Based on understanding and inclusion of different generations and global cultures, we respect all members of society for who they are. To empower female talents to demonstrate their abilities regardless of gender, we plan to improve their situations in a host of areas such as recruitment, training, transfer, and placement while analyzing the operation status of the company’s various support systems and enhancing their effectiveness. In addition, by expanding the number of jobs that persons with disabilities can work on, we will provide employment opportunities to a larger number of persons with disabilities and create an environment where all community members can live together.

LOTTE Affiliates’ Standard Workplaces for Persons with Disabilities

Canon Korea

Angel With Inc (subsidiary) – product consulting and production manufacturing for Canon Korea office equipment

HOTEL LOTTE

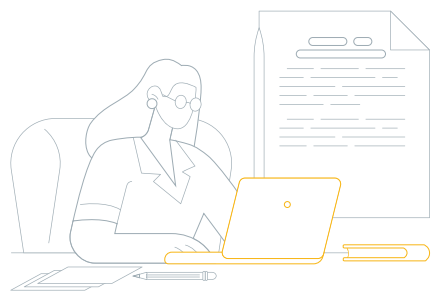
Smile With – dishwashing

LOTTE WELLFOOD

Sweet With, Food With – product packaging

LOTTE Chilsung Beverage

Green With – running a cafeteria at the head office and washing factory overalls in plants



¹⁾ A system that supports the creation of an environment (physical and emotional) friendly to the actual employment of persons with disabilities by generating stable jobs for people with severe disabilities, laying the foundation for social integration, and presenting standards for working conditions for people with disabilities

Fair Recruitment and HR Management

APPROACH

People of LOTTE

In order to compete with many companies in the world, the cultivation of human resources is more important than anything else. Therefore, LOTTE Group prioritizes attracting and nurturing global talents and strives to procure challenging and creative talents. Placing a higher value on the possibility of shaping the future rather than the present, we look for talented people with passion and responsibility who will strive for the continued growth of our society along with their own growth.

HR Direction

At the 2022 Value Creation Meeting, a meeting of LOTTE CEOs, LOTTE Group declared its HR direction centered on market and value. The goal is to enable the Group affiliates to continue promoting HR innovation through "Market-driven HR" that improves employee competitiveness in line with market changes and responds to market needs, and "Value-driven HR" that supports the creation of sustainable competitiveness from a mid-to-long-term perspective as well as performance in existing areas.

As all Group affiliates are preparing for innovation in line with the rapidly changing environment, we are transitioning to implement a HR strategy led by each Group affiliated and a HR system centered around employees in conjunction with these business strategies. As industry boundaries are blurring and unprecedented changes are underway, creating an HR system that arouses passion in the hearts of LOTTE people is an essential direction of change for the future of LOTTE Group.

HR Strategy

LOTTE Group strives to establish HR strategies specialized for each Group affiliate, ensure fairness in its HR system, and improve the performance of onsite employees for sustainable growth in the future. Through the mid-to-long-term "HR Eco-System," we support the development of future talents, creation of a performance-oriented corporate culture in which nurtured talents can display their capabilities, and leadership transformation of leaders serving as the main pillars of the corporate culture. To nurture future-oriented talent, we do our utmost to attract outstanding people necessary for the implementation of our business strategies and gives them ample opportunities to grow into experts.

To bolster our professional capabilities, we will aggressively attract outstanding talents from the outside. Through various channels such as Spectacle recruitment and recruitment linked to external organizations, we will recruit the talents we need in a timely manner. Internally, we have upgraded our recruitment system since 2020 in a bid to increase applicants' convenience and ensure fairness in the evaluation process. Going forward, we will spare no effort to continue investing in human resources. In particular, active investments are planned for our core business groups such as health & wellness and mobility - which are new growth domains - as well as chemicals, food, and infrastructure.

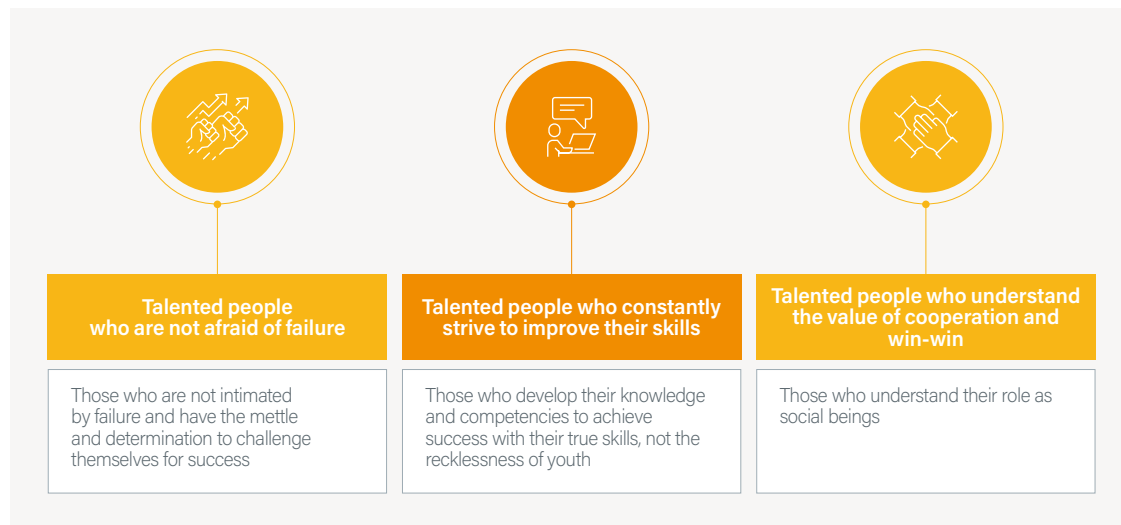
HR Innovation led by the Group Affiliates

As uncertainty in the corporate business environment increases and competition intensifies, it is necessary to establish the HR system in a way that enhances the consistency with the business strategy and competitive environment of each Group affiliate.

Integrated HR Innovation TFT Since July 2022, we have been conducting a lively discussion forum to enable fundamental change and innovation through continuous communication and information sharing, centered on the Chief Human Resource Officer (CHRO) in each industry and HR executives of the Group affiliates, with key initiatives being implemented.

HR Exchange Meetings LOTTE Group goes beyond the operation of an HR system that is commonly applied to across the Group, and has set a goal in 2022 for each Group affiliate to establish a competitive HR system that reflects affiliate's own characteristics. In order to establish HR strategies linked to each affiliate's business strategy, LOTTE Corporation has held exchange meetings with HR team leaders and managers of all Group affiliates. The 2022 HR exchange meetings were held online every month under three themes: establishing HR strategies linked to business strategies, deriving HR tasks based on the HR strategies, and setting a workforce structure from a mid-to-long-term perspective.

People of LOTTE



Fair Recruitment and HR Management

PERFORMANCE

Establishing HR Strategy Aligned with Business Strategy In order to establish a specialized HR strategy for each Group affiliate, it is necessary to first understand the company's business strategy. Accordingly, the HR organization of each Group affiliate has collaborated with its planning and strategy division to share the company's business strategy, reviewed the main strategic goals for the next year and the main initiatives for them, and based on this, established the HR strategic direction while considering how to collaborate in terms of the quality and quantity of human resources needed to successfully carry out the business strategy.

Deriving HR Tasks Based on HR Strategies After defining detailed activities needed to implement the established HR strategy, we have set them as our HR tasks. Each HR task has been specified through a task definition that describes the background of the review, the main activities, the main driving force, and the implementation process, followed by the preparation of a detailed action plan. The HR challenges derived through this process have become more visible, which is expected to enable the CEO of each affiliate to implement their business strategies effectively in the future.

Creating a Workforce Structure from a Mid- to Long-term Perspective In order to maintain the mid-to-long-term health of the workforce structure of executives and employees, who play a key role in implementing business strategies, it is necessary to conduct thorough simulations in advance because the size of the workforce at each level changes from time to time due to a combination of various factors such as employee promotion, retirement, and hiring. In addition, such a workforce structure is set differently depending on the business and strategic direction of each Group affiliate. In 2022, each Group affiliate went beyond the simple method of adding to or subtracting from the previous year's workforce structure, defined the necessary organizational capabilities based on business strategies and HR strategies, and calculated the required manpower size for each organizational unit and position to establish a mid-to-long-term workforce structure.

Upgrading the Recruitment System

As economic and social changes accelerate and uncertainty expands, the importance of attracting specialist-type "right people" increases, and LOTTE Group conducts recruitment screenings for new employees, interns, Spec-tackle, and experienced recruits when necessary by judging the employment time and number of people needed for each Group affiliate. In particular, after a full-scale transition to on-demand hiring, we strive to procure talented people with excellent job capabilities by recruiting new employees through a variety of channels. Through the upgrade of the recruitment system, we increase applicants' convenience and ensure fairness in their evaluation and increase the recruitment of human resources through active cooperation with external professional organizations in addition to industry-university cooperation internships, industry-university scholarship, and industry-university joint research.

Field-Oriented On-demand Recruitment LOTTE Group is improving its recruitment process with a focus on sites and jobs. Rather than a one-size-fits-all document and interview evaluation, we have flexibly expanded the use of evaluation tools to verify and evaluate various competencies for each job. In particular, since 2010, we have been using certified interviewers for each Group affiliate to verify the competencies and experiences of applicants, and we have enhanced the competence of interviewers to improve fairness and objectivity, as well as increase applicants' satisfaction.

Diversifying Talent Acquisition Channels We are focused on discovering external channels to secure diverse talents. In the IT and DT fields, we strive to discover and prioritize excellent talents by expanding industry-academia links with universities and graduate schools with job-specific strengths, concentrating on jobs such as online planning and UX planning, while recruiting graduates from external educational institutions (Samsung Youth SW Academy, Bit Academy, and SAP Academy, Google Boot Camp, etc.) to attract talented people with outstanding job competencies.

In 2022, we were selected as a participant in the digital talent development program conducted in cooperation with the Ministry of Employment and Labor and Busan City Hall. Mentors from IT-based Group affiliates such as LOTTE Data Communication, LOTTE e-commerce, and LOTTE Members will participate in the customized projects.

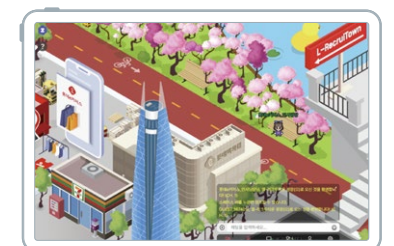
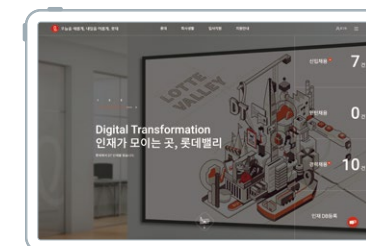
Fair Recruitment LOTTE Group provides equal opportunities in the recruitment process to all young people who take their first steps in society, regardless of their school, region of origin, appearance, etc. To this end, we strive to enhance fairness in the process and increase the satisfaction of new employees through the job-based talent recruitment and blind recruitment. In order to ensure fairness in the recruitment process for millennials and generation Z, who value fair processes and fair compensation, we have developed and distributed the "LOTTE Fair Recruitment Guidebook" to all Group affiliates. In an effort to fulfill our commitment to fair recruitment and provide applicants with opportunities to develop into better talents, we have given unsuccessful applicants feedback on their results since 2014. In addition, we regularly monitor all completed recruitment processes, including conducting internal audits through follow-up inspections twice a year.

Our efforts for fair recruitment have been positively evaluated externally. In September 2022, LOTTE Group was invited to the policy forum of the Ministry of Employment and Labor's "Youth-Friendly Corporate ESG Support Project Activation Plan and Case" to present "Feedback on Results to Rejected Candidates" as a corporate best practice. Going forward, we will continue to play a leading role in spreading the socially required fair recruitment culture.

Establishing 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. Through a variety of channels such as the metaverse recruitment center "L-RecruiTown," we are making efforts to attract excellent talent by publicizing the company's organizational culture, recruitment and job information, and various personal growth programs. At the same time, we are actively promoting recruitment and corporate culture content such as "Visual Radio Program" and "LOTTE SSUL TV" through YouTube so that applicants can always access it comfortably.

More information about the recruitment process for new hires, interns, Spec-tackle recruitment, and experienced staff is available on our recruitment website.



2022 recruitment briefing session held at the L-RecruiTown

Fair Recruitment and HR Management

Metaverse Recruitment Platform “L-RecruiTown” & Recruitment YouTube Channel “L-RecruiTV”

In March 2022, LOTTE Group held a recruitment briefing session through LOTTE’s integrated metaverse recruitment platform, “L-RecruiTown.” In a virtual space created with an outdoor plaza centered on the LOTTE World Tower, a briefing room, the LOTTE Group history hall, a gallery introducing Group affiliates, and an event zone, applicants were able to ask questions about jobs in the fields of IT, R&D, and overseas business to recruiters at each affiliate and get the information they wanted. In addition, we are holding a regular online tea time, “Wednesday Career Mentoring,” at Angel-in-us in L-RecruiTown to improve two-way communication with job seekers.

LOTTE Group delivers recruitment and job information in a variety of vivid ways through our YouTube channel dedicated to recruitment: “L-RecruiTV.” Since its opening in February 2020, L-RecruiTV has introduced LOTTE Group with informative and fun content, 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 enterprise. Recently, we have expanded the scope of communication with job applicants through the content of “LOTTE is” featuring candid on-site stories about corporate reviews. As of December 2022, L-RecruiTV has about 52,000 subscribers, with an average of 9,000 views per content (138 registered content).

“Visual Radio Program” to Help the Youth Enhance Job-seeking Capability

Since joining the Youth Employment Support Membership Network in 2021, LOTTE Group has been making concentrated efforts to enhance job-seeking skills of young people. As part of these effort, we launched 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 40,000 views in total by the end of December 2022. Going forward, we will continue to support the enhancement of young people’s employment capabilities with specific and realistic advice from HR managers and a variety of content that can deliver comfort to job seekers.

HR System Innovation

Reform of the Position System LOTTE Group has integrated employees’ positions to solve such issues as vague, ill-defined positions and roles, 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. Since the integration of S1 (senior manager 1) and S2 (senior manager 2), we further increased the consistency between the position level and role level in 2022 by clarifying the meaning of LOTTE Group’s S positions as “team leaders and team leader candidates.”

As of April 2023, LOTTE’s position system basically consists of four levels: A (associates), SA (senior associates), M (managers), and S (senior managers), but each Group affiliate can operate various types of job systems, including a single-position system, reflecting the characteristics of our business and the trends of our industry.

Improving the Qualification Course for Promotion

LOTTE Group’s “M grade promotion qualification process (formerly the manager promotion qualification process)” has remained in place for 38 years since 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. The M Grade promotion qualification system is based on the Learning Experience Points (LEPs), which are the basis of group learning. It stipulates that a certain standard LEP must be obtained while one serves as a deputy, which encourages candidates to actively seek out and learn the courses that they want through self-directed learning.

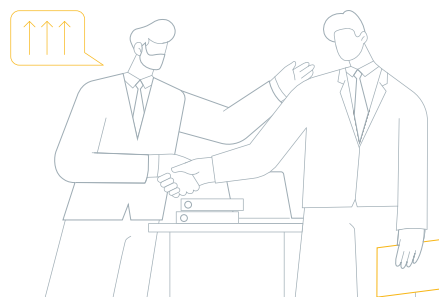
Business management-centered promotion was suitable for the “rotational assignment” system, in which employees gradually accumulated experience across a range of different duties; however, we have reformed the promotion qualification process to reflect the recent HR trend of placing importance on fostering 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 prepared for a change to a “learning- and training-centered” process in 2022. The LOTTE ACADEMY mainly operates the LOTTE Group-level common courses in both knowledge and attitude required of middle managers while each affiliate separately operates our own common courses and elective courses for each position so that employees can continue to learn in a balanced way. The revamped system will be fully operational in 2024 after the preparation process of each Group affiliate.

OUTLOOK

HR teams of LOTTE will play a key role in enabling the Group affiliates to stay firm and grow in a right direction aligned with their business strategy in a rapidly changing environment and an anticipated economic downturn. This HR strategy has been in place since 2022 and will continue to be implemented throughout 2023.

LOTTE Group will continue with market-oriented and affiliate-driven HR strategy and do our best to link talent acquisition and nurturing with the affiliate’s business strategy. We will continue to establish and implement strategies by activating HR innovation TFT and exchange meetings while cultivating core talents linked to each affiliate’s core competencies from a mid-to-long-term perspective and innovating organizational culture with the goal of improving employees’ work engagement.



Nurturing and Managing Outstanding Talent

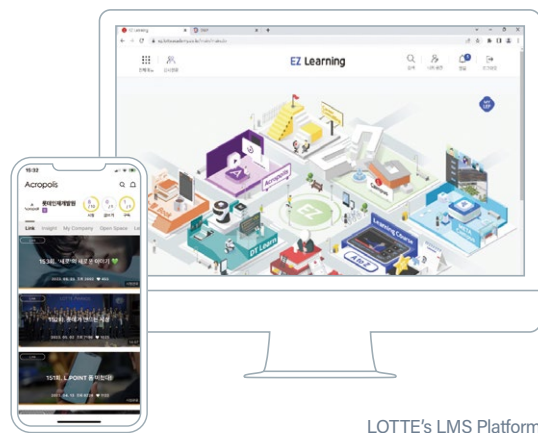
APPROACH

Advancing Talent Development System

In order to systematically nurture the next generation of leaders who will lead the future of LOTTE, we at LOTTE Group have established and operated a core talent development system. Based on the nurturing system, we support key talents to acquire the competencies suitable for the roles required in higher positions in advance. We aim to nurture managers who are prepared from a mid-to-long-term perspective.

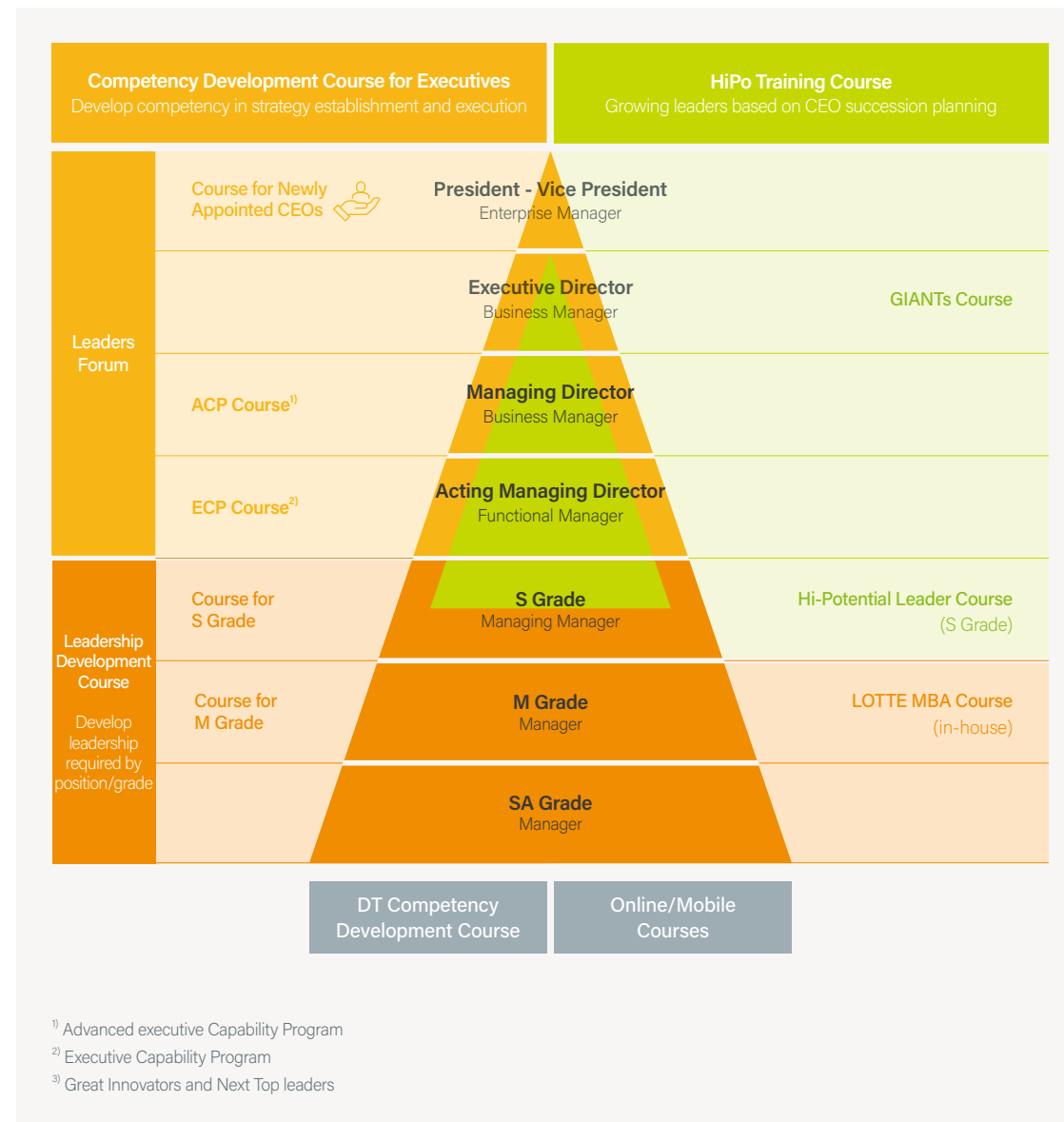
Strengthening the Competency of Strategic Jobs (Finance, HR, DT)

LOTTE Group pursues its business portfolio change in response to changes in the business environment, and accordingly, each Group affiliate is taking the lead in setting business directions and establishing strategies. To minimize management uncertainties that may arise in the process and manage financial and non-financial risks involved, we have designated management support jobs that are the basis of the Group's business – Finance, HR, DT – as the Group's strategic jobs and are nurturing related professionals.



LOTTE's LMS Platform

LOTTE Group Talent Pipeline



Promoting Self-directed Learning System

LOTTE Group is striving to establish an Individual Development Plan (IDP) system at the Group level so that each employee can set their own career goals under the coaching of their superiors and take the initiative to establish and implement learning plans in order to grow as job experts. As part of this, we established and operated an integrated learning platform (LMS, Learning Management System) in 2022 to support customized, continuous learning according to the needs of our employees. Employees selectively apply for and learn various training courses for the purpose of developing their job competencies or self-development within the LMS platform, and LOTTE Group operates an LEP (Learning Experience Point) system that assigns points according to the learning time, encouraging self-directed learning and development by giving employees feedback on the process of growth and the degree of effort.

In order to expand practical support for employees' continuous competency development, LOTTE Group intends to establish a group standard IDP model so that employees can diagnose their own competencies and set and achieve goals in consultation with leaders.

Nurturing and Managing Outstanding Talent

PERFORMANCE

Leadership Competency Building Course

LOTTE Group runs a competency improvement course for promoted executives and employees to help them recognize new roles, identify and cultivate necessary competencies, and thus quickly soft-land in their new roles.

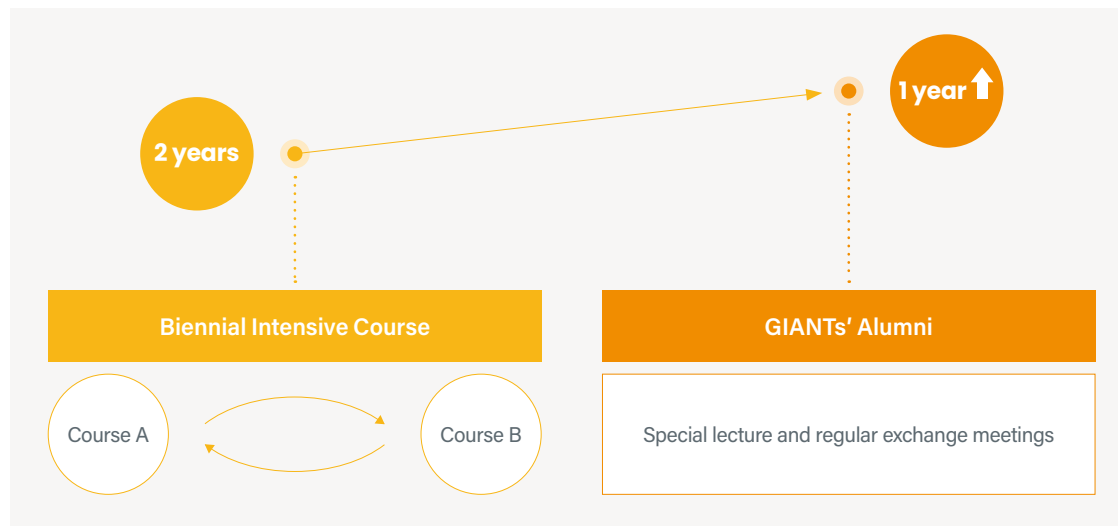
Grade Course The Grade course is for those who have been promoted to M-Grade (manager level) and S-Grade (senior managers 1 & 2) level of LOTTE Group. Through this course, we at LOTTE Group ensure that S-Grade promoted employees establish innovative strategies to present the company's direction while exerting influence in realizing a positive organizational culture and that M-Grade promoted employees take measures to effectively implement strategies and drive connections among colleagues to create a positive organizational culture.

ACP & ECP Courses The ACP course is for those who have been promoted to the position of Business Manager of LOTTE Group while the ECP course is designed for those who have been promoted to the position of functional managers. The new managers continue to develop the necessary competencies for each stage over a period of about four months according to the roles and responsibilities defined in seven areas including Vision, Business, Performance, Organization, and People. We support new managers to establish strategies and develop competencies to gain competitive advantage as "competitive advantage creators" who can discover new growth engines for the organization while helping new functional managers focus on their ability to effectively manage organizations as "strategy executors" who can create the best results within the business environment. Afterward, we select some of the executives who have completed their grade courses and nurture them as core talents in a bid to foster managers who are prepared from a mid-to-long-term perspective.

The core talent course consists of the "GIANTs (Great Innovators And Next Top leaders) Project" course that nurtures CEO candidates and the "Hi-Potential Leader" course that nurtures executive candidates. After being promoted to the next highest level of leadership, the candidates experience role changes in the aspects of business management (Business), organizational management (People), and Self-management (Self) in advance so that they can successfully demonstrate leadership in their new positions. The GIANTs Project course is for CEO candidates selected according to the CEO succession plan within LOTTE Group, which then supports the candidates to complete the "Intensive Course" for about two years, and then participate in special lectures on each major theme related to business management, organizational management, and self-management through "Alumni" for one year to continuously strengthen their qualifications as CEOs.

The "Hi-Potential Leader Course" is a starting point for the development of CEO candidates and is aimed at S-Grade (senior managers 1 & 2) core talents, that is, executive candidates. LOTTE Group selects candidates through a series of processes, including consultations between LOTTE Corporation and the Group affiliates, and supports them in terms of management competence and leader competency development as well as project execution so that they can successfully fulfill their new roles as business leaders in the future. Through the management competency part, the candidates intensively learn and develop the competencies essential as managers in the areas of strategy, finance, marketing, and HR, whereas the leader competency part supports effective leadership based on LOTTE Group's leadership model (4S). The project part is designed to help the candidates experience solving problems based on current issues.

Composition of GIANTs Course



LOTTE Group Leadership Model (4S Leader Competency)



Nurturing and Managing Outstanding Talent

OUTLOOK

Capacity Building for Strategic Jobs

In order to continue investing in new businesses following biotechnology and healthcare, LOTTE Group runs job training courses to foster financial professionals who can intensively manage financial risks and HR professionals who can design organizations according to each affiliate's business strategy. With the goal of developing the ability to detect and prevent financial risks at an early stage and to respond quickly when risks arise, we operate CFO courses and financial skill-up courses, etc. In addition, we conduct the CHRO course and the HR Expert course to nurture HR Business Partners as strategic partners who can secure and manage related talent and design organizations by understanding the business and strategies of Group affiliates.

Furthermore, LOTTE Group operates the DT (Digital Transformation) Insight Forum and data courses for experts and associate experts so that the Group can make transformational innovations by utilizing various new technologies. The DT Insight Forum predicts the rapidly changing future in the era of the 4th Industrial Revolution and acts on the potential changes to create business innovation and synergy for LOTTE Group. Through the data associate expert course and the data expert workshop designed to improve work effectiveness and efficiency, we improve improving the data literacy (ability to utilize data analysis results for the purpose) of our executives and employees.

Self-directed Learning System

LOTTE ACADEMY provides 3,500 learning contents in the fields of management, job duties, and languages through the EZ Learning platform in addition to the operation of an LEP system based on learning time to motivate employees to learn and grow.

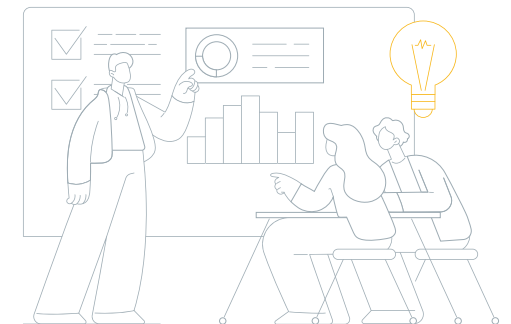
Moreover, in order to expand practical support for employees' self-directed growth, LOTTE Group will provide a LAP-based group standard IDP roadmap and utilization guide in the second half of 2023 and activate coaching for leaders. The Group's standard IDP roadmap is a kind of training guide map that will guide training programs according to employees' competency levels. Employees will be able to identify their individual competency levels through self-examination and leader diagnosis, and then establish and implement their own competency development plan according to the IDP roadmap and receive coaching from leaders. All of training programs outlined in the IDP roadmap will be easily accessible within the LMS, which is an integrated learning platform of the Group.

Career Development System

CDP Scheme In order to reflect the characteristics of each job and promote the growth of our employees based on the principle of placing employees in the right place in consideration of their individual abilities, aptitudes, and development potential, LOTTE Group operates the "Two Track Talent Development System," which consists of a management track and an expert track, and a career development program (CDP) that allows employees to explore and design their own growth paths. In 2023, we plan to establish a CDP strategy suitable for each affiliate's situation to enhance the on-site execution of the CDP system.

IN Career System In January 2022, LOTTE Group introduced "IN Career," an internal talent transfer system between Group affiliates. If employees want to develop their careers, or if there is a manpower shortage in a Group affiliate due to the promotion of a new business, employees can easily apply for the job they want and move smoothly according to the recruitment announcement of the affiliate. In 2022, 134 employees were provided with opportunities for voluntary and active career development through the IN Career system. As such, LOTTE Group creates an environment where employees can explore and design their own careers while striving to achieve the essential purpose of the self-directed career development system.

LOTTE Group plans to secure and nurture human resources with a focus on improving the management expertise of next-generation executives and improving the job competencies of each employee, which will serve as the foundation for the growth of the Group's organizations.



Building a Creative Organizational Culture

APPROACH

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 creates "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.

Value Creation Culture Organization

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. This committee is composed of 10 members including external experts and internal executives from various fields such as organization, women, labor relations, win-win, and society, and discusses various issues at regular meetings. In 2022, the Committee held three regular meetings (in March, June, and September) to discuss the direction of organizational culture change in line with the changing environment and HR risk management from the perspective of organizational culture.

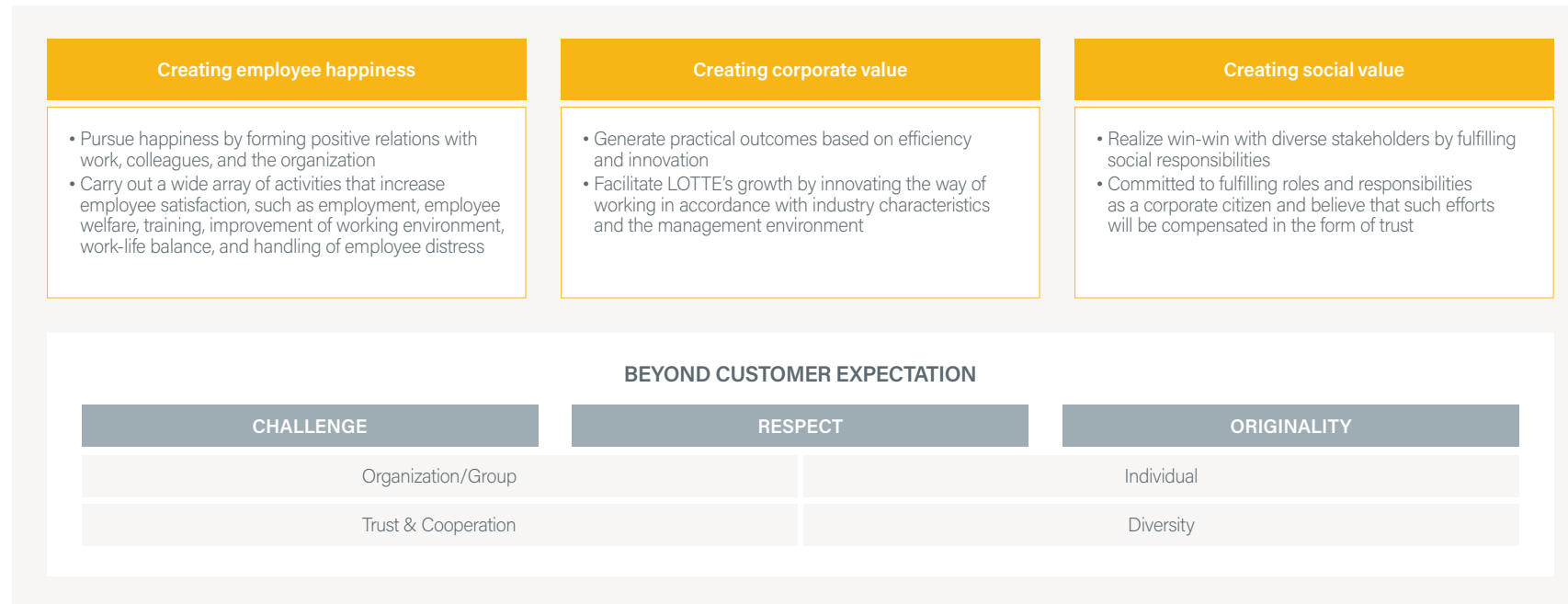
Most notably, in 2022, the committee held an onsite meeting where the committee members discussed organizational culture issues for each Group affiliate with field employees to derive site-centered solutions and enhance their effectiveness.

As such, the committee strives to focus on fundamental constitutional improvement so that employees can immerse themselves in the company's goals, rather than one-off, eventful cultural activities. Based on the orientation of "flexibility to change" and "proactive and horizontal culture," we are expanding the scope of our organizational culture to include experiences throughout the entire life cycle of our employees.

Organizational Culture TFT LOTTE Group sets in place the Organizational Culture TFT for each affiliate so that the Group affiliates can autonomously operate all changes required in the process of organizational culture innovation. The Organizational Culture TFT is working to eliminate work inefficiencies and review and improve the effectiveness of existing organizational culture-related systems through a virtuous cycle process of value creation culture diagnosis, result feedback, and weak point identification and improvement for each Group affiliate on an annual basis. In 2022, the TFT identified approximately 330 tasks across the Group and acted on them.

Junior Board All of LOTTE Group affiliates 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.

Corporate Culture System



Building a Creative Organizational Culture

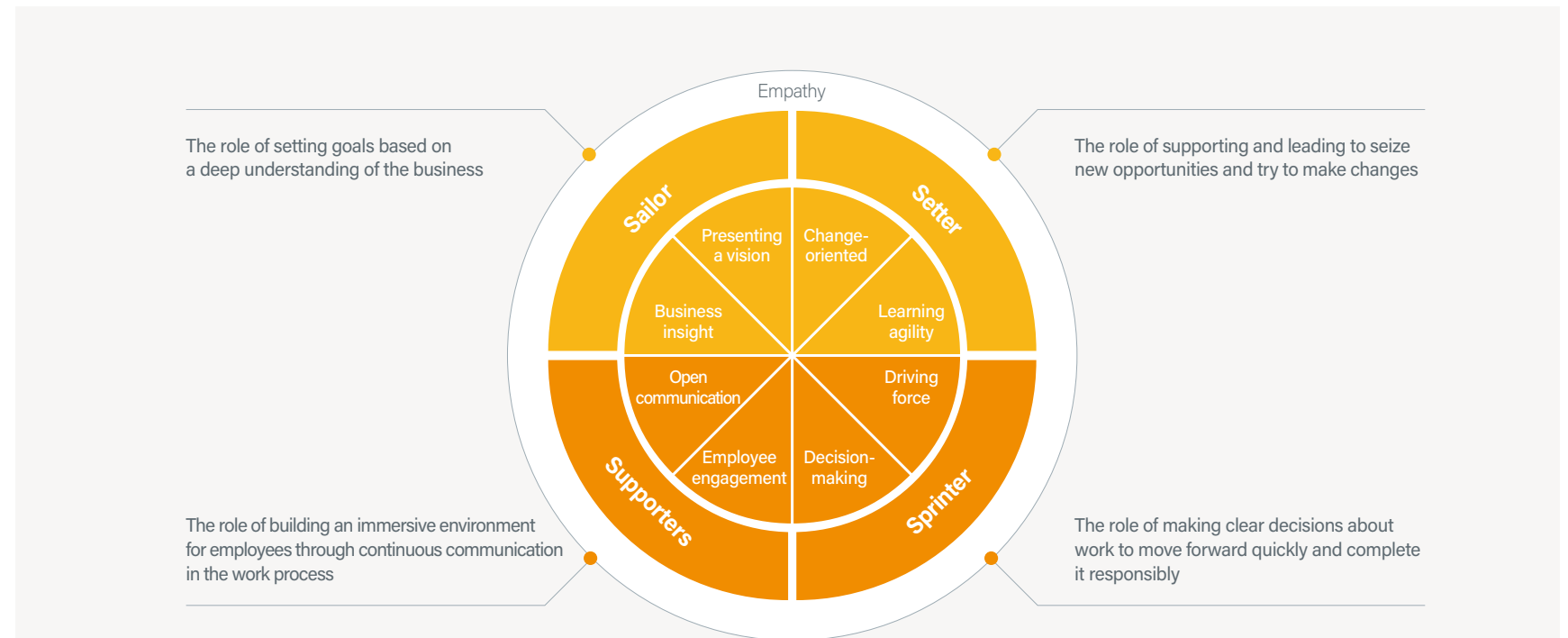
PERFORMANCE

Internalizing 4S Leadership

As it becomes important to quickly identify and respond to client needs in a rapidly changing business environment, LOTTE Group strives to create a culture in which all employees take on challenges and derives maximum results. In response, the importance of “4S¹⁾ leadership” is increasing which induces employees to empathize with the goals of the organization while driving them to discover the meaning of what they are doing and leading them to take the initiative to create results. LOTTE Group has implemented the “4S Leadership Diagnosis and Feedback – Best Practice Dissemination System” to define the various roles and competencies of leaders and internalize the 4S leadership in the field. After conducting a leadership assessment in September 2022, we provided individual reports to leaders to identify their strengths and weaknesses, and induced self-learning to improve their leadership weaknesses on their own while promoting the internalization of leadership by embedding 4S leadership content in the training of all positions in the Group.

In addition, we put in place the “Fearless Leader” system, which selects excellent leaders who actively demonstrate 4S leadership in the field and share their cases. In 2022, a total of 98 Fearless Leaders were selected, and video content was created to introduce the five leaders selected through the LOTTE Group Junior Board vote, and their best practices were shared with all Group affiliates.

4S Leadership Model



● Plan ● Do

Role	Competency	Definition
Sailor	Presenting a vision	• Envision the direction of the company specifically and nurture the capabilities necessary to achieve the future vision
	Business insight	• Understand the core of changes in the external environment that may affect business and seize new business opportunities
Setter	Change-oriented	• Encourage employees to try new things and motivate them to try again if they fail
	Learning agility	• Acquire a variety of knowledge and information quickly and respond flexibly to new environments

Role	Competency	Definition
Sprinter	Driving force	• Lead the organization with a sense of urgency to create results and bring about the final result
	Decision-making	• Make field-oriented decisions in a timely manner based on a variety of information and experience
Supporter	Employee engagement	• Provide an environment that motivates employees to immerse themselves in their work and allows them to demonstrate their capabilities
	Open communication	• Increase mutual understanding and create an environment of trust through contextual and targeted communication

¹⁾ 4S: Sailor, Setter, Sprinter, Supporter

Building a Creative Organizational Culture

Transforming the Way of Working

“ERRC” Campaign to Improve 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 Digital Workplace LOTTE Group operates smart offices and base offices so that employees can work regardless of location. LOTTE Corporation also operates a smart office so that employees can work from any location. In the office, employees can choose the seats they want every day through the autonomous seat system. Even outside the office, they can choose to work in a location where they can best immerse themselves in their work.

By building an integrated Digital Workplace, we also have created a working 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 Group 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 at LOTTE Corporation 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. Our employees are effectively allocating hours that are given in a day, thereby striking the right balance between work and life.

Sharing Values and Promoting Communication

LOTTE Awards LOTTE Group has been hosting the “LOTTE Awards” since 2021 to spread a culture of challenge and innovation. Awards are given in a total of six categories such as sales/marketing, R&D, production/purchasing, business management improvement, win-win growth, and challenge. Most notably, in the challenge category, we reward cases where employees have tried based on new ideas but failed. A total of 119 nomination cases were received for the 2022 LOTTE Awards, and a total of eight teams were selected through three rounds of screening by judges composed of internal and external experts. LOTTE Hotel Yangon won the grand prize thanks to its meaningful growth despite COVID-19 and the political crisis in Myanmar. The excellent prize was awarded to a total of seven teams which include LOTTE Chilsung Beverage's Zero Cider; LOTTE Department Store's development of Inventory-Free O4O System and Store; LOTTE Home Shopping's virtual influencer Lucy; LOTTE Chemical's development of secondary battery separator; LOTTE WELLFOOD's waste heat recovery in aeration tank, first of its kind in Korea; LOTTE Chemical's Project LOOP, a waste plastic recycling project; and LOTTE Duty Free's mobile passport (in the Challenge category).

Organizational Culture Portal The organizational culture activities and achievements promoted by the Group affiliates are uploaded to the organizational culture portal and shared at all times. The Portal is a communication platform that can disseminate best practices within the Group, such as the junior board activities of Group affiliates and the results of the selection of Fearless Leaders, while facilitating benchmarking among Group affiliates. The number of organizational culture activities introduced in 2022 was about 300.

LOTTE SSUL TV In order to create a horizontal communication environment, LOTTE Group launched a YouTube channel “LOTTE SSUL TV” in 2022, which introduces the Group's organizational culture. A total of 34 contents were produced during the year under the themes of the direction of organizational culture, the stories of LOTTE employees, and the way they work. Most notably, we chose employee creators from the millennials and Generation Z with various duties to create content in a bid to deliver our employees' candid voices.

Enhancing Employee Satisfaction

Family-Friendly System

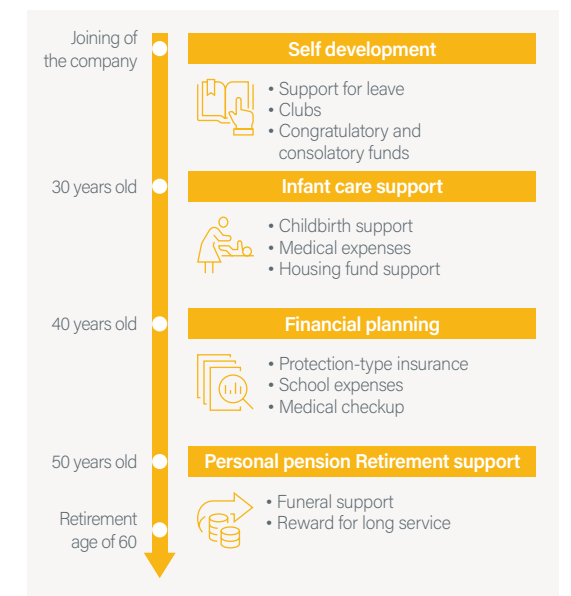
Pregnancy and Childbirth Support LOTTE Corporation provides leaves and supports infertility procedure expenses while operating maternity protection rest areas and a system of shorter working hours during pregnancy to guarantee a comfortable and safe work environment for pregnant women. We also provide 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.

Lifetime Welfare System of LOTTE Group



Building a Creative Organizational Culture

ASSESSMENT

Welfare System LOTTE Group set in place 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

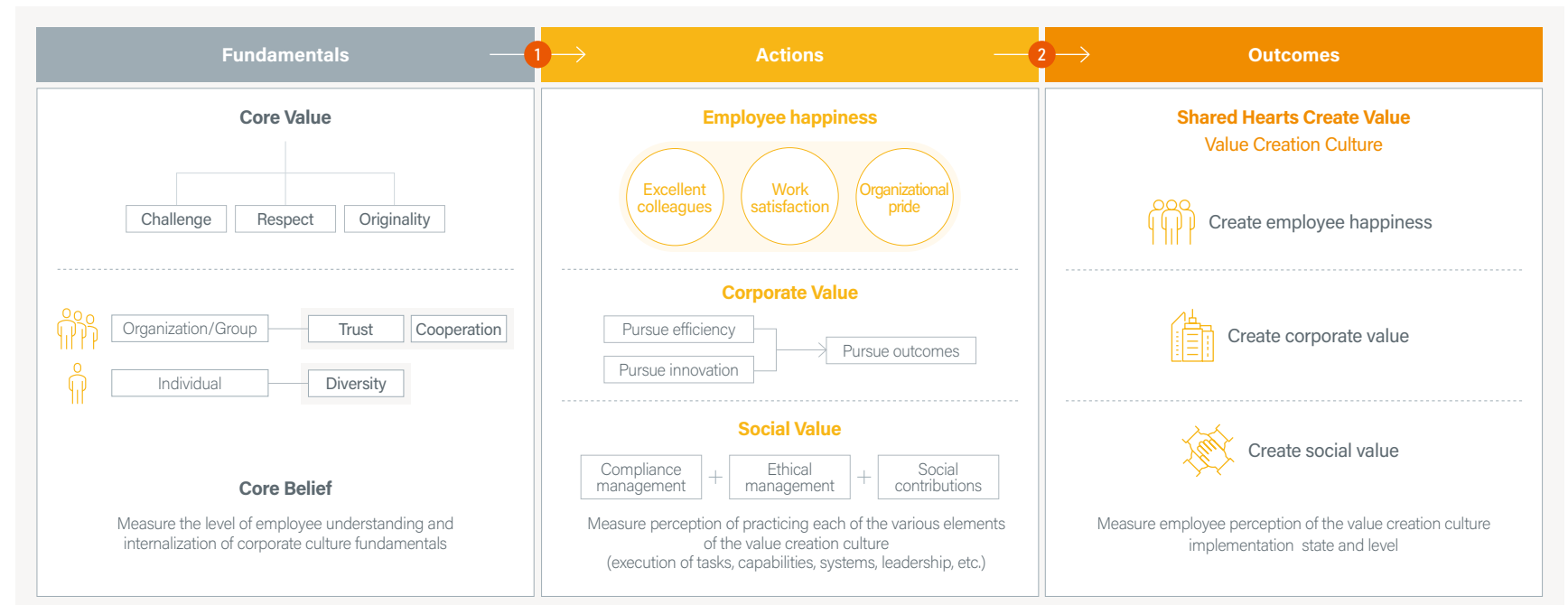
Family events	Education support
<ul style="list-style-type: none"> Support for funeral service in case of death of parent, spouse's parent, spouse, employee him/herself, or child Various family event leaves, and congratulatory and consolatory funds 	<ul style="list-style-type: none"> Tuition support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

Diagnosis of Value Creation Culture

In September every year, LOTTE Group conducts the "Diagnosis of the Value Creation Culture," an employee satisfaction survey that finds the strengths of our organizational culture and areas of improvement. The 2022 Diagnosis of the Value Creation Culture consisted of a total of 70 questionnaires related to "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 identifies areas in need of improvement through the diagnosis and uses the result as a criterion to derive practical improvements. In 2022, we received an average score of 81.4 points, an increase of 3.5 points compared to the previous year.

Composition of the Value Creation Culture Diagnosis



OUTLOOK

LOTTE Corporation intends to focus on reviewing mid- to long-term systems and policies related to organizational culture, such as benchmarking external companies and researching trends related to organizational culture and deriving implications. In addition, we are preparing on-site consulting on organizational culture to promote practical changes in our organizational culture. We are working to plan and implement a customized change program for each Group affiliate to enhance the way we work, organizational unity, and trust in leaders while continuing to improve the perception of employees by diagnosing the effectiveness of the implemented programs from time to time. In addition, through the renewal of the diagnosis of the value creation culture, we are preparing to conduct a detailed analysis of the level of organizational culture implementation and to upgrade the data analysis system to identify weaknesses of each Group affiliate.

Global HR Management

APPROACH

HR Management for Expatriates

LOTTE Group has established and operates a compensation system that motivates expatriates to immerse themselves in overseas business by demonstrating their capabilities with pride and competence without any inconvenience in local life. As of the end of December 2022, 308 expatriates from 22 Group affiliates are dispatched to 26 countries. Among them, 217 expatriates are working overseas with their families, and we have established a compensation system so that expatriates and their families can lead a comfortable life in the countries and concentrate on their work.

In addition to expatriates, more than 40,000 local hires are currently working in 26 countries. As a truly global enterprise, LOTTE Group seeks to establish an HR system that enables them to demonstrate their capabilities without any inconvenience.

PERFORMANCE

Compensation System for Expatriates

In order to improve the compensation system for expatriates, LOTTE Group has formed a TF with six Group affiliates. TF meetings have been held every Wednesday since October 2022, for a total of 16 sessions so far to improve the compensation system, which is supposed to be renewed every three years. The expatriate compensation system is based on the principle of guaranteeing the same living environment as in Korea lest expatriates suffer disadvantage during the period of their overseas deployment. Besides essential support for maintaining a domestic standard of living, additional benefits such as allowances and student loans are offered to them in order to make up for the difficulties of living abroad in terms of motivation and nurturing. The residency allowance is based on authoritative data on indices such as prices for each overseas city. As most large corporations and global companies utilize Mercer data, LOTTE Group also uses it to enhance the reliability of its calculation

OUTLOOK

We are planning to reduce the renewal period of the expatriate compensation system from three years to two years. The next renewal of the expatriate compensation system is scheduled to start in the second half of 2024 with the goal of completing it in 2025. Starting with the improvement of the compensation system for expatriates, the HR Innovation Division of LOTTE Corporation will continue to review its HR system and support measures so that not only expatriates but also LOTTE Group executives and employees can demonstrate their capabilities and lead stable lives around the world. In addition, in 2023, we will hold a "Global HR Conference" as an opportunity to share the Group's HR strategy with LOTTE employees around the world and disseminate the core values of LOTTE.

Status of Expatriates and Local Hires at LOTTE Group



For reference, the Mercer Index is divided into three categories: the cost of living index to compensate for the cost of living at the overseas destination, the location index that reflects the difficulties of the living environment, and the different housing costs in each country or city. Mercer provides city-by-country data for each of the three categories.

Based on these global standards, HR Innovation Division of LOTTE Corporation has conducted a lot of research and discussions within the period to ensure that the company's expatriate compensation properly reflects reality based on the sympathy of the Group affiliates. At the same time, in order to increase the acceptability of the residency allowance, we have undergone additional opinion collection processes including surveys and briefings.

Briefing Session for Group Affiliates for Overseas Business

On February 23, 2023, we held a face-to-face briefing session, attended by 31 HR team leaders from 22 Group affiliates doing business overseas. We listened to their opinions on the spot, and distributed briefing materials to the Group affiliates to gather opinions from incumbent and former expatriates and reflect them in our review of related regulations.

Guide to Expatriate Compensation System

We have produced an expatriate compensation system guide to be applied for two years from 2023 to 2024 and distributed it to 22 Group affiliates with expatriates. In addition, we have published an English guide for our overseas subsidiaries so that their local employees can understand the contents of the compensation system.



*As of December 31, 2022

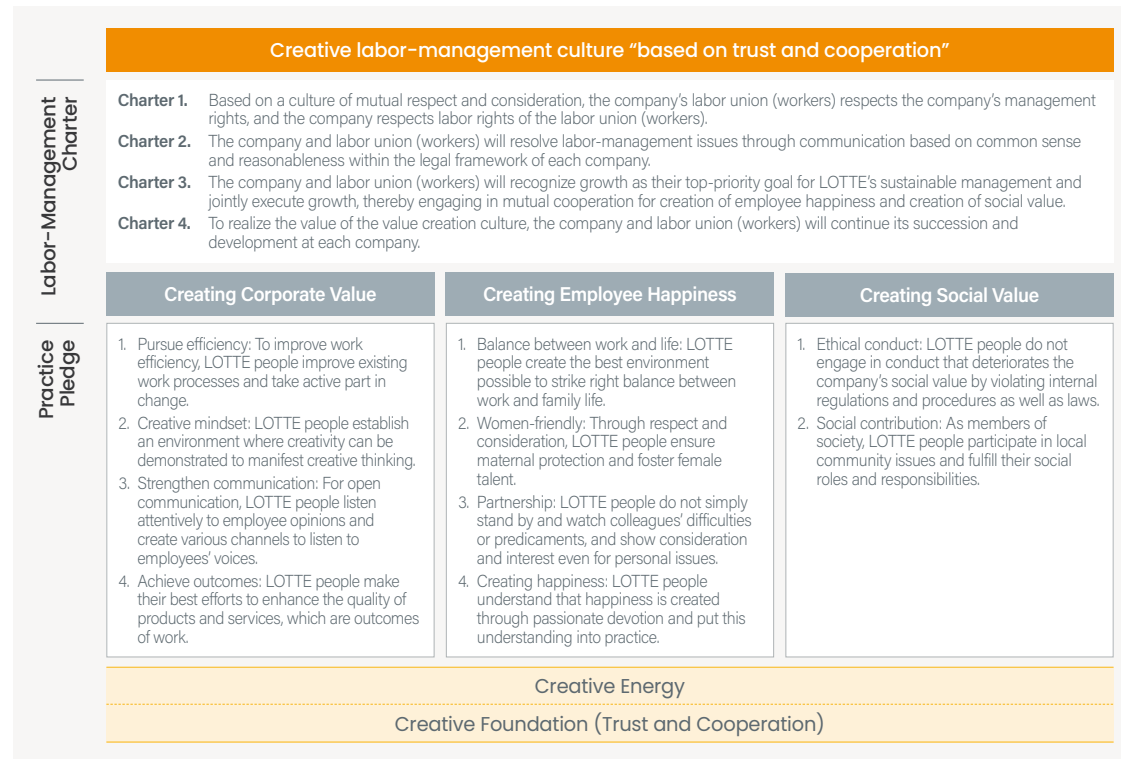
Establishing a Creative Labor-Management Culture

APPROACH

Creative Labor-Management Culture

LOTTE defines a developmental and 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. In order to realize a creative labor-management culture, LOTTE Group has established the "LOTTE's Creative Labor-Management Culture System" including a labor-management charter and a practice pledge, and based on this, we are working together to enhance trust and cooperation between labor and management.

Creative Labor-Management Culture System



PERFORMANCE

Expanding Labor-Management Communication

Labor-Management Council 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. With a focus on the labor-management council meeting held every quarter, labor and management actively respond to the changing business environment, do their best to achieve corporate goals in their respective positions, lay the foundation for mutual trust through transparent and ethical business management, and make every effort to practice social responsibility.

CEO Meetings In 2022, we held a total of four CEO meetings as a way to create a horizontal and flexible organizational culture through active communication with employees. To promote sincere communication and close cooperation, each meeting was attended by eight employees, including newly hired experienced workers, workers transferred from other Group affiliates, and millennials and Generation Z workers. Key topics were the working environment, employee benefits, the roles of LOTTE Corporation within the Group, and suggestions and special requests to the CEO. We will continue to do our best to discover communication channels and activities that can improve work efficiency in a free atmosphere.

Composition and Operation of LOTTE Corporation Labor-Management Council

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

Performance of the 2022 CEO Meetings

Classification	1st Meeting (Apr. 27)	2nd Meeting (May 25)	3rd Meeting (Oct. 26)	4th Meeting (Nov. 30)
CEO	Yong-Dok Song, former CEO	Dong-Woo Lee, CEO	Yong-Dok Song, former CEO	Dong-Woo Lee, CEO
Employees	8 employees including newly hired experienced workers, workers transferred from other Group affiliates, and millennials and Generation Z workers			

OUTLOOK

LOTTE Corporation seeks to further strengthen labor-management relations and enhance corporate competitiveness by continuously expanding labor-management communication with a focus on the Labor-Management Council. We will do our best to promote the common interests of labor and management by boosting employee well-being and increasing employees' productivity through labor-management cooperation.

Major Activities and Achievements in 2022 of LOTTE Corporation's Labor-Management Council

Classification	Content
Improving employee well-being	Monthly support for employees' communication expenses
Increasing work engagement	Monthly early work closure for 1 hour
Expanding employee cafeteria operations	Increased breakfast and dinner offerings
Expanding company resorts	Additional LOTTE Resort membership purchase and new Resom Forest membership purchase
Improving health check-up	Improved booking convenience through a booking platform and an increased number of examination centers
Designating collective annual leave days in 2023	Agreement on a 5-day collective annual leave including traditional Korean holidays and sandwich days

Innovating Business Site Safety Management

APPROACH

Safety Management Innovation

Making business sites safe is not just a company's obligation to achieve to increase its employees' value. It is recognized as a competitive edge that enhances its corporate value. In 2021, LOTTE Group announced the "LOTTE Group Safety Management Innovation Measures" and made significant investments in accident prevention, resulting in a 38% reduction in the total number of accidents in 2022 compared to the previous year.

Furthermore, in line with the Ministry of Employment and Labor's Serious Accident Reduction Roadmap, which aims to strengthen prevention centered on risk assessment and increase preventive activities by spreading a culture of worker safety awareness, we are implementing 3 steps to reinforce our preventive diagnosis of risk factors in our business sites. Through the continuous implementation of the 3 steps, we aim to strengthen regular self-prevention activities and spread a safety culture through employee engagement.

Safety Management Organization

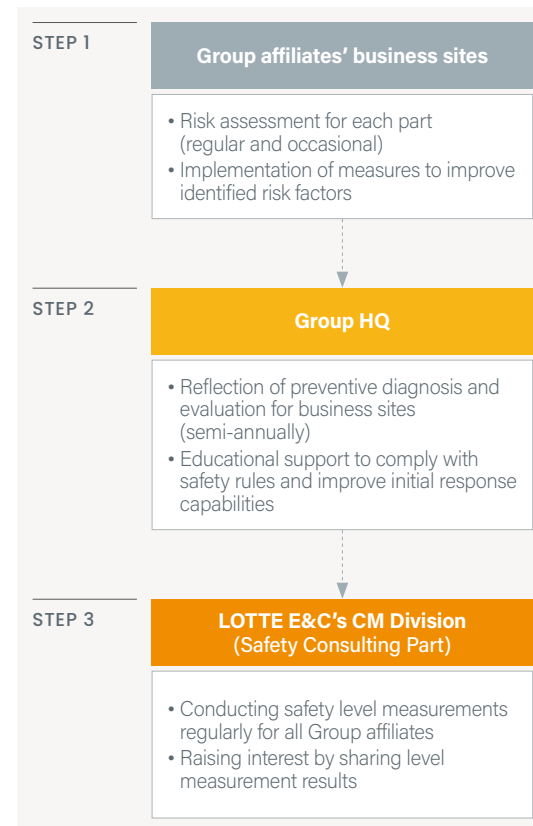
Organization Dedicated to Safety Management
As the saying goes, "Seeing the danger is the beginning of safety", finding and improving risk factors in the workplace is the basis of safety management. LOTTE Group is focusing on establishing a system designed to prevent accidents and fend off the recurrence of the same risk factors while in accordance with the Group's safety management innovation plan, each Group affiliate places its safety management organization under the direct control of its CEO and upgrades its safety management system and manual. As of 2022, 36 out of 40 Group affiliates are operating dedicated safety management organizations (2 affiliates have dual-duty safety organizations and the other 2 have dedicated managers). In 2022, five affiliates made continuous efforts to strengthen their dedicated organizations by newly deploying dedicated executives. The 36 Group affiliates operating dedicated organizations invested KRW 584.8 billion, or 0.81% of the total sales of KRW 72,297.8 billion in 2021, in safety management to prevent occupational accidents.

Safety Management Council Twice a year, we hold the Safety Management Council meetings attended by team leaders and managers of the Group affiliates' safety management divisions to share safety-related issues, accident cases and countermeasures as well as best practices while seeking to expand communication and collaboration among Group affiliates in order to improve their safety management capabilities. The Safety Management Council meeting held in November 2022 was divided into two parts, with Part 1 addressing group-wide issues and Part 2 dealing with issues unique to each business group (HQ).

LOTTE Group Safety Management Innovation Measures

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

3 Steps to Reinforce Preventive Diagnosis of Risk Factors in Business Sites



2022 Safety Management Council Meetings

Classification	H1	H2
Month	April	November
No. of attendees	43	46
Location	Osan Campus of LOTTE ACADEMY	Osan Campus of LOTTE ACADEMY
Agenda	<ul style="list-style-type: none"> Sharing the business direction of the Safety Consulting Part Sharing cases of occupational accidents within the Group Gathering opinions on the advancement of LOTTE Safety 	<ul style="list-style-type: none"> Discussion of Group safety management issues Sharing the progress and issues of the 2022 safety diagnosis Introduction of the 2023 safety level measurement indicators

Innovating Business Site Safety Management

Establishing the Recommended Guide for Safety Management

In order to improve the level of safety and health management by adding new safety standards to existing safety manuals and guidelines, we collaborated with the Korea Industrial Safety Association to produce and distribute the "Recommended Guide for Safety Management," the safety management standard of LOTTE Group, in April 2022.

Improving Recommended Guide for Safety Facility Design and Construction

In order to fundamentally improve risk factors that cause occupational accidents, we have upgraded the "Recommended Guide for Safety Facility Design and Construction" three times since 2017 and established standards for the design and construction stages of new and renovated buildings. In 2022, we standardized 56 cases in addition to the existing 98 cases (25 cases in the 1st phase, 73 cases in the 2nd phase), and shared the results with all Group affiliates in December, with seven of them immediately applied to existing business sites for improvement. When occupational accident prevention measures are devised, we will carry out additional standardization work.

Recommended Guide for Safety Management



Improvements Made to the Guide for Safety Facility Design and Construction

Purpose
Establishing standards for design and construction phases to solve the fundamental problems of risk factors that cause occupational accidents

Progress

08	09	10	11	12
Received issues for the Guide (Group affiliates and LOTTE E&C's CM Division)	1st adequacy review of the received proposals (Safety Consulting Part of LOTTE E&C's CM Division)	2nd adequacy review of selected proposals (related departments of LOTTE E&C's CM Division)	Detailed design of the finally selected items (Safety Consulting Part of LOTTE E&C's CM Division and related divisions)	Completed the production of the guide, distributed, and awarded top idea generators

Proposals & Selection

Proposals submitted: 122

Proposals selected: 56 cases (selection rate: 45.9%)

Selection and application criteria

Selection criteria	Design and construction standards that can eliminate occupational accidents; design and construction standards that facilitate facility maintenance; and design and construction standards that reduce the burden of construction costs
Application criteria	Immediately applied (immediate improvement measures at all business sites); newly selected (reflected in the design of new or upgraded business sites); and recommended (new reflection, recommended reflection at existing business sites)

Selecting Results

Classification	Sub total	Immediately	Newly	Recommended
Architecture	21	3	15	3
Civil engineering	1	-	1	-
Mechanical engineering	12	-	3	9
Electrical engineering	16	3	5	8
Others	6	1	1	4
Total	56	7	25	24

(Unit: Cases)

Innovating Business Site Safety Management

PERFORMANCE

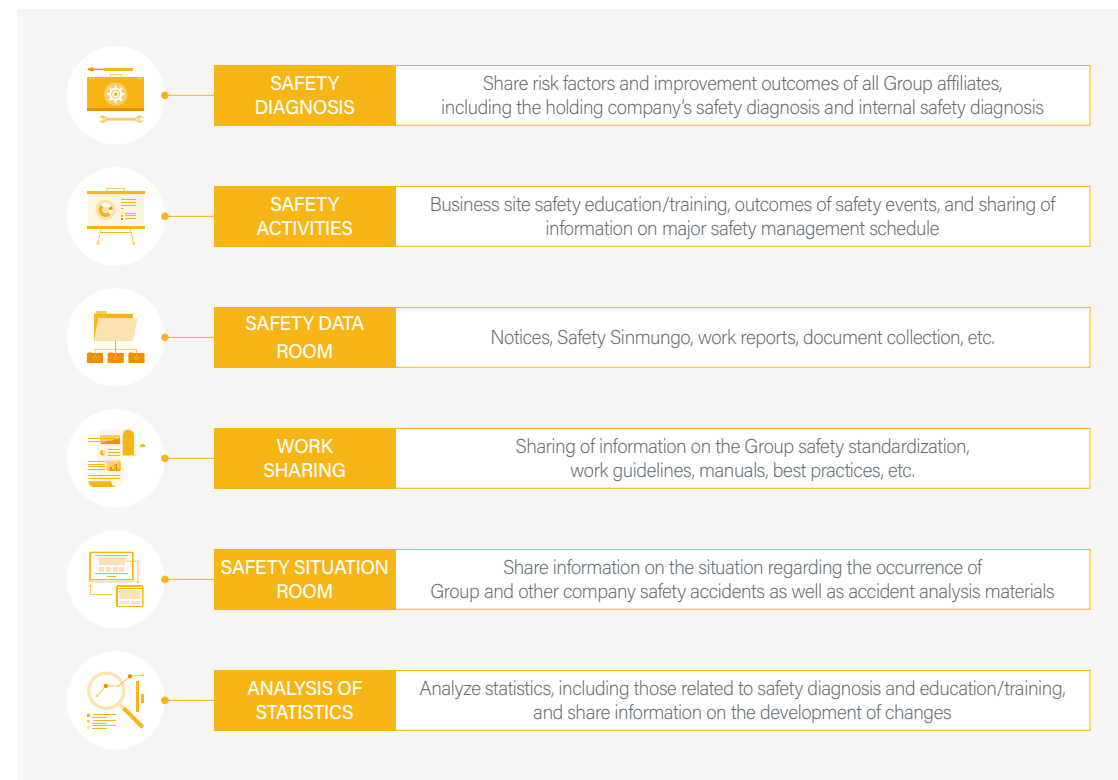
Composing Safety Management Guide by Vulnerable Period

Every year, along with past accident cases, we disseminate key safety management guides that should be promoted in workplaces during vulnerable periods, conduct our own safety assessments, and offer special safety training to our employees. In addition, we establish and update an emergency contact network in preparation for emergencies and assign individual tasks to each employee so that they can respond immediately in the event of an emergency. In the event of a storm or a dry weather warning, we provide information such as the expected damage area and estimated time in order to help minimize accident damage.

“LOTTE Safety” – a Safety Management System

LOTTE Group has been operating the safety management system “LOTTE Safety” since 2017 to grasp the current status of safety management and issues in real time and systematically manage them. 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.

Major Components of LOTTE Safety



Business Site Safety Diagnosis Consulting

In order to prevent occupational accidents at Group affiliates' business sites by identifying and improving risk factors, we conduct “regular business site safety diagnosis consulting” under the supervision of the Safety Consulting Part of LOTTE E&C's CM Division. In 2022, we conducted on-site safety diagnosis on 489 business sites of 36 Group affiliates, identified 5,726 risk factors and provided solutions to them. In addition, we provide them with 5-year safety diagnosis analysis results to identify their vulnerable areas and spots in their workplaces by classifying seven types of risk factors, six vulnerable places, and three levels of importance while sharing accident cases in Group affiliates and other companies in the same industry in a bid to help them work out countermeasures against similar accidents.

Safety Management Guide and Countermeasures

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

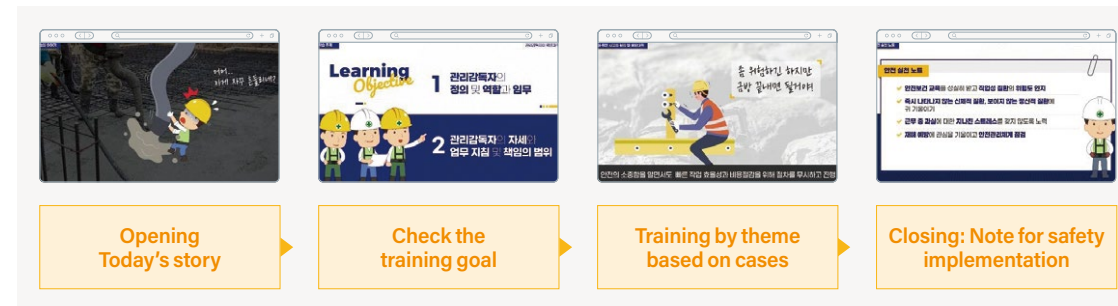


Innovating Business Site Safety Management

Safety Master Training

In order for those in charge of a certain position or higher in LOTTE Group to acquire basic knowledge about safety, recognize their role as managers, and prevent accidents by creating a safe working environment, we created essential safety training content for the Group and trained 5,157 managers into safety masters in 2022. In 2023, we have been conducting customized education by subdividing contents into three categories: construction, manufacturing/chemicals, and service/others, taking into account the characteristics of our Group affiliates' business.

Sample Landing Pages of the Education



Worker Safety Education and Training

In order to enhance employees' safety awareness and first-response capabilities, we designate various themes and conduct mandatory safety education/training and safety events regularly. The results of all education, training, and safety events conducted at the business sites are registered with LOTTE Safety and checked by the head office for their proper progress. The progress results are measured to assess the safety management level of Group affiliates, serving as a motivation to carry them out without any omissions. We check employment engagement statistics for any gaps and share the results.

Measures to Implement Safety Master Training

Classification	Content	Remarks
	HQ and business site managers, Business site safety managers	
Training target	<p>HQ and business site managers</p> <ul style="list-style-type: none"> Department members who handle safety-related work at HQ Business site supervisors (plant managers, store managers, directors, etc.) Business site managers (managers, part leaders, etc.) <p>Business site safety managers</p> <ul style="list-style-type: none"> Senior members with safety manager qualifications Safety management staff (safety department members) Staff who handles similar work (firefighting & safety, hazardous materials, etc.) Relevant departments (public affairs team, facility team, environment team, etc.) 	Required courses for trainees
Training purpose	To create a safe working environment and prevent accidents by acquiring key safety knowledge and recognizing their manager role	-
Training hours	A total of 12 sessions (3 versions to cover construction, manufacturing/chemical, and service/other business groups)	15-20 minutes per session
Completion criteria	Over 80% progress and over 60 points on the final exam	-

Safety Education and Training System

Classification	Education			Training		
	New workers	Construction workers	Regular education	Morning signal training	Emergency response team training	Disaster response and evacuation drills ¹⁾
Cycle, period	Prior to on-site deployment	Pre-construction engagement	Twice every six months	Once a day	More than twice a month	Once a month (on a rotating basis)
Host	Safety manager or supervisor	Safety manager or supervisor	Business site manager	Team leader, part leader, etc.	Business site manager or leader	Business site manager
Trainee	New workers (including partners, dispatched workers, and part-time workers)	Construction workers	All employees	Team and part members	Assigned personnel	All employees
Content	Initial fire-fighting, evacuation, etc.	Initial fire-fighting, reporting tips, flammables handling, etc.	Theoretical education and practical training	Locations of fire extinguishers, fire hydrants, and emergency exits	Initial response	Disaster response and evacuation

¹⁾ Fire, terrorism, earthquakes, storm, and flood damage

Innovating Business Site Safety Management

Training for New Workers Basic training is essential for new workers (those in business sites, including partners, dispatched workers, and part-time workers) before they are assigned to work at our business sites. Common training themes include initial fire extinguishing requests, tips for reporting and disseminating the situation, and practice using fire extinguishers and fire hydrants. We train workers at publicly used establishments on the location of fire shutters and emergency exits and the evacuation of customers while training flammables handlers on how to handle flammables, manage hazardous materials, and use fire blankets, etc.

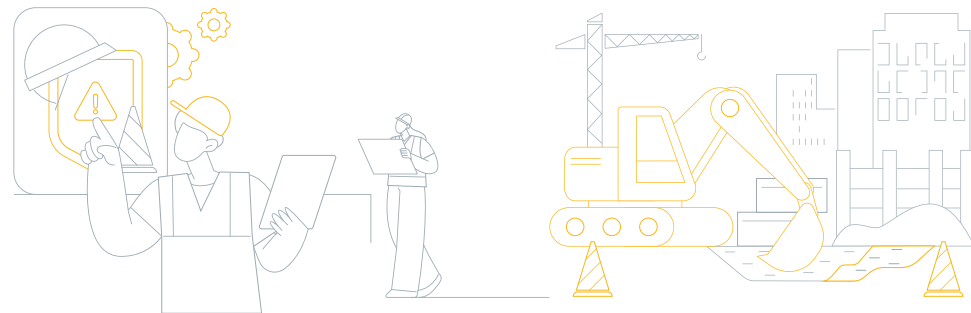
Training for Construction Workers Before our partners' construction workers are assigned to construction, we provide compulsory training on initial firefighting tips, such as workplace safety rules, flammables handling tips, location and usage of fire extinguishers and hydrants. For those who have completed the training, we attach their training certificate for relevant business sites to their safety helmets (non-adherents are expelled).

Regular Education In order to enable practical response in the event of an occupational accident, we conduct practical training on firefighting facilities attended by all workers in the workplace, theoretical training (every quarter) on initial suppression and customer evacuation, public-private joint training (at least once a year), firefighting skills contests, and lectures from some invited, related organizations.

Morning Signal Drill We clearly indicate the location of fire extinguishers, fire hydrants, emergency exits, etc. to secure their visibility and ensure that their locations are imprinted in the minds of our employees while conducting a morning signal drill in which workers point to the locations of the safety facilities and repeat them three times together before starting work every day.

Training for Emergency Response Team We designate an emergency response team (daytime, nighttime), which is an initial response team consisting of a small number of elites, in advance, and conduct training on emergency dispatch and first response at bi-weekly intervals. The head of a business site is dispatched along with the emergency response team and takes charge of conducting training following due process.

Evacuation Drills To induce customer evacuation and properly respond to situations such as fire, earthquake, terrorism, we create the same environment as a real fire, such as power outages, fire shutters, and emergency alarms and conduct drills with the top priority of customer safety and evacuation guidance within the business site.



SPECIAL CASE

LOTTE Engineering & Construction Applies "Smart Safety Technology"



In order to prevent the ground from collapsing or groundwater from coming out during underground excavation at construction sites, it is common to install temporary earth retaining facilities and attach electronic measuring devices to some temporary facilities to carry out safety management. However, this method makes it difficult to monitor cracks in the back of the retaining facilities, which can lead to major accidents such as ground subsidence. Only after a large-scale disaster such as a subsidence of the ground occurs can problems be identified with the naked eye.

To strengthen proactive monitoring, LOTTE E&C developed a "crack tracking system for the back of a retaining facility" using AI-based image analysis technology and registered a program for related technology and applied for a patent in March 2023. This system is a crack tracking system that provides a danger alert to managers by analyzing the high-resolution image data of the road surface at the back of the facility for AI model learning and analyzing it using a deep learning method.

When a construction site worker acquires an on-site image with a personal filming device (action camera, mobile phone camera, etc.) and registers it on the platform, the AI model visualizes the image analysis and crack information while the extracted crack information is used for comparative analysis of crack progress over time through history management. With the introduction of this system, the required time can be greatly shortened compared to the existing crack progress measurement and management method, making it possible to warn and respond in advance according to the crack history recorded by the database.

In addition, LOTTE E&C has introduced and used various smart safety technologies such as neckband-type wearable cameras to strengthen on-site safety management. A neckband-type wearable camera is one of the smart safety technologies. Unlike action cameras used in existing construction sites, workers wear it around their necks, so both of their hands are free, making their safety management work more efficient. 360-degree shooting is also possible, which makes it easier to manage risky work and eliminate blind spots in the field. Furthermore, through the smart safety management app, the office can remotely diagnose and check the on-site situation in real time, minimizing the space constraints of safety management.

LOTTE E&C will continue to do its best to strengthen construction safety by applying various DT technologies to the site based on its long-standing experience and technology in safety management.

LOTTE Chemical Makes Intensive Investment in Safety



Recognizing safety as the essence of its business, LOTTE Chemical has redefined safety management standards to the highest level in the world to realize safe workplaces and it is thoroughly raising awareness and implementing behavioral changes. With 2021 as the base year of the safest company, it announced the "four key promotion measures" of organization, safety investment, institutional improvement, and internal capabilities. In accordance with the key promotion measures, LOTTE Chemical will invest approximately KRW 500 billion over three years from 2021 in key areas such as safety management systems, DT-based processes including facility predictive maintenance systems, and system reinforcement in a bid to strengthen its safety risk response and management capabilities. In addition, the company has more than doubled the number of safety and environment experts at each business site to advance its safety environment management system while operating an advisory board composed of external experts in the areas of process, facility, and safety to improve the level of its workplace safety management.

Innovating Business Site Safety Management

ASSESSMENT

Measuring Safety Management Level of the Group Affiliates

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, the Safety Consulting Part in LOTTE E&C's CM Division has been measuring safety performance of the Group affiliates and their business sites every year. The deficiencies of each Group affiliate identified as a result of the level measurement are shared individually. We utilize accumulated big data to analyze vulnerable areas and insufficient safety management practices at each business site to prevent occupational accidents in advance. In 2022, we measured the safety management level of 497 business sites at 41 Group affiliates. Based on the results of the diagnosis, we established a more professional organizational system by assigning executive-level heads of safety-dedicated organizations and introducing a professional index (safety certificate retention rate) to evaluate the members of the organizations.

OUTLOOK

LOTTE Group plans to upgrade its safety management system "LOTTE Safety" in 2023 to establish a sustainable safety management system through more systematic, smart safety management. The upgrading of LOTTE Safety will be carried out within the scope of improving existing menu functions and developing new menus that reflect the latest trends. When the upgrading is completed, it is expected that the Group affiliates will effectively and efficiently respond to the Serious Accident Punishment Act and the Occupational Safety and Health Act using LOTTE Safety and carry out smart safety management based on big data. Furthermore, with regard to large-scale accidents at home and abroad that continue to occur, we have reinforced the organization of the Safety Consulting Team of LOTTE E&C's CM Division and established a special safety consulting promotion plan as a way to establish an accident prevention system through identification and improvement of similar problems within the Group and strengthen the Group's safety management consulting for the establishment and implementation of response measures to the strengthening safety-related legislation such as the Serious Accident Punishment Act and the Occupational Safety and Health Act. Going forward, if one of our business sites faces a high risk and social issues, we will conduct special safety consulting right away to preemptively eliminate safety risk factors and solve problems.

Comparison of Regular and Special Consulting

Classification	Regular consulting	Special consulting
Selection criteria	• Selection of fixed targets and conduct of consulting annually	• Irregular consulting for high-risk and social issue-generating projects
Target	• Some 500 business sites of 41 Group affiliates	• Overseas business sites, construction sites, large logistics facilities, etc.
Content	• Identification of risk factors through on-site diagnosis for each business site • Presenting customized solutions for individual business sites	• Selection of high-risk or accident-prone business groups, not specific Group affiliates • Establishment of improvement guides for common problems and system support
Expected effect	• Annual pre-analysis of risk factors using accumulated big data • Promotion of upward leveling through safety level measurement by Group affiliate	• Establishment of operating standards for the Group's common safety management manual • Preemptive elimination of risk factors and problem solving in response to social issues

Results of Safety Management Level Measurement in 2022

- Period & Targets: Jan. 1, 2022 to Dec. 31, 2022 for 497 business sites of 41 Group affiliates
- Measurement Indicators and Scores

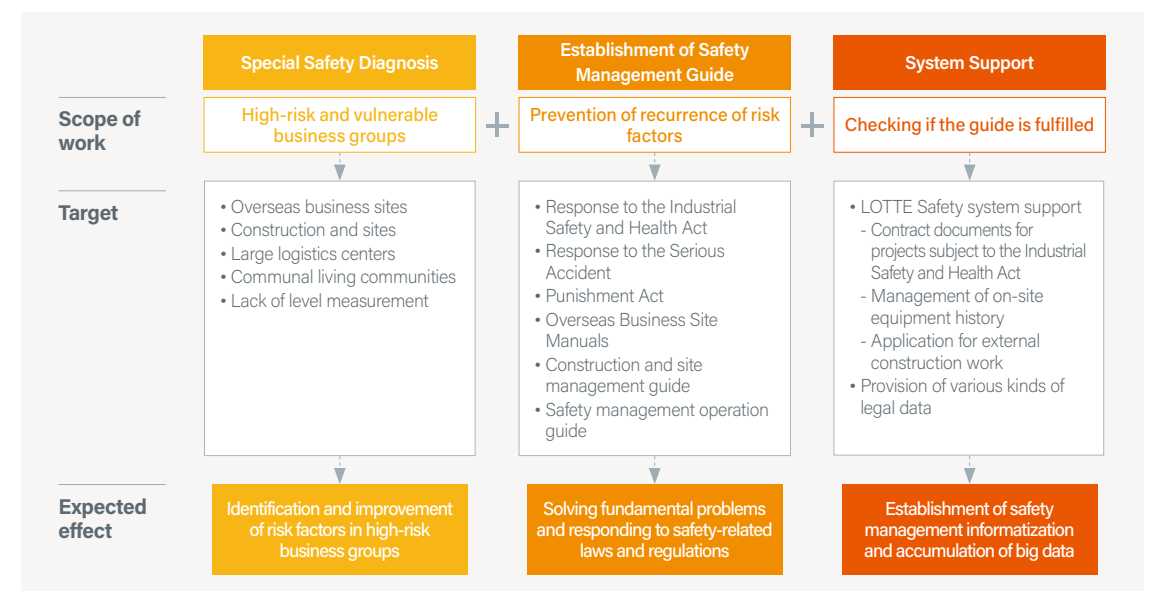
Target	Evaluation of the Group Affiliates' HQ (40%)				Evaluation of the Group Affiliates' Business Sites (60%)				Note
	Dedicated organization	Level of interest	Safety activities	Addition/Deduction	Dedicated organization	Level of interest	Safety activities	Addition/Deduction	
Item									Total
Scoring	30 points	40 points	30 points	±10 points	50 points	30 points	20 points	±10 points	200 points

Measurement Results

Classification		Level S	Level A	Level B	Level C
Grade criteria ¹⁾	Evaluation score	90 points or more	80-89 points	70-79 points	Less than 70 points
	Risk level	Excellent	Average	Interest	Caution
Ratio		36%	32%	22%	10%

¹⁾ Absolute grading

Plans to Strengthen the Group Affiliates' Safety Management Consulting



Building a Sustainable Supply Chain

APPROACH

Direction for Shared Growth with Partner Companies

LOTTE Group respects the value of win-win and strives to create a healthy business ecosystem in order to grow together with its partners based on mutual trust. 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.

Code of Conduct for LOTTE Group Partner Companies

In June 2022, we established the "Code of Conduct for LOTTE Group Partner Companies" with the hope that our partners will join us in the journey of LOTTE Group to add value to human life and secure a sustainable future for mankind. 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.

LOTTE Group's Win-Win Growth System



PERFORMANCE

Support Programs for Partner Companies

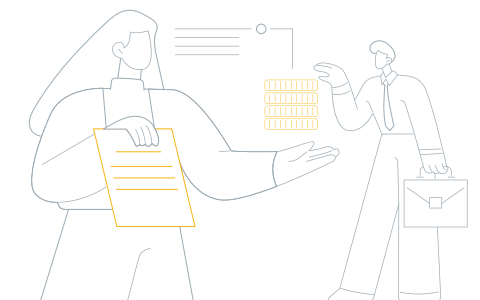
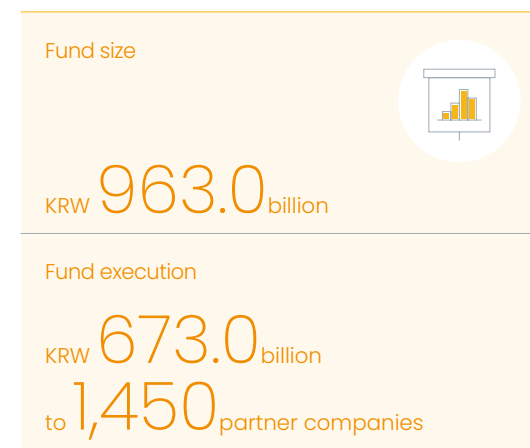
In order to enhance the competitiveness of its partners, LOTTE Group provides funding, sales channel support, and education and innovation support. First, as a funding activity, we operate a shared growth fund worth about 1 trillion won and make early payment to partner companies on holidays while introducing a win-win payment system for all Group affiliates for the first time among large companies and signing an agreement to resolve polarization and promote win-win cooperation between large and small businesses and contributing to and operating the Win-Win Cooperation Fund. Second, as our sales channel support, we promote domestic and overseas market development projects for partners, operate win-win distribution stores specializing in small and medium-sized enterprises, and carry out win-win programs for farmers and local communities. Third, as our support of education and innovation for partners, we operate the Shared Growth Academy, support the spread of ESG management to small and medium-sized partners, conduct consulting on the use of big data to increase sales, and operate a startup accelerator program.

As a result of continuous promotion of shared growth and win-win cooperation programs, LOTTE Group has consistently improved its level every year in the "Win-win Growth Evaluation Index" conducted by the Shared Growth Committee. Most notably, in 2022, LOTTE GRS obtained the "Best" rating in the Win-win Growth Evaluation Index while LOTTE Department Store won the grand prize in the "voluntary agreement field to resolve polarization" at the "2022 Korea Shared Growth Awards" hosted by the Shared Growth Committee and LOTTE Chemical won the grand prize in the ESG Support Business Field. Going forward, LOTTE Group will continue to develop practical and diverse win-win cooperation programs with partners to further promote shared growth.

Funding and Financial Support for Partners

Shared Growth Fund I By raising a Shared Growth Fund, we help SME partners ease their financial difficulties. The Shared Growth Fund encourages large corporations and commercial banks to contribute funds to reduce our partners' loan interests.

Performance of Shared Growth Fund in 2022



Building a Sustainable Supply Chain

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 Partner | 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.

Win-Win and Community Contribution through the Win-Win 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. In 2022, for the first time, we carried out an integrated overseas expansion project for partners at the group level. We also strived to improve the water quality of Lake Seokchon during the year.

Education and Innovation Support | In order to strengthen the job competencies of its partners’ executives and employees, LOTTE Group offers them training programs in line with its own employee training curriculum while providing them with effective management support consulting in consideration of the partner companies’ needs. Since 2019, we have provided ESG management expansion consulting for more than 900 partners trading with chemical and distribution affiliates while since 2021, we have provided sales activation consulting using big data for 23 partners trading with LOTTE Mart, LOTTE Department Store, and LOTTE Hi-Mart.



Performance of Early Payments to Partners

Jan. 2022	29 Group affiliates, including LOTTE Shopping, LOTTE Global Logistics, LOTTE Data Communication, and LOTTE Home Shopping, made early payments totaling around KRW 660 billion to approximately 15,000 SME partners
Sep. 2022	30 Group affiliates, including LOTTE Shopping, LOTTE Aluminum, LOTTE Home Shopping, and HOTEL LOTTE, made early payments totaling around KRW 630 billion to approximately 12,000 SME partners
Jan. 2023	27 Group affiliates, including LOTTE Shopping, LOTTE Aluminum, and LOTTE Chilsung Beverage, made early payments totaling around KRW 700 billion to approximately 14,000 SME partners

2022 Performance of Funds of the Large and Small Business, Agriculture, and Fisheries Cooperation Foundation

Project to help startups and youth startup expand overseas	KRW 0.5 billion • Helping 11 startups enter Silicon Valley
Group-wide integrated overseas expansion project for partners	KRW 1.35 billion • Held the LOTTE-KOREA BRAND EXPO with the participation of 200 partners from 6 distribution companies to promote entry into new markets in Europe and North America
Improvement of the water quality of Lake Seokchon	KRW 0.3 billion • Reducing turbidity and improving cleanliness of Lake Seokchon

Building a Sustainable Supply Chain

SPECIAL CASE

LOTTE-KOREA BRAND EXPO



In order to support outstanding SMEs, ventures, and start-up companies in Korea to develop overseas sales channels, LOTTE Group, together with the Ministry of SMEs and Startups, successfully held the LOTTE-KOREA BRAND EXPO in Germany and the U.S. in September 2022. The Expo was the largest overseas sales channel support project in Korea based on the collaboration and integrated business planning between LOTTE Corporation and six Group affiliates in the field of distribution (LOTTE Mart, LOTTE Duty Free, LOTTE Department Store, LOTTE Hi-Mart, LOTTE Home Shopping, and Korea Seven) designed to support the expansion of sales channels for participating companies having difficulties in overseas expansion. The participating companies consisted of 150 SMEs, ventures, and start-up companies in the fields of food and beauty with high interest from overseas consumers. The Expo featured export consultations for local buyers and Korean Wave cultural events designed to promote Korean Wave cultural contents.

The events held in Germany and the U.S. recorded a total of KRW 110 billion in export consultations by facilitating 730 consultations made with 400 overseas buyers. They were also found to be of great help to participating companies in terms of overseas market research opportunities, improvement of product competitiveness, and securing overseas customers. Going forward, LOTTE Group aims to expand the distribution Group affiliate-centered market development and win-win support for partners to food and chemical Group affiliates. We will continue to expand the overseas market entry project for partner companies that meet the characteristics of each business group.



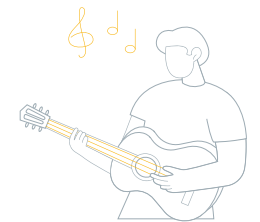
2022 LOTTE-KOREA BRAND EXPO

- **Date:** September 5-6, 2022 (Germany), September 20-21, 2022 (U.S.)
- **Partner organizations:** Ministry of SMEs and Startups; Korea Foundation for Cooperation of Large & Small Business, Rural Affairs; KOTRA; Korea Federation of Small and Medium Business; LOTTE Corporation; LOTTE Mart; LOTTE Duty Free; LOTTE Department Store; LOTTE Hi-Mart; LOTTE Home Shopping; and Korea Seven
- **Participating companies:** 150 (50 outstanding partners of LOTTE Group and 100 SMEs, ventures, and start-ups without any transactions with the Group)
- **Highlights**
 - “Export Consultation” for local buyers: 730 export consultations worth KRW 110 billion with the participation of 400 European and North American buyers in collaboration with KOTRA’s Korea Trade Centers
 - Popular Korean Wave Culture Events: Promotion of Korean Wave cultural contents such as celebrity chef cooking shows, make-up demonstrations, and K-POP cover dances

LOTTE Partnership Concert



In order to express gratitude to the employees of partner companies for their hard work and to create an opportunity for communication, LOTTE Group held the LOTTE Partnership Concert in March 2023 with the participation of more than 1,300 partners in the fields of cleaning and facility and safety management. Key executives of LOTTE Corporation and Group affiliates also attended the concert and expressed their gratitude to the employees of partner companies in person. Various events were held for the partner companies’ employees in attendance. A “Thanks to Photo Zone” and a “Welcome Catering Zone” were set up at the entrance of the concert venue to welcome employees from partner companies. After the concert, souvenirs consisting of LOTTE Group affiliates’ products were delivered to the attendees. We will continue to expand communication with our partners by regularly holding cultural performances for them and utilizing LOTTE’s differentiated cultural facilities, such as the LOTTE Concert Hall.



LOTTE Partnership Concert

- **Venue:** LOTTE Concert Hall
- **Attendees:** 1,300 employees of partner companies in the fields of cleaning, facility safety management, etc.
- **Performances**
 - A classical music concert with commentary
 - Popular performances such as *Gagok* (a genre of traditional Korean vocal music), K-pop, and pop songs by famous artists to improve attendees’ satisfaction

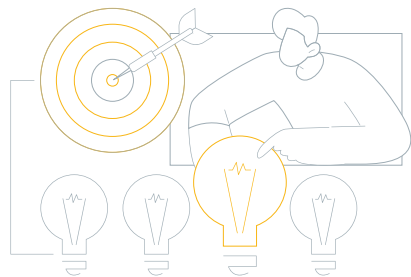


Facilitating the Startup Ecosystem

APPROACH

Goals of Fostering Startups

LOTTE Group supports the growth and innovation of start-ups that dream of new values for innovation that benefits everyone. In 2016, LOTTE Group established "LOTTE Ventures" with the goal of creating social value by fostering startups and open innovation to discover new businesses. It has also been discovering startups with innovative ideas through the "L-CAMP" program designed to discover startups and support their growth. Through L-CAMP, startups increase their corporate value while LOTTE Group contributes to the healthy growth of the startup ecosystem and the sustainable growth of our economy by building a virtuous cycle structure in which the Group invests in more companies with return on investment (ROI).



PERFORMANCE

"L-CAMP" – a Startup Support Program

LOTTE Ventures provides both CVC¹⁾ and accelerator²⁾ services, which combined enable LOTTE Ventures to discover and foster startups from a longer and broader perspective, in addition to making direct investments. This also allows participating companies of L-CAMP to receive continued and comprehensive support in the start-up as well as in the scale-up phases. Companies that participate in L-CAMP are provided with an initial investment that ranges from KRW 50 million to KRW 300 million and office space. 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.

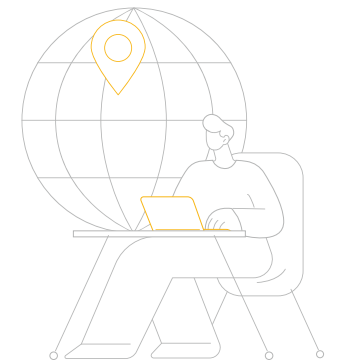
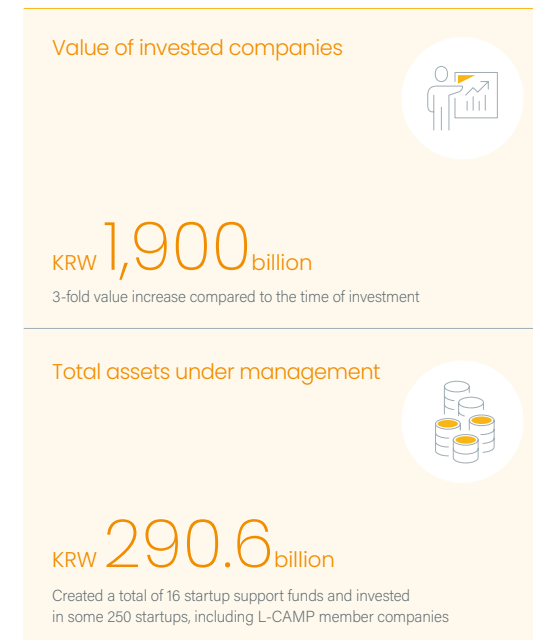
Achievements of L-Camp Operation



Through L-CAMP, we selected a total of 170 startups from 2016 to 2022. We also carried out the "Food Changers" project to nurture food tech startups and the Global Accelerator Program that offers mentoring and investment by CEOs of Korean VC firms and startups in Silicon Valley during the period. In 2023, we plan to discover and invest in 70-80 startups per year by planning various programs other than L-CAMP while supporting global expansion into various regions such as Vietnam and Japan as well as Silicon Valley.

L-Camp: Global Accelerator Program, Helping Startups Advance Overseas

LOTTE Ventures plans and operates the "Global Accelerator Program, which supports outstanding Korean startups in Korea to form networking with Korean entrepreneurs who are pursuing business abroad and local training programs to strengthen their global business capabilities. Through the Global Accelerator program, domestic startups have the opportunity to exchange with major local venture capital firms and famous Korean startup CEOs in the United States, secure new investment opportunities, and learn business know-how.



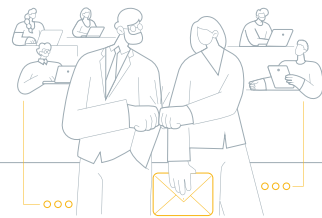
*As of December 2022 (cumulative figure)

¹⁾ CVC (Corporate Venture Capital): Venture Capital, or VC for short, refers to a company that invests funds in venture companies or the fund itself. Corporate-led VC is called CVC.
²⁾ Accelerator: An accelerator enhances the speed at which a startup grows. It provides funds to start business and also helps with the overall process for business establishment and early settlement.

Facilitating the Startup Ecosystem

2022 LOTTE Global Accelerating Program

In collaboration with Primer Sazze Partners, a famous Korean venture capital firm in Silicon Valley, we called for startups wanting to participate in the "82 Startup Global Accelerator Program" and selected outstanding companies for support.



• Schedule

- Call for participation and selection: August to October 2022
- Accelerating program (one-on-one mentoring, etc.): October to December 2022
- US local Demo Day: January 2023

• Participating companies: 85 companies applied, 10 companies selected (competition rate 8.5:1)

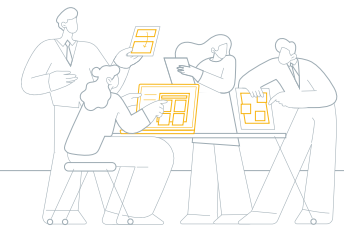
• Held the "2022 LOTTE Youth Entrepreneurship Ceremony" to award selected startups

- Date and venue: November 3, 2022, at Shin Kyuk-ho Memorial Hall of LOTTE World Tower
- Highlights: Awards for excellent startups, presentation of business plans by the best companies, lectures by senior entrepreneurs



2023 LOTTE Global Accelerating Program Silicon Valley, Phase 2

In collaboration with The Miilk, a Silicon Valley-based media startup, we called for startups wishing to enter the US market and ran a local training program in Silicon Valley.



• Schedule

- Call for participation and selection: November to December 2022
- Silicon Valley local training: February 2023

• Participating companies: 159 companies applied, 11 companies selected (competition rate 14.5:1)

• Program content

- Helping to build local networking with local venture capitalists, senior Korean entrepreneurs, the government officials in Silicon Valley, etc.
- Providing business know-how and education programs in the areas of finance and law to strengthen global business capabilities

• Held the Graduation Ceremony for 2023 LOTTE Global Accelerating Program Silicon Valley, Phase 2"

- Date and venue: April 5, 2023 at Shin Kyuk-ho Memorial Hall of LOTTE World Tower
- Highlight: Awards for excellent startups, announcement of business plans by the best companies, lectures by senior entrepreneurs, announcement of training program performance and plans to enter the global market (3 best companies and 8 excellent companies selected)



Facilitating the Startup Ecosystem

2023 TIPS Global AC-linked Project for Overseas Marketing



This project helps domestic startups advance into Vietnam under the auspices of the Korea Institute for Startup Promotion (KISED). VSV Capital, a local AC in Vietnam, and LOTTE Ventures have entered into a consortium to conduct AC programs in Korea and Vietnam.

- **Purpose:** To accelerate overseas expansion and attract foreign investment by linking Global Accelerators with TIPS (Tech Incubator Program for Startup) companies wishing to enter overseas markets
- **Schedule**
 - Selection: A total of 12 companies selected
 - Domestic program: October to November 2022 (LOTTE Ventures)
 - Local program: January to April 2023 (VSV Capital)
- **Content of the domestic program**
 - Seminars on the Vietnamese market, legislation, case studies, and investment, mentoring by former expatriate employees of LOTTE Vietnam and investment associates from LOTTE Ventures
 - Seminars held in October 2022 (once a week)
 1. Introduction to the Vietnamese market (Investment Office, Embassy of Vietnam in Korea)
 2. Legal matters one needs to know when entering the Vietnamese market (Representative Attorney at Lee&Ko)
 3. Cases of start-ups entering Vietnam (CEO of Go2Joy)
 4. Global advancement of Korean startups and VC funding strategy (CEO of Translink Investment)
 - Mentoring by former expatriate employees and investment associates from LOTTE Ventures of LOTTE Group in Vietnam (twice for a Group affiliate)
- **Content of the local program**
 - Office Hour & networking parties, investor meetings, field trips, and Demo Day held in Ho Chi Minh City on April 7, 2023



SPECIAL CASE

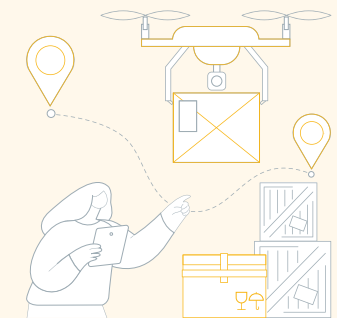


The use of unmanned aerial vehicles, or drones, is diversifying around the world, and the related market continues to grow. As parcel delivery is rapidly increasing thanks to the revitalization of e-commerce, more and more companies are promoting the commercialization of logistics delivery using drones. Drone delivery is closer than many think, and it is expected to change our lives faster than we think.

LOTTE Ventures invested in "Pablo Air," a drone control solution company, in 2021 through L-CAMP. Pablo Air is a startup widely recognized for its unmanned mobility technology using drones at home and abroad. Based on its own drone control solution technology, it holds the record for the longest maritime drone logistics delivery of 80 km. It is the first domestic drone company to conduct a drone logistics delivery demonstration project in New York State, U.S.

In July 2022, 7-Eleven cooperated with Pablo Air to implement the convenience store drone delivery service for the first time in Korea from its store called "Gapyeong Arboretum 7-Eleven No. 2 (located in Gapyeong, Gyeonggi-do)," which is a specialized drone delivery store equipped with the first drone station in the distribution industry. This delivery specialty store, which combines a store, a control tower, and a helipad optimized for vertical take-off and landing of drones, handles everything from delivery orders to drone delivery flights in one building. Logistics delivery in the city center is becoming more visible. In 2022, Pablo Air was selected as a

demonstration operator for the drone regulatory sandbox "Drone Logistics Delivery in the City" hosted by the Ministry of Land, Infrastructure, and Transport. The company conducted a drone logistics delivery project for 9 months with Incheon Metropolitan City and Samyoung Logistics. The firm recorded a total of 207 flights and a cumulative distance of 1,909 km, successfully completing the demonstration project and delivering urban logistics by air for the first time in Korea. Based on these technologies and the results of pilot operation for commercialization, Pablo Air's corporate value has increased by about three times compared to when it was selected for the L-CAMP program, and on the back of its increased corporate value, the firm is preparing for an IPO through a special technology listing by 2024.



Local Community Development

APPROACH

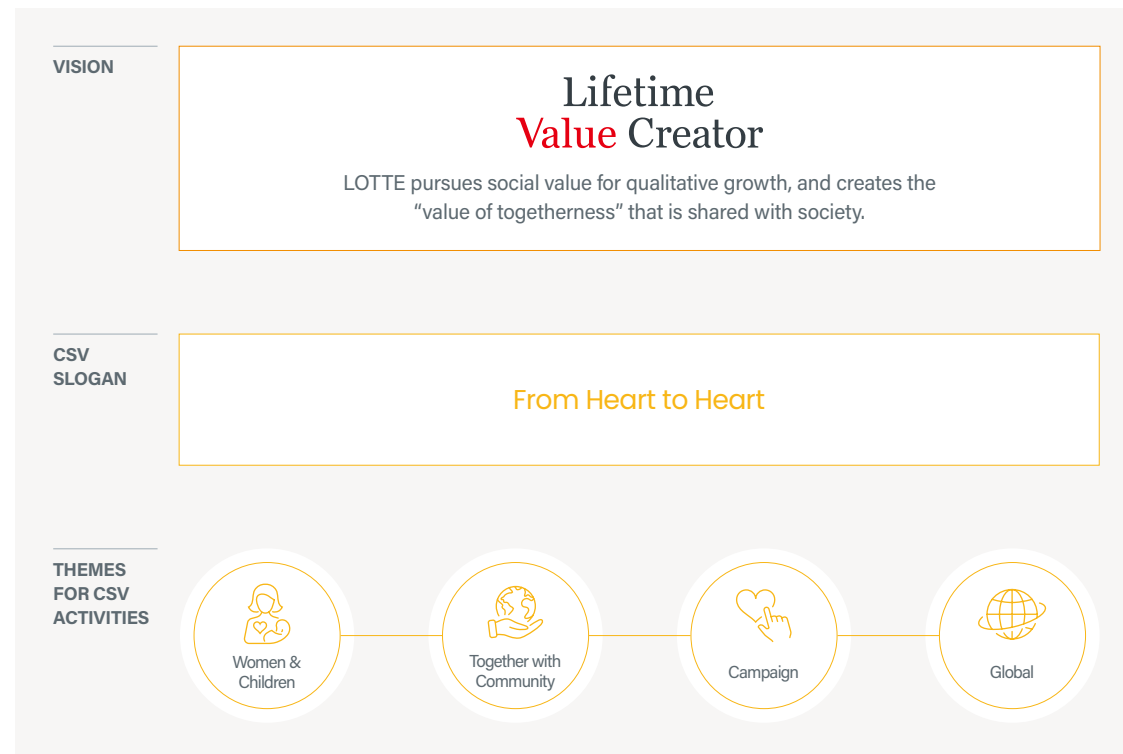
CSV Direction

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 LOTTE Group's heart touches the hearts of members of society to create ripples of empathy, we have set the four main themes of our CSV activities such as women & children, together with community, global, and campaigns. We are doing our best to provide more systematic, practical support by leveraging the Group's business capabilities and resources in the fields of distribution, food, hotel service, and chemicals.

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 strategy system and activity direction to promote systematic activities, and every year, it examines the size and field of donations made by Group affiliates and reviews the transparency of donation activities with the affiliates.

CSV System of LOTTE Group



PERFORMANCE

CSV Activities

Women & Children

Mom's Happiness (playground and dream attic projects) | In order to resolve the inequality in children's play and educational environments, we have carried out the "Mom's Happiness Playground" and "Mom's Happiness Dream Attic" projects since 2017. The "Mom's Happiness Playground" project creates eco-friendly playgrounds through our participation in it from the playground design stage. We built a total of 24 playgrounds nationwide until 2022. In 2022, we published a booklet titled "Mom's Happiness Playground" narrating the history of the project. In 2023, we are planning to promote the creation of indoor playgrounds as well as outdoor playgrounds in consideration of environmental factors such as fine dust.

The "Mom's Happiness Dream Attic" project improves the environment of local children's centers in charge of children's play and learning by creating a bookstore made of eco-friendly wood and a digital learning space for each center. We opened a total of 81 dream attics until 2022. In 2023, we are planning to open 6 more places. Most notably, we will also conduct health promotion education including emotional support and nutritional diets for both children and guardians.

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. Every year, we present "Sharing Scarf Kits" made from recycled waste plastics to our supporters, each of whom donates more than 10,000 won. We donate scarf kits made by supporters to charities. In 2022, we improved heating facilities in a total of 80 locations through the campaign, and extended heating assistance to 100 local children's centers and vulnerable families nationwide.

Together with Community

Youth Library and Proud Army Family Awards Sponsorship | The "Youth Library" is a project that builds reading/resting spaces mainly for frontline military units lacking cultural facilities. In 2022, we also created study cafes for the Army, Air Force, and Navy depending on the needs of soldiers and the characteristics of military units. As of 2022, we have created a total of 76 Youth Libraries across the country. In 2023, we plan to create a total of six additional libraries in the Army, Air Force and Navy units. Starting with the 2021 sponsorship of the "Proud Army Family Awards" hosted by the Army Headquarters, LOTTE Group has donated prize money and products once a year for the families of soldiers and military personnel who dedicate themselves to the country.

Official Sponsor of the Korea Ski Association | As the chair company of the Korean Ski Association, LOTTE Group has signed MOUs with the ski associations of the United States, Canada, and Finland, which are world powers in snow sports, to strengthen our country's competitiveness in winter sports and taken the lead in exchanging technology and information. In December 2022, the Group launched the "LOTTE Ski and Snowboard Team" and pledged to support their training until the 2026 Winter Olympics.

Global

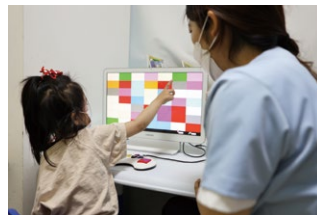
Vietnam Service Training Center | In partnership with the Ministry of Trade, Industry and Energy and KOICA, LOTTE Group established the "LOTTE-KOICA Service Training Center" in Ho Chi Minh City, Vietnam in 2016. The Center is transferring LOTTE Group's knowhow to Vietnam's low-income class, high school 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 1,400 people including low-income earners, job seekers, and small business owners.

Local Community Development

Mom's Happiness Growth Tok Tok to support development diagnosis and early treatment for infants and toddlers

We operate a diagnosis and treatment support project for infants and toddlers who may miss the treatment time due to an environment making them difficult to receive periodic diagnosis of their developmental status.

- **Time:** Year-around
- **Target:** Infants and toddlers with developmental disabilities from low-income families such as single-parent families
- **Partner organizations:** Korea Welfare Services, LOTTE Medical Foundation
- **Activities in 2022**
Provided developmental screenings to approximately 50 children, with 40 of them receiving specialized treatment through speech and play therapy and social skills training



"MOM's FESTA" with LOTTE GRS

Women & Children

Together with LOTTE GRS, we provided single parents with education on sales, including product branding and publicity, held flea market events, and conducted campaigns to improve awareness of single-parent families with the purpose of supporting their economic independence.

- **Time:** September 2022
- **Target:** Unmarried single parents
- **Partner organizations:** Holt International Children's Services
- **Activities in 2022**
We held a MOM's FESTA event, where single parents could directly sell products, at the Sunken Square of LOTTE MALL Gimpo Airport and conducted a campaign including lectures by celebrities to raise awareness of single-parent families. We conducted product sales and branding training for single-parent sellers to help them maintain sustainable economic activities.

Sponsorship of cultural events for firefighters in connection with LOTTE Chemical HQ

Since 2019, we have sponsored cultural events for firefighters and their family members in association with LOTTE Chemicals HQ. The program includes visiting an aquarium, attending a concert hall events, and experiencing the SEOUL SKY facility.

- **Time:** October 2022
- **Target:** 1,500 members of firefighters
- **Partner organizations:** Korean Society of Retired Fire Officers
- **Activities in 2022**
We held a "Pixar In Concert" featuring best songs from Pixar movies at the LOTTE Concert Hall for the families of incumbent firefighters and firefighters that have suffered on-duty injuries or deaths.



Donation for Disaster/Accident Relief

Together with Community

Together with the Hope Bridge Korea Disaster Relief Association and the Korea Foundation for Cooperation of Large & Small Business, Rural Affairs, we have secured disaster relief funds to establish an emergency relief cooperation system, including relief kits, and promptly support local communities' relief efforts during national disasters or accidents.

- **Time:** March and August 2022
- **Target:** Areas affected by wildfires (Gangwon-do and Gyeongsangbuk-do) and areas affected by heavy rains
- **Partner organizations:** Community Chest of Korea, the Hope Bridge Korea Disaster Relief Association
- **Activities in 2022**
To help victims of wildfires in Gangwon-do and Gyeongsangbuk-do in March, we donated KRW 1 billion to the Community Chest of Korea and relief kits and daily necessities. We donated KRW 1 billion and relief kits to the Hope Bridge Korea Disaster Relief Association to help restore areas damaged by heavy rains in August.

Super Blue Marathon

Campaign

Every year, to take the lead in improving awareness of people with disabilities, we hold the Super Blue Marathon, represented by blue shoelaces symbolizing hope and self-reliance, and provide opportunities for people with disabilities and non-disabled people to run together.

- **Time:** October 8, 2022
- **Target:** More than 8,000 people with or without disabilities
- **Partner organizations:** Special Olympics Korea
- **Activities in 2022**
The 2022 marathon race was participated by more than 8,000 participants, including people with or without disabilities as well as LOTTE employees, with the laces of blue sneakers symbolizing hope and self-reliance. The race consisted of four courses such as the Super Blue course (5km), where people with and without disabilities ran together, a 5km course around the park, a 10km course leading to Nanji Park, and a half course with Changreungcheon Stream serving as the halfway point.



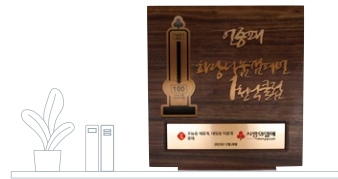
Local Community Development

Registered in the "Hope Sharing Campaign KRW 100 Billion Club"

Others

LOTTE Group is registered in the "Hope Sharing Campaign KRW 100 Billion Club" for having donated a total of KRW 104.8 billion to Community Chest of Korea for 24 years since 1999. The "Hope Sharing Campaign KRW 100 Billion Club" is an organization for corporate donors who have made sincere efforts for a long time to spread the corporate culture of sharing. Donated funds are used for projects targeting families in crisis and the vulnerable in need of urgent help being left in the blind spot of welfare.

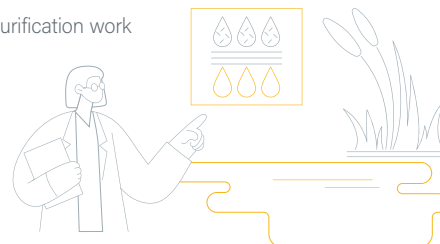
- **Time:** December 2022
- **Target:** Community Chest of Korea
- **Partner organizations:** Special Olympics Korea
- **Activities in 2022**
Donated KRW 7 billion as a way of practicing love for neighbors



Lake Seokchon Water Quality Improvement Project for Lake Seokchon

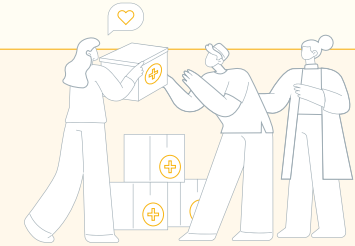
Since 2022, LOTTE C&T has worked with LOTTE Corporation and Songpa-gu Office to improve the water quality of Lake Seokchon. Through eco-friendly methods, we have improved the basic water quality and suppressed the formation of algae in the lake. The water quality has been upgraded from grade 3 to grade 2 while the lake's visibility has improved from about 1.3 meters to over 2 meters. In 2023, more Group affiliates such as LOTTE Chemical, LOTTE Chilsung Beverage, and LOTTE Shopping are planning to collaborate and expand related activities.

- **Time:** April to November 2022
- **Partner organizations:** LOTTE C&T, LOTTE Corporation, Songpa-gu Office, Green Future, GENS Engineering
- **Activities in 2022**
Operation of an ecological monitoring group and conduct of water purification work



SPECIAL CASE

VALYOU for ESG - Youth Volunteer Group



VALYOU is an abbreviation for "Value creators in Universities" and it refers to LOTTE Group's university student volunteer groups launched to contemplate and solve community issues with young people in terms of ESG. In September 2022, a total of 20 teams were selected as "VALYOU for ESG" groups.

They shared their activity plans at the launching ceremony held in October, had a mentoring session to check their plans, and embarked on their activities. In addition, they conducted a one-month promotional campaign on the NAVER Happybean website to attract interest in each team's volunteer activity ideas and received more than 12,000 messages of support from a total of 42,790 people.

For two months from December 2022 to January 2023, the 20 teams selected as volunteer groups carried out activities such as upcycling, zero-waste activities, recycling coffee waste, improving awareness of single parents, and nutrition support in older people. "VALYOU for ESG" concluded its activities with a disbanding ceremony at LOTTE World Tower in February 2023. We selected five volunteer teams that had implemented their plans most successfully and presented them with certificates of merit and cash prizes.

Supports Offered

Volunteer grants	Up to KRW 2,000,000 per team	Volunteer training and mentoring	Education and mentoring for more meaningful volunteer activities
Team activity fees	Up to KRW 500,000 per team	ESG training	ESG training to continue practicing ESG values in everyday life
Support item purchase for beneficiaries	Up to KRW 300,000 per team	Outstanding volunteer awards	Award 5 teams for excellent performance from planning to completion

Local Community Development

SPECIAL CASE

Beautiful value created by "VALYOU for ESG"



Key Achievements

- University student volunteer teams: 20 teams (80 people)
- Support amount: KRW 56 million (KRW 2.8 million per team)
- Number of volunteer activities: 136
- Volunteering hours: 206 hours
- Number of beneficiaries: 3,655 (preschoolers, children from vulnerable groups, seniors living alone, multicultural families, single-parent families, single-person households, mom-and-pop store owners, etc.)
- Number of participating organizations: 65 (senior welfare centers, welfare centers for people with disabilities, nurseries, volunteer centers, family centers, single-person household centers, local children's centers, daycare centers, restaurants and cafes, etc.)
- Content publication: 583 cases (Instagram, blog, YouTube, etc.)



OUTLOOK

In 2023, LOTTE Group plans to develop the "Mom's Happiness" projects participated by a larger number of Group affiliates while promoting the upgrade of the representative programs of the Happiness Dream Attic and Youth Library projects. Along with this, we are planning to hold meetings with managers in charge of social contributions to strengthen communication across Group affiliates and expand relevant programs. Going forward, we will continue building social infrastructure so that our society can become a more prosperous world, conducting sharing activities continuously to improve the rights and awareness of the underprivileged, and solve problems in various parts of the community.



CSR Project Direction in 2023

1. Expanding the scope of Mom's Happiness brand

- Gradual reorganization and integration of similar projects for females and children
- Promotion of "Mom's Happiness" projects that a larger number of Group affiliates can participate in

2. Strengthening communication among Group affiliates and expanding related programs

- Hosting meetings among Group affiliates' communication and social contribution managers
- Support for excellent initiatives funded by designated donations and conduct of joint promotion

3. Advancing representative programs

- Increasing the number of facilities eligible for Mom's Happiness Playgrounds, Happiness Dream Attics, Youth Libraries, etc.
- Implementing the facility maintenance program through emotional support for beneficiaries, etc.



IN THIS SECTION

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[Enhancing Shareholder Value](#)

[Integrated Risk Management](#)

[Strengthening Internal Controls](#)

[Compliance Adherence](#)

[Internalizing Ethical Management](#)

[Enhancing Information Security](#)

GOVERNANCE

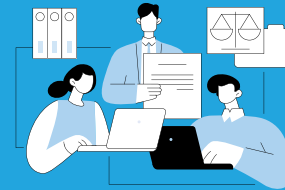
WHY IT MATTERS

There is growing demand from stakeholders for the establishment of transparent and sound corporate governance. In response, advanced companies are establishing governance centered around boards of directors (BODs) with independence, diversity, and expertise while also promoting transparent and accountable management while pursuing sustainable growth. As the negative impact of unethical and unfair behavior on corporate operations increases, companies are continuing their efforts to make compliance and ethical management the foundation of their business operations as they strive to internalize these principles and values

KEY ACHIEVEMENTS IN 2022

Establishing a Sound Corporate Governance

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.



Enhancing Shareholder Value

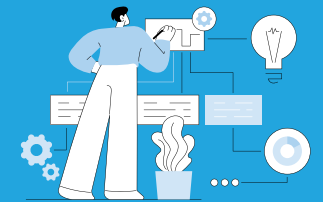
LOTTE Corporation has introduced and operates systems such as e-voting system to enhance shareholder participation and improve voting rights exercise in annual general meetings (AGMs), ensuring that shareholders' opinions are reflected in the company's decision-making process. Furthermore, we aim for a stable dividend policy based on our performance while also striving to ensure that the enhancement of our corporate value, from a long-term perspective, leads to increasing shareholder value.

Integrated Risk Management

LOTTE Corporation identifies and assesses key non-financial risks such as disasters, industrial safety, environment, information security, corruption prevention, and ethical management in order to effectively respond to changes in the business environment and review management strategies and major financial issues. Based on the enterprise risk management process, we manage risks systematically, pursuing corporate sustainability and business stability.

Strengthening Internal Controls

LOTTE Corporation improves and enhances its internal control policies on a constant basis. Based on the organizational structure and procedures stipulated in laws, articles of incorporation, and a variety of internal regulations, we conduct internal monitoring to minimize uncertainties regarding potential violations.



Compliance Adherence

LOTTE Group aims to create a prosperous world where everyone can trust each other wholeheartedly. To this end, we have established legal and ethical management as the foundation of our operations. All members of LOTTE adhere to the Administrative Compliance Charter, which outlines their obligations and responsibilities towards compliance management, and perform their duties transparently and fairly.

Internalizing Ethical Management

LOTTE Group strives to fulfill its corporate social responsibility and minimize the risks associated with unethical corporate activities through the practice of ethical management. To establish a transparent and sound corporate culture, members of LOTTE perform their duties based on the "LOTTE Personnel Code of Conduct" and "Global Anti-Corruption Guidelines" as their behavioral and value judgment standards. We continuously promote activities such as Code of Conduct and ethical management education, campaigns, and sharing of the Group-wide initiatives.

Enhancing Information Security

As digital technology continues to advance, we proactively respond to information security threats by operating information protection governance and security systems. We have established security solutions such as antivirus software, document encryption, as well as network and email advanced persistent threat (APT) defense systems to block malicious code infiltration as a way to further strengthen our safety measures for information security.

Establishing a Sound Corporate Governance

APPROACH

Governance Charter and Regulations

LOTTE Corporation is committed to establishing fair and transparent corporate governance by formulating and adhering to the Governance Charter. With the aim of enhancing shareholder value and becoming a beloved company by the public, we strive for the sustainable growth of corporate value while fulfilling our social responsibilities and contributing to the prosperous lives of humanity.

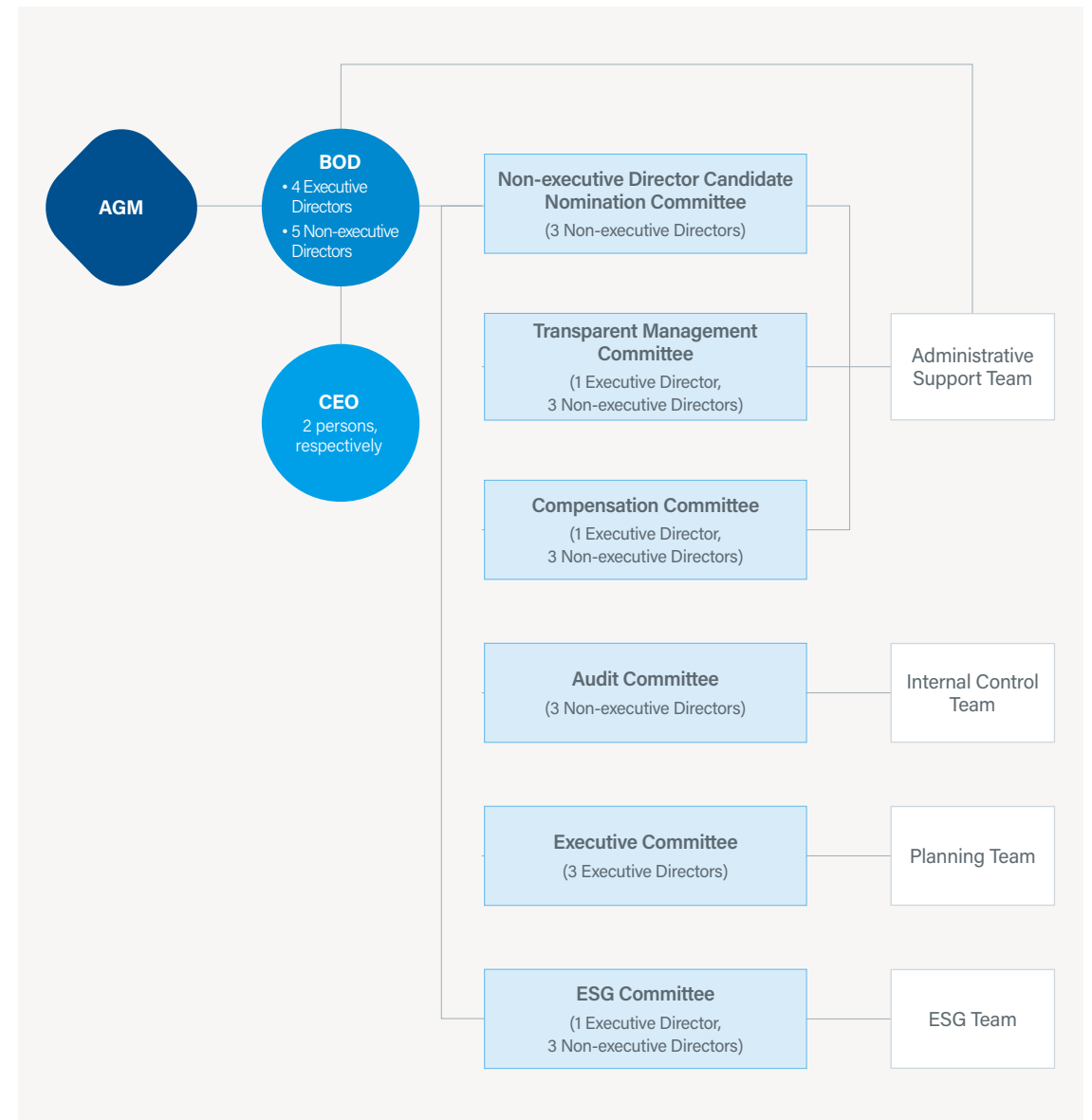
Composition of the BOD

In order to enhance shareholder value and promote the interests of stakeholders, LOTTE Corporation has established and operates the BOD as the highest permanent decision-making body of the company. The BOD has the authority to appoint the CEO and supervises the management's duties, and it also deliberates and resolves matters stipulated by laws, articles of incorporation, delegated matters from annual general meetings (AGMs), and important issues related to the company's management policies and execution of duties.

To ensure the smooth performance of the role in accordance with relevant laws and internal regulations, the CEO serves as the Chairman of the BOD. This arrangement allows for more efficient operation of the BOD and enables prompt execution of BOD decisions. In this dual-role system, where the CEO also acts as the Chairman of the BOD, the majority of the BOD consists of Non-executive Directors to ensure the independence of the BOD from the management and controlling shareholders. This enables effective and careful discussions and decision-making within the BOD. As of the end of March 2023, five of the nine directors were non-executive directors, accounting for approximately 55.6% of the total number of directors.

To ensure the independence and fairness of the nomination and appointment process for directors, LOTTE Corporation has put in place the Non-executive Director Candidate Recommendation Committee. The Non-executive Director Candidate Recommendation Committee operates in accordance with internal regulations and selects individuals who meet the qualifications specified in relevant regulations. The Committee carefully evaluates the independence of candidates from the company and major shareholders, as well as their expertise required for a global company. After thorough consideration, candidates who align with the interests of shareholders and the company are recommended as director candidates.

Organization of the BOD



Establishing a Sound Corporate Governance

BOD Composition

Classification	Name	Gender	Major Career	Position and Committee Activity	Current Term (Date of Appointment - Date of Termination)	BOD Attendance Rate in 2022
Executive Directors	Dong-Bin Shin	Male	<ul style="list-style-type: none"> Vice Chairman, The Federation of Korean Industries Vice Chairman, Korea-Japan Economic Association Co-Chairman, Asia Society Korea Center (ASKC) Member, Asia Business Council (ABC) 	• CEO	Mar.25, 2022 - Mar.25, 2024 (2 years)	77%
	Dong-Woo Lee	Male	<ul style="list-style-type: none"> (Former) CEO, LOTTE Hi-Mart (Former) CEO, LOTTE World (Former) Director of Management Support Division, LOTTE Department Store 	<ul style="list-style-type: none"> • CEO • Executive Committee 	Mar.31, 2023 - Mar. 31, 2025 (2 years)	100%
	Hun ki Lee	Male	<ul style="list-style-type: none"> (Former) CEO of LOTTE Rental (Former) Head of Auto Rental Division and Planning Division, LOTTE Rental (Former) Director of Planning Division, LOTTE Chemical and CEO of Titan 	<ul style="list-style-type: none"> • Head of ESG Management Innovation Office • Executive Committee • ESG Committee 	Mar. 31, 2023 - Mar. 31, 2025 (2 years)	N/A
	Jung uk Goh	Male	<ul style="list-style-type: none"> (Former) CEO, LOTTE Capital (Former) Head of Sales 2nd Division, LOTTE Capital (Former) Head of Business Strategy Division, LOTTE Capital 	<ul style="list-style-type: none"> • Head of Financial Innovation Office • Transparent Management Committee • Executive Committee • Compensation Committee 	Mar. 25, 2022 - Mar. 25, 2024 (2 years)	100%
Non-executive Directors	Chang-soo Kim	Male	<ul style="list-style-type: none"> (Former) President of Korea University Sports Council (Former) President of Chung-Ang University (Former) President of Korea Accounting Information Society 	<ul style="list-style-type: none"> • Transparent Management Committee • Non-executive Director Candidate Nomination Committee • Audit Committee 	Mar.31, 2023 - Mar. 31, 2025 (2 years)	100%
	Pyung-oh Kwon	Male	<ul style="list-style-type: none"> (Former) CEO of KOTRA (Former) Ambassador to Saudi Arabia (Former) Minister of Trade and Investment, Ministry of Commerce, Industry and Energy 	<ul style="list-style-type: none"> • Compensation Committee • ESG Committee • Non-executive Director Candidate Nomination Committee 	Mar.25, 2022 - Mar. 25, 2024 (2 years)	100%
	Kyung-chun Lee	Male	<ul style="list-style-type: none"> (Former) Director of Seoul Bankruptcy Court (Former) Chief Judge of Seoul High Court (Former) Director of Judicial Support, Ministry of Court Administration 	<ul style="list-style-type: none"> • Transparent Management Committee • Compensation Committee • ESG Committee 	Mar. 25, 2022 - Mar. 25, 2024 (2 years)	100%
	Hae Kyoung Kim	Female	<ul style="list-style-type: none"> (Former) CEO, KB Credit Information (Former) Vice President, KB Credit Information (Former) Head of KB Bank (Gangdong/North) 	<ul style="list-style-type: none"> • Transparent Management Committee • Compensation Committee • Audit Committee 	Mar. 25, 2022 - Mar. 25, 2024 (2 years)	100%
	Nam-gyoo Park	Male	<ul style="list-style-type: none"> Professor of Business Administration, Seoul University (Former) President of the Korean Creativity Society (Former) Professor of Business Administration, KAIST 	<ul style="list-style-type: none"> • ESG Committee • Non-executive Director Candidate Nomination Committee • Audit Committee 	Mar. 25, 2022 - Mar. 25, 2024 (2 years)	100%

* As of May 2023

Independence of the BOD

The candidates for directorship, to be appointed at the AGM, are selected by the Board of Directors (Executive Directors) and the Non-executive Director Candidate Recommendation Committee (Non-executive Directors), respectively, and are finalized as resolutions to be submitted to the AGM. According to Article 382 of the Commercial Act (Appointment of Directors) and Article 542-8 of the Commercial Act (Appointment of Non-executive Directors), individuals who fall under disqualification criteria cannot become Non-executive Directors of the company.

There have been no cases in which the Non-executive Directors of LOTTE Corporation either meet the disqualification criteria required for Non-executive Directors or become subject to those criteria after their appointment as Non-executive Directors.

Qualifications for Non-executive Directors

According to Article 382, Paragraph 3 and Article 542-8 of the Commercial Act, the following individuals cannot serve as Non-executive Directors of LOTTE Corporation:

- 1 If the largest shareholder is a natural person, the person, his or her spouse, and their lineal ascendants-descendants
- 2 If the largest shareholder is a corporation, the directors, auditors and employees of the corporation
- 3 If a person and his specially related person, as defined by the Presidential Decree, who are shareholders of a listed company own the largest number of shares excluding shares without voting rights based on the total number of issued shares, the person himself (hereinafter referred to as the "largest shareholder") and his specially related person

Overview of Officials Serving Concurrently on the BOD

Those Serving Currently		Companies Where They Serve Concurrently	
Name	Position	Company name	Position
Dong-Bin Shin	CEO	LOTTE WELLFOOD	CEO
		LOTTE Chemical	CEO
		LOTTE Chilsung Beverage	CEO
Chang-soo Kim	Non-executive Director	Daishin Securities	Non-executive Director
Pyung-oh Kwon	Non-executive Director	Multi Asset Global Investments	Non-executive Director
Nam-gyoo Park	Non-executive Director	Korean Air	Non-executive Director
Hun ki Lee	Executive Director	LOTTE Healthcare	CEO
		LOTTE Biologics	Executive Director

* As of May 31, 2023

Establishing a Sound Corporate Governance

BOD Expertise, Accountability, and Diversity

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. 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. Furthermore, to improve gender diversity in the BOD, approval was given in the regular AGM in March 2022 to add a provision to the Articles of Incorporation stating that the BOD composition shall not be exclusively based on a specific gender.

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, Nonexecutive Director Candidate Recommendation Committee, ESG Committee, and Executive Committee. The Audit Committee and the Non-executive Director Candidate Recommendation Committee are composed entirely of Non-executive Directors, while the Transparent Management Committee, Compensation Committee, and ESG Committee are composed of a majority of 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 the executive body of the company responsible for executing the decisions of the BOD, except for matters specified by laws and regulations and the Articles of Incorporation, and it consists solely of Executive Directors who are tasked with deliberating and resolving matters delegated to the Executive Committee through BOD resolutions, as well as conducting prior reviews of BOD agenda items.

BOD Evaluation and Remuneration

To ensure efficient promotion of and support for Non-executive Directors' activities and to consider their reappointment after the end of their terms, LOTTE Corporation annually reviews a comprehensive evaluation of Non-executive Directors' activities, including their BOD attendance rate, their offering opinions on BOD agenda and contribution to the BOD operations, their provision of effective advice as experts in relevant fields, and their contribution to internal control regarding the company's financial risks as Audit Committee members.

LOTTE Corporation does not make a connection between evaluation and remuneration of non-executive directors in consideration of the possibility of harming their 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	Chairperson	Member	Role and Authority
Audit Committee	Chang-soo Kim	Hae Kyoung Kim Nam-gyoo Park	<ul style="list-style-type: none"> Audit of performance of duties by directors, and review of financial statements Demand directors to provide business reports, and investigate the company's state of assets and business Appoint, change, and dismiss external auditors
Transparent Management Committee	Kyung-chun Lee	Hae Kyoung Kim Chang-soo Kim Jung uk Goh	<ul style="list-style-type: none"> Transactions falling under Article 26 of the Monopoly Regulation and Fair Trade Act, and Article 542-9, Paragraph 3 of the Commercial Act Authority to review and approve transactions between related parties
Compensation Committee	Hae Kyoung Kim	Pyung-oh Kwon, Kyung-chun Lee, Jung uk Goh	<ul style="list-style-type: none"> Approve the registered director remuneration limit that will be submitted to an AGM Approve individual remunerations of registered directors (including bonuses)
Director Candidate Nomination Committee	Pyung-oh Kwon	Nam-gyoo Park, Chang-soo Kim	<ul style="list-style-type: none"> Recommend non-executive director candidates to AGMs
Executive Committee	Dong-Woo Lee	Hun ki Lee Jung uk Goh	<ul style="list-style-type: none"> Deliberate and make decisions on matters entrusted to the Executive Committee based on BOD resolutions, excluding matters specified in regulations and the Articles of Incorporation, among BOD resolution matters Deliberate matters that require prior review for submission to the BOD
ESG Committee	Nam-gyoo Park	Pyung-oh Kwon, Kyung-chun Lee Hun ki Lee	<ul style="list-style-type: none"> Decision-making on the establishment and implementation of company-wide ESG management strategy plans Monitoring of key initiatives and outcomes related to ESG management strategy Make decisions to maximize ESG-based business opportunities and minimize risks

*As of May 31, 2023

Establishing a Sound Corporate Governance

PERFORMANCE

BOD Operation

LOTTE Corporation has established the BOD Operating Regulations, which specify the BOD's authority, responsibilities, and operating procedures in detail, in addition to the articles of incorporation and BOD regulations, for efficient and rational BOD operation. Based on these regulations, the company makes the best possible management decisions for the interests of the company and shareholders

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 Meetings Held in 2022

Classification	Details	Classification	Overall Average	Executive Director	Non-executive Director
No. of meetings	13	BOD attendance rate	96%	91%	100%
Agenda items	32 resolution matters, 9 report matters				

Details on BOD Meetings in 2022

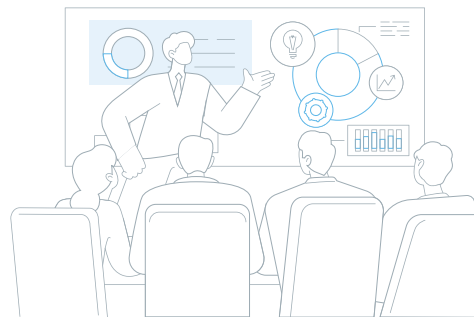
No.	Date	Agenda		Approval	Attendance
		Classification	Details		
1	01.17	Resolution	1. Purchase of preferred shares of LOTTE Chilsung Beverage 2. Change of Executive Committee Regulations	Approved	8/8
2	01.21	Resolution	1. Approval of purchase of shares in Ministop Korea	Approved	8/8
3	02.10	Resolution	1. Approval of the 55th FY financial statements 2. Approval of the 55th FY business report 3. Confirmation of the cost for the acquisition/transfer of LOTTE ACADEMY 4. Execution of donations 5. Approval of capital reduction for retirement of treasury shares (preferred shares)	Approved	7/8
		Report	1. Report on the operation status of the internal accounting management system in 2021	-	
4	03.10	Resolution	1. Approval of borrowings 2. Approval and delegation of payment guarantee 3. Convocation of regular AGM and determination of the agenda of the meeting	Approved	8/8
		Report	1. Report on the evaluation report on the operation of the internal accounting management system 2. Establishment of a new corporation for the new healthcare business	-	
5	03.25	Resolution	1. Appointment of CEO 2. Appointment of committee members within the BOD	Approved	8/9
6	04.27	Resolution	1. Participation in Korea Seven's rights offering 2. Approval of the training service contract and transaction amount with LOTTE ACADEMY 3. Amendment of Corporate Governance Charter	Approved	9/9
		Report	1. Report on Compliance Officer activities	-	

No.	Date	Agenda		Approval	Attendance
		Classification	Details		
7	05.13	Resolution	1. Signing of a US bio plant acquisition agreement and contract production agreement 2. Establishment of a new corporation for the bio business	Approved	9/9
8	06.27	Resolution	1. Disposal of preferred shares and treasury shares 2. Contract for using Group compliance management portal system 3. Progress report on KAIST donations	Approved	8/9
		Report	1. Payment guarantee for overseas subsidiaries	-	
9	07.19	Resolution	1. Purchase of shares in INNOCEAN	Approved	9/9
10	08.25	Resolution	1. Signing of an agreement for design consulting service	Approved	9/9
11	10.27	Resolution	1. Participation in Vietnam LOTTERIA's rights offering 2. Participation in LOTTE Biologics' rights offering 3. Participation in LOTTE Giants' capital reduction without refund and rights offering 4. Approval of LOTTE World Tower's lease agreement	Approved	9/9
		Report	1. 2023 regular report on executive personnel changes	-	
12	12.15	Resolution	1. Participation in LOTTE Chemical's rights offering 2. Approval of the guarantee payment 3. Approval and delegation of bond issuance limit 4. Change of executive committee members 5. Approval of major internal transactions between affiliates	Approved	8/8
		Report	1. Payment guarantee for overseas subsidiaries 2. 2023 business plan report 3. Adjustment of LOTTE Biologics' rights offering amount	-	

Establishing a Sound Corporate Governance

Committee Meetings under the BOD

Committee Name	No. of Meetings Held in 2022	Major Agenda
Audit Committee	5	<ul style="list-style-type: none"> • Presenting of 54th FY financial statement report and business report • Approval of revision of the internal accounting management regulations • Approval of the evaluation report on the internal accounting management system operation status
Transparent Management Committee	6	<ul style="list-style-type: none"> • Purchase of preferred shares of LOTTE Chilsung Beverage • Participation in LOTTE Biologics' rights offering • Participation in LOTTE Chemical's rights offering
Compensation Committee	4	<ul style="list-style-type: none"> • Approval of director remuneration limit • Approval of remuneration for CEO, etc.
Director Candidate Nomination Committee	2	<ul style="list-style-type: none"> • Recommendation of candidates for Non-executive Directors • Appointment of committee chairman
ESG Committee	5	<ul style="list-style-type: none"> • Approval of ESG strategic tasks for 2022 • Approval of publication of the sustainability management report
Executive Committee	11	<ul style="list-style-type: none"> • Payment guarantee for overseas subsidiaries • Payment guarantee for Vietnam LOTTERIA



Education and Support for Non-executive Directors

According to the Corporate Governance Charter, Non-executive Directors may request necessary information or seek advice from external experts to perform their duties.

In addition, to better understand the company's characteristics as a holding company, Non-executive Directors receive regular education on management issues of the holding company and the Group affiliates to support effective performance of their duties.

Education for Non-executive Directors in 2022

Date	Provider of Education	Participants	Main Contents
01.17	Our company	All	• Important matters related to BOD activities and company management
03.10	Our company	All	• Important matters related to BOD activities and company management
04.27	Our company	All	• Important matters related to BOD activities and company management
06.27	EY Han Young Corporation	All	• Embezzlement and other corruption cases and their preventive measures
08.25	Our company	All	• Important matters related to BOD activities and company management
11.22	KPMG Samjong Accounting Corp.	All	<ul style="list-style-type: none"> • The role of the Auditor (Audit Committee) Statutory auditor & Audit committee between the parent company and subsidiaries under the consolidated internal accounting management system • Matters to be checked by the Statutory Auditor & Audit Committee for analysis of fund control cases and prevention of fraudulent accidents
12.15	Our company	All	• Important matters related to BOD activities and company management
12.22	Our company	All	• Important matters related to BOD activities and company management

Enhancing Shareholder Value

APPROACH

Stock Information

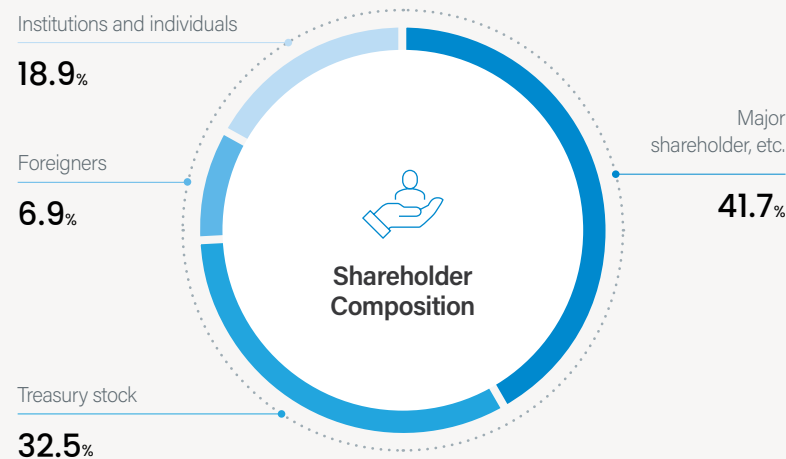
LOTTE Corporation specifies that a shareholder has one voting right per share in accordance with its Articles of Incorporation, and there are no voting rights for preferred shares. This reflects that LOTTE Corporation provides fair voting rights according to the types and number of shares owned by shareholders. As of March 2023, LOTTE Corporation issued 104,909,237 common shares and 805,603 preferred shares, and the number of shares for which voting rights can be exercised is 67,265,035, which accounts for 63.6% of issued shares.

Share Issuance of LOTTE Corporation

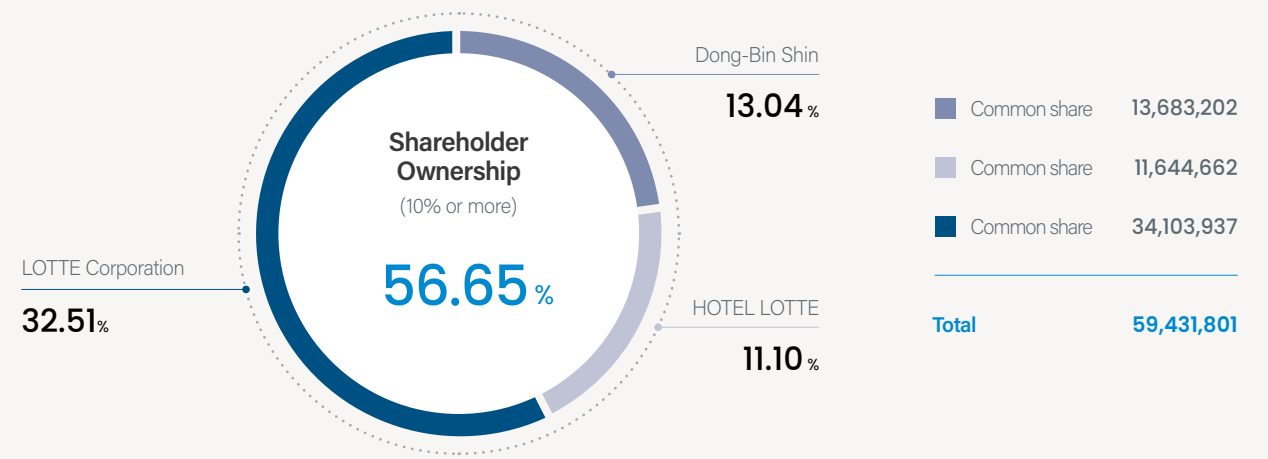
Classification	Type	No. of Shares	Note
Total number of shares issued	Common share	104,909,237	
	Preferred share	805,603	
No. of shares without voting rights	Common share	37,644,202	Treasury stock pursuant to the Commercial Act and public-benefit corporations among the Group affiliates
	Preferred share	805,603	
No. of shares with voting rights	Common share	67,265,035	

*As of March 31, 2023

Shareholder Composition and Ownership



*As of March 31, 2023, Based on common share



*As of March 31, 2023, Based on common shares





Enhancing Shareholder Value

Shareholder-Friendly System

Protection of Shareholder Rights and Interests
 LOTTE Corporation has introduced and currently operates a system to promote shareholders' participation in AGMs and to enhance their exercise of voting rights so that their opinions can be reflected in the company's decision-making process. In February 2021, the e-voting system was introduced to help shareholders exercise their voting rights in a variety of ways, and when an AGM is called, the date, venue, and purpose of the meeting are notified two weeks before the AGM date so that shareholders can fully understand the agenda. This allows shareholders to review the agenda in advance and exercise their voting rights properly. We will continue to do our best for the development of shareholders and the company by collecting a variety of opinions regardless of whether or not their proposals meet the legal shareholder proposal requirements.

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.

2022 Dividend Information (common share / preferred share)

<p>Cash dividend per share</p>  <p>KRW 1,500 / KRW 1,550</p>	<p>Cash dividend payout ratio (based on separate statement of profit and loss)</p>  <p>169 %</p>
<p>Total cash dividend</p>  <p>107.3 KRW billion (KRW 106.2 billion / KRW 1.1 billion)</p>	<p>Cash dividend yield</p>  <p>4.6 % / 3.6 %</p>

PERFORMANCE

Retirement of Treasury Shares

In order to enhance shareholder value, LOTTE Corporation decided to retire 182,020 treasury shares of second-class shares (preferred shares) acquired and held following the exercise of appraisal rights of opposing shareholders at the time of the merger and spin-off merger on April 2, 2018. This was approved at the AGM held on March 25, 2022. On May 11, 2022, after the creditor objection submission period, the company relisted and completed the retirement of 182,020 preferred shares, which are part of the treasury shares (34,103,937 common shares and 265,048 preferred shares) held. Through treasury shares retirement, the total number of preferred stocks issued has changed from 987,623 at the end of 2021 to 805,603 at the end of 2022.

Disclosure of Corporate Information

After each quarterly audit report is submitted, performance announcement materials are posted on the LOTTE Corporation IR website. In addition, after the performance announcement, IR activities are frequently conducted through non-deal roadshows (NDRs), face-to-face meetings, video meetings, and conference calls targeting major domestic and foreign institutional investors.

OUTLOOK

LOTTE Corporation will closely review and manage the Group's business portfolio from a mid-to-long-term perspective to enhance corporate value, strengthen the fundamental competitiveness of existing business domains, and firmly establish new businesses. In addition, as part of our shareholder-friendly policy, we plan to ensure that shareholder value is maximized by continuously expanding dividends according to management performance.



Integrated Risk Management

APPROACH

Risk Management Process

LOTTE Corporation is strengthening its risk management capabilities to effectively respond to internal and external changes in the business environment. We have added a comprehensive risk management function to the Executive Committee under the BOD, which previously focused on reviewing strategic and financial matters. We are enhancing our oversight and management of major non-financial risks such as disaster, industrial safety, the environment, information security, corruption prevention, and ethical management. This includes categorizing specific risk factors within each department and closely collaborating with relevant departments to identify risks in line with their respective business functions.

The identified risks are evaluated on a regular basis, and risks that exceed a certain threshold are discussed and deliberated upon by the Executive Committee. These discussions take place at a strategic level within the management hierarchy, allowing for in-depth consideration of significant risks.

Company-wide Risk Management Process



Strengthening Internal Controls

APPROACH

Internal Monitoring System

LOTTE Corporation improves and enhances its internal control policies on a constant basis while also conducting internal monitoring based on the organizational structure and procedures specified in laws, articles of incorporation, and internal regulations. Our 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 management system in accordance with the law (Article 8 of the Act on External Audit of Stock Companies) and has formed a dedicated organization to manage and operate it. The Internal Control Team (formerly, Audit Committee Secretariat), which is under the control of the Audit Committee, oversees the operation and evaluation of the internal accounting management system, provides support to the Audit Committee, manages internal accounting management regulations, conducts operational assessments, employee training, and change management tasks independently. Since 2019, LOTTE Group has been operating a consultative roundtable consisting of dedicated internal control teams of our key affiliates to discuss the internal accounting management system to ensure that, through the sound operation of the internal accounting management system, LOTTE discloses transparent and reliable financial statements to the public and pursue sustainable management.

LOTTE Corporation has proactively enhanced the internal accounting management system of our key consolidated subsidiaries in preparation for the audit of the consolidated financial statements standard in 2023. In 2022, the company obtained ISAE 3000 certification for the internal accounting management system based on the consolidated financial statements standard and ISAE 3402 certification for the accounting system supporting the consolidated financial statements. These certifications were conducted by an external auditor: Samil PwC. These efforts were made to establish and operate an effective internal control system for consolidated financial statements based on the applicable standards.

Certifications Obtained for the Internal Accounting Management System

Classification	Area of Certification
ISAE 3000	The internal accounting management system of LOTTE Corporation based on the consolidated financial statements standard
ISAE 3402	Design adequacy and operational effectiveness of internal controls for the operation of the consolidation support tasks and the "Confinas" system, a consolidated settlement support solution

ASSESSMENT

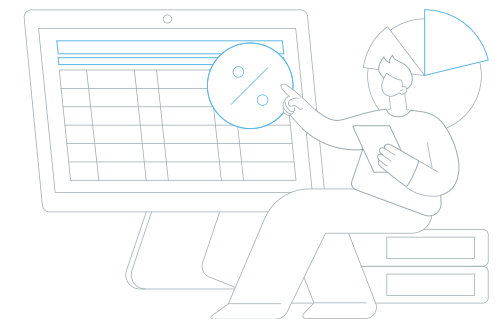
Internal Accounting Audit

LOTTE Corporation evaluates the operational status of its internal accounting management system every year and report the results to the AGM, BOD, and Audit Committee. In accordance with Article 8, Paragraph 5 of the Act on External Audit of Stock Companies, our company's auditors evaluate the operational status of the internal accounting management system and report the results to the BOD each fiscal year. Based on the concept and framework of the internal accounting management system design and operation in 2022, an evaluation of the operational status of the system was conducted, and it was determined that the system is effectively designed and operated from the perspective of importance. Upon receiving the report, the audit committee also reached the same conclusion. Samil PwC, the external auditor, also presented an unqualified opinion.

OUTLOOK

In 2023, the Internal Control Team will take the lead in operating the internal accounting management system based on consolidated financial statements more effectively. Dedicated internal accounting management teams have been established in key subsidiaries based on consolidated financial statements. We plan to work closely with them throughout the year to ensure effective implementation of the system.

LOTTE Corporation has proactively established a reporting and operating system based on consolidated financial statements. In 2022, we conducted a pilot operation of the internal accounting management system based on consolidated financial statements and obtained certification through external auditing. We plan to continue the diligent operation of the system in 2023 and report successful results at the next AGM. Going forward, we will make continuous efforts to establish an internal control system that aligns with global standards, thus taking a leading role in the industry.



Compliance Adherence

APPROACH

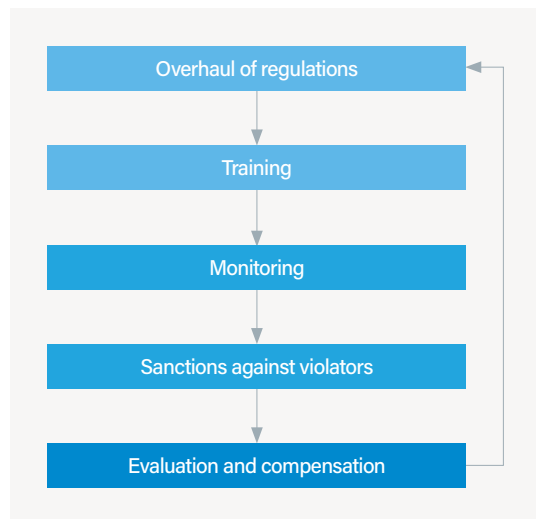
Administrative Compliance Charter

Enacted in 2017, the LOTTE Group Administrative Compliance Charter contains provisions regarding the obligations and responsibilities of employees and the company in terms of compliance management. In accordance with the Administrative Compliance Charter, LOTTE Group regularly conducts compliance education for all employees and bears the obligation and responsibility to establish a system for managing compliance effectiveness. LOTTE Corporation has translated the Administrative Compliance Charter into English, Chinese, Japanese, Vietnamese, and Indonesian and made it publicly available on the company website.

Global Compliance Management System

LOTTE Corporation is responsible for establishing the compliance management system of LOTTE Group and disseminating it to affiliate companies worldwide. The Group affiliates are required to apply and practice the compliance management principles of LOTTE Group.

Obligations and Responsibilities to Build a Compliance Management System



Compliance Committee

In December 2017, LOTTE Group established the LOTTE Compliance Committee as a direct organization under the Chairman's office to perform group-wide compliance policy formulation and oversight of compliance activities among the Group affiliates. The Compliance Committee holds regular quarterly meetings to discuss and decide on matters such as the introduction of compliance policies and the establishment of compliance guidelines for LOTTE Group. The committee also discloses its activities on the company website. As of April 2023, the Compliance Committee consists of Chairman In-bok Lee, external experts, and relevant department heads from LOTTE Corporation, totaling seven members.

Composition of the Compliance Committee

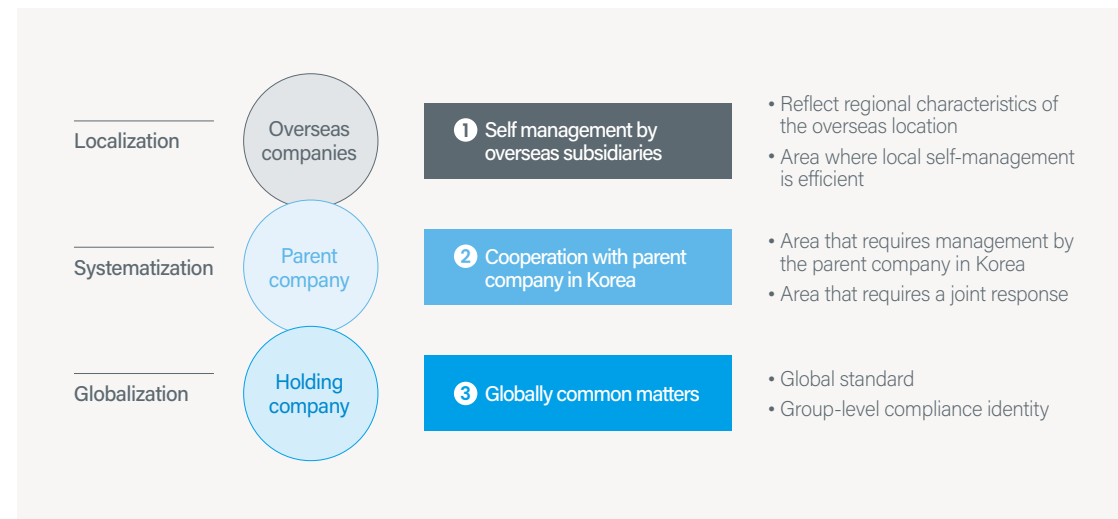
Category	Members
Chairperson	In-bok Lee, Former Supreme Court Justice
Internal Members	Eun-jae Park, Head of Legal & Compliance Division, LOTTE Corporation
	Doo-Hwan Park, Head of HR Innovation Division, LOTTE Corporation
	Jung uk Goh, Head of Financial Innovation Division, LOTTE Corporation
External Members	Sang-joon Kim, The Representative Lawyer of KS&P Law Firm
	Sam-hyun Song, The Representative Lawyer of Amicus Law Firm
	Inbae Kim, Professor of Economics, EWHA Womans University ¹⁾

¹⁾ Appointed in May 2023

Operating Status of the Compliance Committee in 20223

No.	Date	Agenda Items
14	03.03	<ul style="list-style-type: none"> Revision of Compliance Evaluation Indicators for the Group affiliates Establishment of Fair Trade Guidelines and dissemination among the Group affiliates
15	06.22	<ul style="list-style-type: none"> Introduction of policies on human rights and supply chain Establishment of a Group compliance management portal system
16	09.22	<ul style="list-style-type: none"> Monitoring results of the Group affiliates' compliance Development of compliance guidelines and dissemination among the Group affiliates
17	12.16	<ul style="list-style-type: none"> Establishment of guidelines for the operation of whistleblowing channels Operation of the holding company's compliance program for fair trade compliance program (CP)

Global Compliance Management System



Global Compliance Work Guidelines

LOTTE Corporation has established and distributed the Global Compliance Work Guidelines to ensure the effective implementation of compliance-related tasks by the Group affiliates and overseas subsidiaries. The Global Compliance Work Guidelines outline the establishment and operation of dedicated organizations, identification of compliance risk areas, implementation of compliance programs, conduct of compliance training and monitoring, issuance of employee pledges, reporting of compliance violations, investigation and sanctions, rewards for compliance adherence, reporting on compliance activities, and other relevant aspects of compliance. The Group affiliates have standardized the key details of the guidelines to ensure that all employees comply with it.

Compliance Adherence

PERFORMANCE

Compliance Training

LOTTE Corporation provides not only education on the LOTTE Personnel Code of Conduct but a variety of other mandatory training for our employees including newly hired employees and experienced employees, such as compliance training by job position, as well as education on personal information protection, prevention of sexual harassment and workplace bullying, information security, and disability awareness.

Fair Trade Training

To strengthen fair trade capabilities of the Group affiliates and to enhance the expertise of 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. These programs include workshops for team leaders in departments in charge of fair trade at the Group affiliates and in-depth training for franchisees, distributors, agents, and subcontractors according to their respective industries.

In 2022, in addition to the regular training programs according to the annual plan, LOTTE Corporation conducted specialized training targeting the operational staff of the Group affiliates involved in online mall operations. This was in response to the increasing regulatory concerns and the need to enhance risk management and compliance related to unfair trading in online malls based on the growing prominence of online transactions.

Activities to Internalize CP at the Group Affiliates

With the aim of preventing fair trade-related risks in advance and fostering a transparent corporate culture within LOTTE Group, LOTTE Corporation has been making a variety of efforts to promote the spread of Compliance Programs (CP) within the group. Since its establishment, LOTTE Corporation has provided policy support for the introduction of CPs in major LOTTE Group affiliates as part of our pre-risk management policy for fair trade. As a result, over 30 key LOTTE Group affiliates have implemented and operated CPs.

LOTTE Corporation received CP consulting from the Korea Fair Competition Federation from July to November 2022 to facilitate the introduction and efficient operation of CPs. Based on the results, the LOTTE Compliance Committee passed a resolution on the "CP operations at the holdings company" in December 2022, and the LOTTE Corporation BOD also passed a resolution on matters related to the CP operations at the holdings company in February 2023. As the representative company of LOTTE Group, LOTTE Corporation aims to diagnose fair trade-related risks in our business and systematically operate CPs as a preventive measure.

The Group's Fair Trade Training in 2022

Month	Course Name	Topic	Target
02	Seminar on compliance management	• Sharing of major policies and trends regarding the Group's compliance management	Executives and team leaders responsible for fair trade among major Group affiliates
03	Training on precautions for online mall transactions	• Conducting training for sales staff on online mall transaction guidelines and enhancing on-site compliance capabilities	LOTTE Shopping (LOTTE Department Store, LOTTE e-commerce), LOTTE Home Shopping
04	Training on precautions for online mall transactions	• Conducting training for sales staff on online mall transaction guidelines and enhancing on-site compliance capabilities	LOTTE Shopping (LOTTE Mart/Super), LOTTE Hi-Mart
08	Workshop for fair-trade team leaders among the Group affiliates	• Sharing of recent trends in the field of fair trade and compliance and strengthening mutual communication and policy consensus on compliance management policies	31 Group affiliates
08	Fair-trade training by the business type: Franchise Business Act	• In-depth education on fair-trade issues related to the Franchise Business Act and the business communication among relevant group affiliates	LOTTE Shopping (LOTTE Mart/Super), LOTTE WELLFOOD, LOTTE Chilsung Beverage, LOTTE GRS, Korea Seven
08	Fair-trade training by the business type: Large-Scale Distribution Business Act	• An in-depth study on fair-trade issues under the Large-Scale Distribution Business Act and business communication between related group affiliates	LOTTE Shopping (LOTTE Department Store, LOTTE Mart/Super, LOTTE e-commerce), LOTTE Hi-Mart, LOTTE Home Shopping, Korea Seven, HOTEL LOTTE (LOTTE Duty Free)
10	Training on the management disclosure required by the Fair Trade Commission and on the business group system	• Convey notices related to business group/disclosure work and promote communication between staffers in charge	43 Group affiliates
11	Fair trade training by the business type: the Agency Act and the Subcontracting Act	• An in-depth study on fair-trade issues in the fields of the Agency Act and the Subcontracting Act and business communication among participants	30 Group affiliates

Compliance Adherence

Efforts to Eradicate Unfair Trade Practices

LOTTE Corporation is actively collaborating with the Group affiliates in a variety of areas such as the monitoring of fair trade progress to establish more fundamental solutions for unfair trade practices that may occur in transactions with suppliers. Furthermore, in order to strengthen the fair trade capabilities and improve work-level procedures of the Group affiliates, LOTTE Corporation has recently developed and distributed compliance guidelines¹⁾. Through these efforts, we aim to prevent and eliminate risks related to unfair trade practices and maintain continuous communication with the Group affiliates to provide policy support.

¹⁾ Amendments to the Compliance Guidelines: Review Guidelines on Information Exchange Cartels (June 2022), Prohibition of Unfair Employee Utilization under Large-Scale Distribution Business Act (February 2023), Prohibition of Unfair Support Practices (April 2023).



2022 LOTTE Group Compliance Forum

Monitoring of Internal Monitoring Activities Within the Group Affiliates

LOTTE Corporation conduct regular collection and monitoring of compliance activities at major Group affiliates. Based on the monitoring conducted in October 2022, out of the 32 targeted the Group affiliates, 28 affiliates, accounting for 87%, received high scores of 90 or above. Most of the Group affiliates demonstrated active engagement in compliance activities, including the establishment or revision of compliance regulations, implementation of fair trade-related systems, compliance training, and monitoring activities. LOTTE Corporation is carrying out a variety of activities, such as sharing exemplary cases identified during the monitoring process and providing support for improvement efforts to the Group affiliates with lower levels of activity. These initiatives aim to minimize compliance risks and promote a culture of compliance throughout the organization.

Compliance Forum

On November 8, 2022, LOTTE Corporation hosted the 2022 LOTTE Group Compliance Forum, inviting approximately 230 compliance officers from the Group affiliates. The forum featured special lectures by In-bok Lee, Chairman of the LOTTE Group Compliance Committee; Nam-gyoo Park, Professor at Seoul National University; and Eun-jae Park, Head of the Legal & Compliance Division at LOTTE Corporation. The program included presentations on leading examples of the Group affiliates and in-depth discussions on the method of spreading the compliance culture within LOTTE Group.

ASSESSMENT

Assessment of Fair Trade Capabilities Within the Group Affiliates

LOTTE Corporation conducts an annual assessment of the compliance and fair trade capabilities of key Group affiliates. It consists of categories such as compliance awareness, compliance education, compliance inspections and monitoring, compliance systems and frameworks. In October 2022, the assessment was conducted on the compliance capabilities and activities of 32 Group affiliates from October 2021 to September 2022, and 28 Group affiliates, accounting for 87%, received high scores of 90 points or above. Furthermore, starting from October 2022, the evaluation criteria have been revised to integrate compliance and fair trade areas, allowing the Group affiliates to implement compliance programs systematically, including fair trade practices.

Assessment of Compliance Level

LOTTE Group has been conducting compliance level diagnostics based on the LOTTE Personnel Code of Conduct since its introduction in 2015, by conducting annual surveys to employees of the Group affiliates. In 2022, a total of 40,905 employees of LOTTE participated in the survey, and 65.0% (26,568 persons) responded. The comprehensive score of the 2022 diagnosis was 90.3 points, showing improvements from 89.3 points in 2020 and 89.8 points in 2021, but there were still some deficiencies in the trust and culture establishment items with employees and shareholders. LOTTE Group will strive to improve these matters by promoting mutual respect among members, providing fair opportunities and treatment, enhancing shareholder value, and establishing a culture of ethical management.

OUTLOOK

LOTTE Corporation is preparing to obtain ISO 37301-Compliance Management Systems certification in the second half of 2023. ISO 37301 is a management system aimed at ensuring compliance with all norms related to a company's activities, products, and services. Through this certification, we aim to demonstrate our commitment to compliance, protect stakeholders, and achieve sustainable management. Additionally, LOTTE Corporation supports the acquisition and maintenance of ISO 37001 – Anti-bribery Management Systems and ISO 37301 – Compliance Management Systems certifications for the Group affiliates. This support is intended to elevate the overall compliance level of LOTTE Group as a whole.

Internalizing Ethical Management

APPROACH

LOTTE Personnel Code of Conduct

The "LOTTE Personnel Code of Conduct" is a set of ethical principles that all employees must adhere to. It includes guidelines for prohibiting workplace harassment, sexual harassment, and discrimination as well as preventing unfair business practices towards business partners. It also prohibits corruption and improper solicitation, insider trading, and promotes honest marketing practices. The code encompasses a variety of domestic and international laws, as well as social and ethical requirements. LOTTE Corporation publicly shares the LOTTE Personnel Code of Conduct on its group website. Additionally, annual training sessions on the LOTTE Personnel Code of Conduct are conducted for employees across the Group affiliates.

Global Anti-Corruption Guidelines

LOTTE Corporation has established the "Global Anti-Corruption Guidelines" which provide guidance based on international standards in an attempt to ensure compliance with anti-corruption laws and establish a transparent and ethical corporate culture for employees in LOTTE Corporation, domestic Group affiliates, and overseas subsidiaries. The Global Anti-Corruption Guidelines cover topics such as compliance with anti-corruption laws, prohibition of bribery, and reporting and actions in the event of violations. LOTTE Corporation has distributed these guidelines to all Group affiliates and encouraged them to adapt and modify them as necessary to comply with the specific laws and regulations of their respective countries.

ABMS Certification

LOTTE Group goes beyond the compliance with anti-corruption laws and demonstrates a strong commitment to anti-corruption through obtaining relevant global certifications. LOTTE Corporation actively supports the Group affiliates in obtaining certification of anti-bribery management systems (ABMS) by providing evaluation points and assistance in the certification process. Efforts are made to expand the number of certified the Group affiliates. As of the end of April 2023, nine of the Group affiliates including LOTTE E&C, LOTTE Global Logistics, LOTTE Duty Free, LOTTE Shopping, LOTTE Chilsung Beverage, LOTTE Cultureworks, LOTTE Hi-Mart, LOTTE Home Shopping, and Korea Seven have implemented ISO 37001 – an anti-bribery management system.

PERFORMANCE

Compliance Training

Since 2020, LOTTE Corporation has made LOTTE Personnel Code of Conduct training mandatory for all Group affiliates. In 2022, a comprehensive training curriculum was developed, covering areas related to trust with employees, trust with shareholders, and addressing key issues and case studies. The training was conducted for 40,310 employees across the Group affiliates, with 93% (37,488 individuals) completing the training.

Code of Conduct Campaign

In our New Year's message for 2022, LOTTE Corporation emphasized to LOTTE Group employees the importance of prioritizing ethical values in decision-making and pursuing shared growth with stakeholders such as customers, shareholders, partners, and local communities in their respective business fields. Through this message, we at LOTTE Corporation reemphasized the core value of trust with a variety of stakeholders, which is a fundamental principle of the LOTTE Personnel Code of Conduct.

Ethical Management Training

LOTTE Corporation conducts ethics and compliance training for newly appointed executives, new employees, and experienced employees. This training covers topics such as corporate ethics, compliance, and other relevant areas. In addition, LOTTE Corporation encourages the Group affiliates to enhance their internal ethics education programs for employees, including case studies on ethical misconduct, recent ethical issues, and the importance and necessity of ethical management.

Sharing Information on Workplace Ethics Among the Group Affiliates

LOTTE Group regularly organizes forums, meetings, and other events for ethical management personnel from the Group affiliates to facilitate exchange and discussion. These events provide a platform to share recent ethical management issues, best practices, and future directions among the participants.

Ethical Management Training of the Group

Classification	2020	2021	2022
Newly-appointed CEOs	9 persons	7	Not held
Newly-hired Employees (including the experienced)	730 persons (online)	510 persons	2,444 persons
Newly-promoted Employees	1,094 persons	878 persons	Not held

Workplace Ethics Sharing Activities of the Group

Classification	2020	2021	2022
Ethical Management Team Meeting per HQ	2 times/68 persons (online)	4 times/144 persons (online)	3 times/81 persons (online)

Internalizing Ethical Management

OUTLOOK

Written Pledge on Anti-Corruption Compliance

LOTTE Corporation employees are required to submit a written pledge on anti-corruption compliance annually. The pledge includes commitments to comply with anti-corruption laws and regulations, refrain from offering or accepting bribes, and other related provisions. In 2022, all employees successfully completed the submission of the pledge.

Corporate Ethics Counseling and Reporting

LOTTE Corporation operates the Ethics Hotline, called "Sinmungo," which is available not only for employees but also for third parties to seek advice and report on matters such as "abuse of the job-related authority for personal or third-party gain, violations of internal accounting management regulations, sexual harassment, bribery, workplace bullying, and other actions that go against social responsibilities."

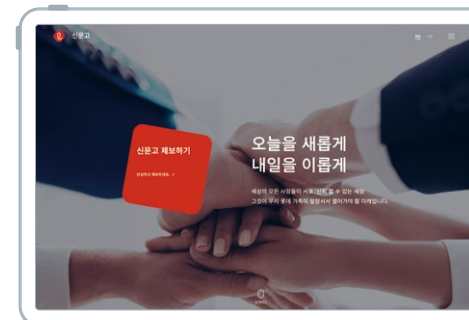
Sinmungo can be accessed freely through LOTTE Corporation's Korean and English websites, allowing individuals to submit reports anonymously or with their names. Additionally, reports can be made via email or postal mail. To ensure the safety and protection of reporters, LOTTE Corporation operates a whistleblower protection program, enabling anyone to comfortably seek advice and report concerns. In 2022, a total of 369 cases were received through Sinmungo, and all of them were processed and resolved in accordance with internal procedures.

LOTTE Corporation plans to complete the writing of the employee compliance pledge in the first half of 2023. Furthermore, in 2024, we aim to further strengthen our employees' compliance awareness and ensure fair and transparent business practices by revising the compliance pledge, which will include the content of ISO 37301-Compliance Management Systems.

Status and Types of the Sinmungo Reporting

	Classification	2020	2021	2022	Note
Important matters	Corruption	25	14	47	-
	Partner complaints	48	41	61	-
	Safety	1	1	0	-
	Quality	1	0	2	-
	Sexual harassment	4	4	10	-
	Unfair recruitment	1	4	3	-
	Workplace harassment	26	12	24	-
	Personnel complaints	-	-	11	New item in 2022
	Sub total	106	76	158	-
Simple matters	Customer complaints	101	61	77	-
	Compliment, suggestions, etc.	103	146	134	-
	Sub total	204	207	211	-
Total		310	283	369	-

🔗 More information about the Ethics Hotline is available on our website.



Enhancing Information Security

APPROACH

Information Security Principles

We recognize the increasing importance of information security as business automation and digitization expand. In order to proactively address information security threats, LOTTE Group has established and operates an information security governance system while actively disclosing relevant information and working towards enhancing our level of information security. 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 set in place information security regulations across all areas of management, physical security, technical security, and personal information protection, based on the principles of protecting core corporate information and personal data. These regulations, including guidelines and rules, provide the fundamental principles of security and specific compliance methods for each area.

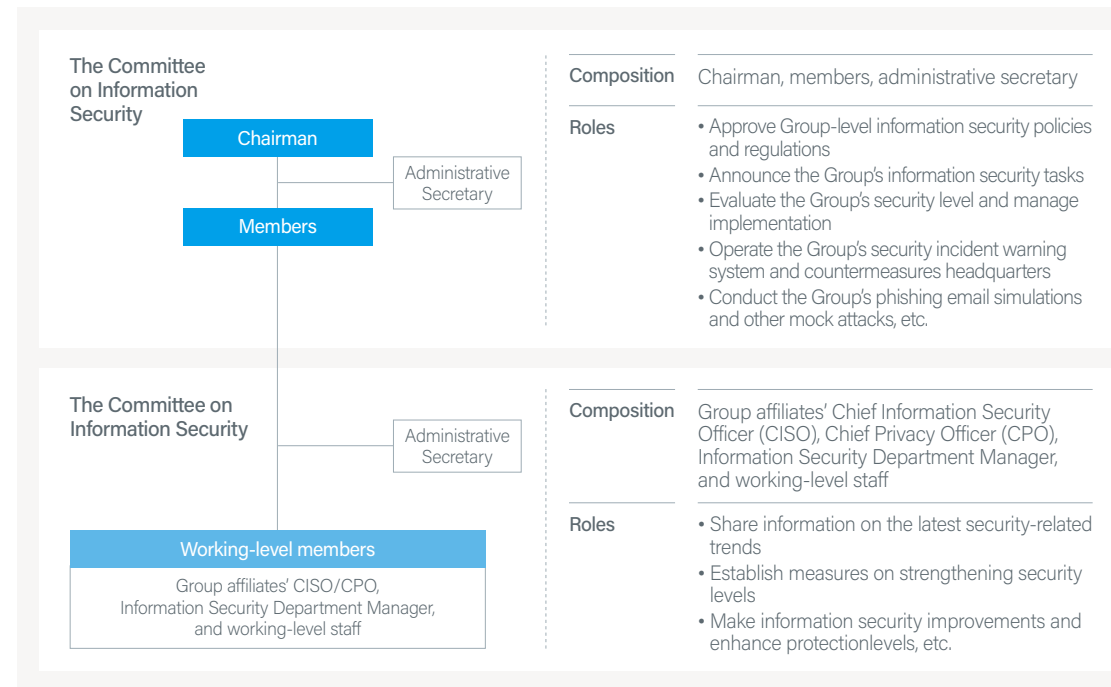
Group Information Security Principles

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

They are published on the company's intranet and are accessible to all employees. Furthermore, we continuously review the latest laws, regulations, and internal and external environments related to information security to effectively respond to evolving compliance requirements. Any necessary revisions are proposed, reviewed, and approved by the CEO before being incorporated into the information security regulations.

In 2022, we implemented the revised Information and Communications Network Act and the Information Security Industry Act, announced in December 2021. These revisions have allowed for the possibility of the Chief Information Security Officer (CISO) and Chief Privacy Officer (CPO) to hold concurrent positions and perform information protection disclosure tasks.

Organization Chart of the Group's Information Security Committees



The company also reflected the integration of the LOTTE ACADEMY and made changes to the information security regulations and guidelines to align with the revised laws and regulations related to information security announced in December 2021.

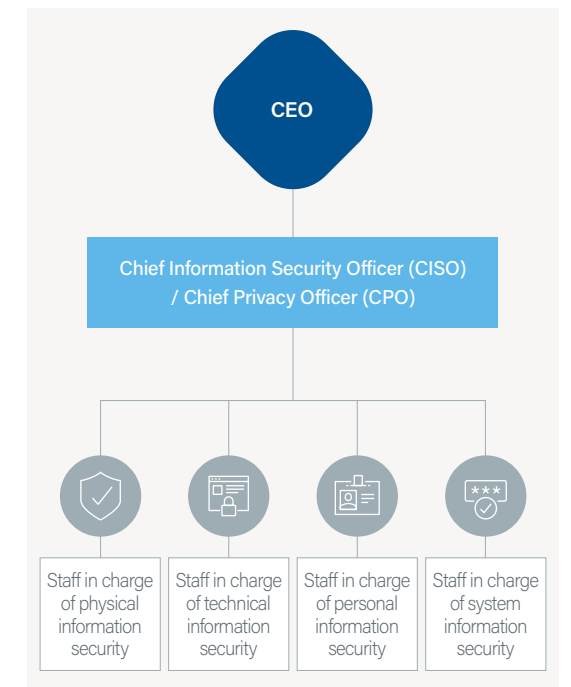
Information Security Organization

LOTTE Group has established an information security system that is suitable for our group's environment and culture, centered around the "Committee on Information Security" and the "Committee on Information Security" with the CEO of LOTTE Corporation serving as the chairperson. The Committees discuss and operate information security policies, major security status, issues, etc.

LOTTE Corporation has appointed a CISO and CPO, who oversee and supervise the company's corporate and personal information protection tasks. Additionally, we have established an information security organization to respond to information protection compliance issues, such as preventing information leaks.

We also hold the "Working Council on Information Security" once every quarter, with security personnel from a variety of areas such as physical, technical, and personal information protection, as well as system personal information in attendance. We also operate a unified information protection management system that discusses and improves internal and external security incidents, compliance trends, security policies, and ways to improve information protection.

Information Security Organization Chart of LOTTE Corporation



Enhancing Information Security

PERFORMANCE

Information Security Management System

To protect information assets, we 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.

Security Incident Prevention System

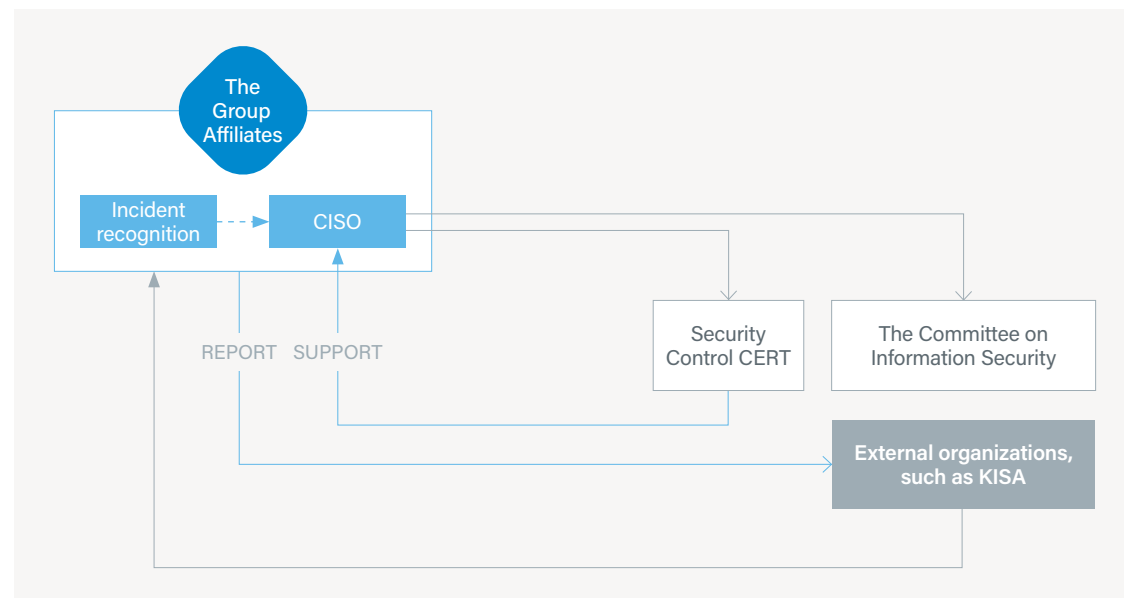
Security Incident Response System The Group affiliates quickly report security incidents to the LOTTE Group's information security portal system. LOTTE Data Communication's "Computer Emergency Response Team (CERT)," which is in charge of group security control services, analyzes the circumstances and causes of incidents for reported cases to support group affiliates' response to cyber incidents. Furthermore, incident paths, cause analysis, and countermeasures are compiled and quickly shared with all Group affiliates to prevent similar incidents from recurring.

Disaster Recovery Response 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.

Proactive Inspection of and Response to Inform Security Risks

In response to the increasing cyber-attacks through malicious emails disguised as business correspondence, we conduct quarterly email mock virus training and provide separate education to employees classified as infected. These efforts aim to enhance employee security awareness and prevent security incidents. We also perform annual mock hacking and infrastructure vulnerability assessments to ensure the reliability and strengthen the security of our information systems.

Security Incident Response System of the Group



Information Security System Certifications for the Group Affiliates

Classification	LOTTE Group affiliates	Note
ISMS	10 companies	LOTTE Engineering & Construction, LOTTE Global Logistics, LOTTE Rental, LOTTE Shopping (LOTTE Department Store, LOTTE Mart/Super, LOTTE e-commerce), LOTTE Data Communication, LOTTE Cultureworks, LOTTE Hi-Mart, LOTTE GRS, FRL Korea, HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE World)
ISMS-P	7 companies	LOTTE Green Car, LOTTE Members, LOTTE Chilsung Beverage, LOTTE Capital, LOTTE Home Shopping, Canon Korea, HOTEL LOTTE (LOTTE Duty Free)
ISO 27001	5 companies	LOTTE Fine Chemical, LOTTE Data Communication, LOTTE Chemical, Canon Korea, HOTEL LOTTE (LOTTE Duty Free)

Enhancing Information Security

ASSESSMENT

Enhancement of Information Security Awareness

Information Security Training LOTTE Group operates a variety of training programs to enhance employees' awareness and capabilities in information security. These programs include CISO information security courses, information security expert courses, training for personal data handlers, and education on personal information protection and information security.

LOTTE Corporation runs campaigns, provides training, and conducts security inspections to improve employee awareness of security. In addition, training courses consisting of the latest laws and group policy are offered to information security personnel at least once a year to strengthen their expertise in information security.

Employee Security Awareness LOTTE Group's Information Security Committee produces an annual information security poster to be displayed in the offices and workplaces of each Group affiliate, aiming to raise awareness and vigilance regarding security. Additionally, a monthly newsletter is published to provide updates and notifications on the latest security threats and issues.

LOTTE Corporation designates the last Friday of every month as "Information Security Day" and promotes a variety of activities such as information protection-related awareness raising and personal information protection inspection.

Information Security Status Disclosure

Although not obligated under the Information Security Status Disclosure System¹⁾ introduced in 2022, we at LOTTE Corporation voluntarily carried out "self-disclosure" to enhance information security and improve corporate trustworthiness.

¹⁾ Corporate Information Security Disclosure System implemented from 2022 in accordance with the "Act on Promotion of Information Security Industry"

Diagnosis of the Group's Information Security Level

To enhance the information security management level and strengthen the management system of the Group affiliates, LOTTE Group's Committee on Information Security conducts an annual assessment in four areas: administration, physical security, technology, and personal data. Following the assessment, the committee manages the implementation of improvement tasks. Additionally, we conduct our own assessment alongside the Group's information security level assessment on an annual basis. This process helps identify tasks for enhancing the information security management system and facilitates improvement activities.

Employee Trainings on Personal Information Security

Classification		Unit	2020	2021	2022
Employee	Training hours	Hours	1	1	1
	No. of trainees	Persons	148	141	297

Self-Disclosure of Information Security in 2022

Classification	Investment	No. of persons
Information technology	KRW 10.67 billion	27.2
Information security	KRW 1.44 billion	3.9
Ratio of information security	13.5%	14.3%

ActivityActivity

- Inspection of measures to ensure the safety of the personal information processing system
- Systemization of personal information processing system log review
- Diagnosis of system vulnerabilities and simulated hacking
- IT project vulnerability diagnosis and security review
- Periodic (quarterly) mock virus training
- Holding of Information Security Day
- Periodic (monthly) inspection of personal information retention in PC
- Implementation of employee information security training
- Formation of Information Security Working Committee and periodic (quarterly) activities
- Diagnosis and improvement of the Group information protection level
- Inspection of the information security status of contract firms

*As of December 31, 2022

OUTLOOK

Due to the trend of digital transformation, such as the development of technology and services, the protection of personal information and important corporate information assets has emerged as an important element of ESG management. In response to this, we at LOTTE Corporation are continuously enhancing our security through ongoing security checks, improvement activities, and investment to address intelligent and sophisticated internal and external security threats. Additionally, we plan to establish an information protection plan to provide customers with reliability and systematically promote information protection activities, such as ISMS certification and information security disclosure.

Leakage of Personal Information

(2019-2022)



Zero



LOTTE Corporation's information disclosures for 2022 is available on the Comprehensive Information Security Disclosure Portal.

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Double Materiality Analysis

Stakeholder Engagement

GRI Standards Index

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ESG FACTBOOK








LOTTE at a Glance

LOTTE Corporation

In October 2017, LOTTE Group made a shift to a holding company system¹⁾ to enhance management transparency and efficiency. LOTTE Corporation is in charge of establishing mid- to long-term business plans and increasing R&D investments, while also helping the Group affiliates to strengthen their core competencies and 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 to take the lead in achieving sustainable growth and creating sustainable value.

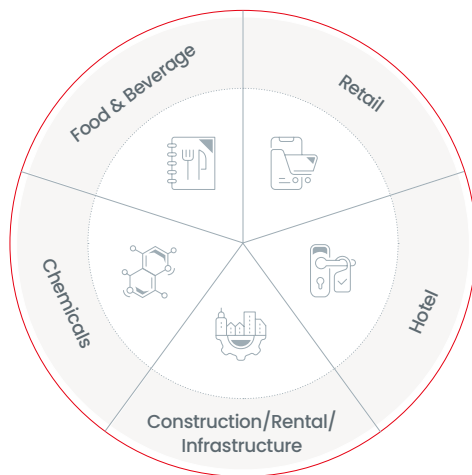
¹⁾ LOTTE Confectionery underwent a spin-off to be newly launched as LOTTE Confectionery Co., Ltd., while the name of the company remaining from the spin-off was changed to LOTTE Corporation Co., Ltd., and the investment business units of LOTTE Shopping, LOTTE Chilsung Beverage and LOTTE Foods were merged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

Company Overview

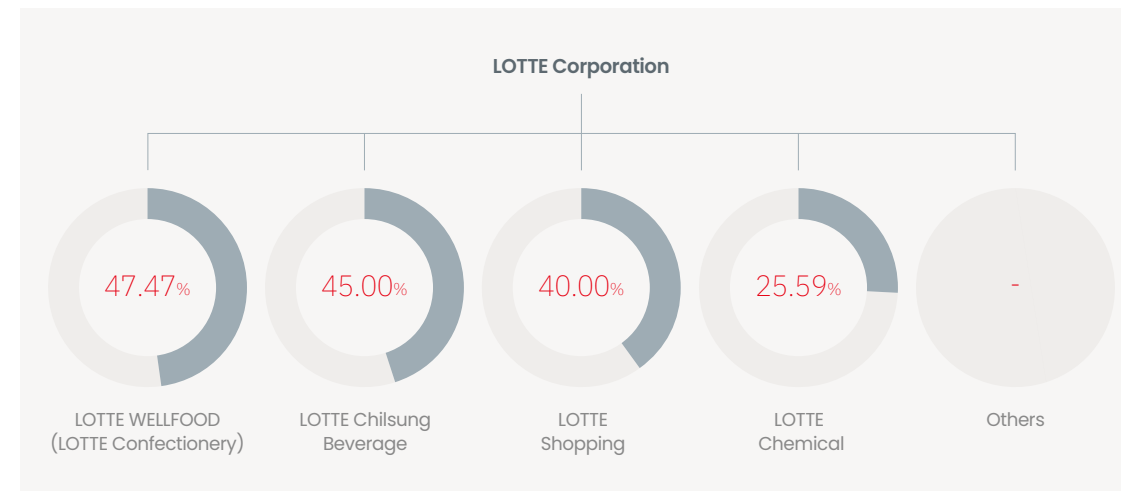
LOTTE Corporation 	Dong-Bin Shin, Dong-Woo Lee 	March 24, 1967 <small>(spin-off to be newly launched on October 1, 2017)</small> 
Company Name CEOs	300, Olympic-ro, Songpa-gu, Seoul 05551, Korea 	Management consulting, etc. 
Address of Headquarters	89 companies 	31 countries <small>(U.S, Vietnam, Indonesia, Philippines, China, etc.)</small> 
Major Business	Entities Subject to Consolidation	Global Network

* As of December 31, 2022

LOTTE Corporation Structure



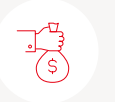


Ownership Structure



* As of December 31, 2022; and based on common share (excluding preferred share)

2022 Financial Performance

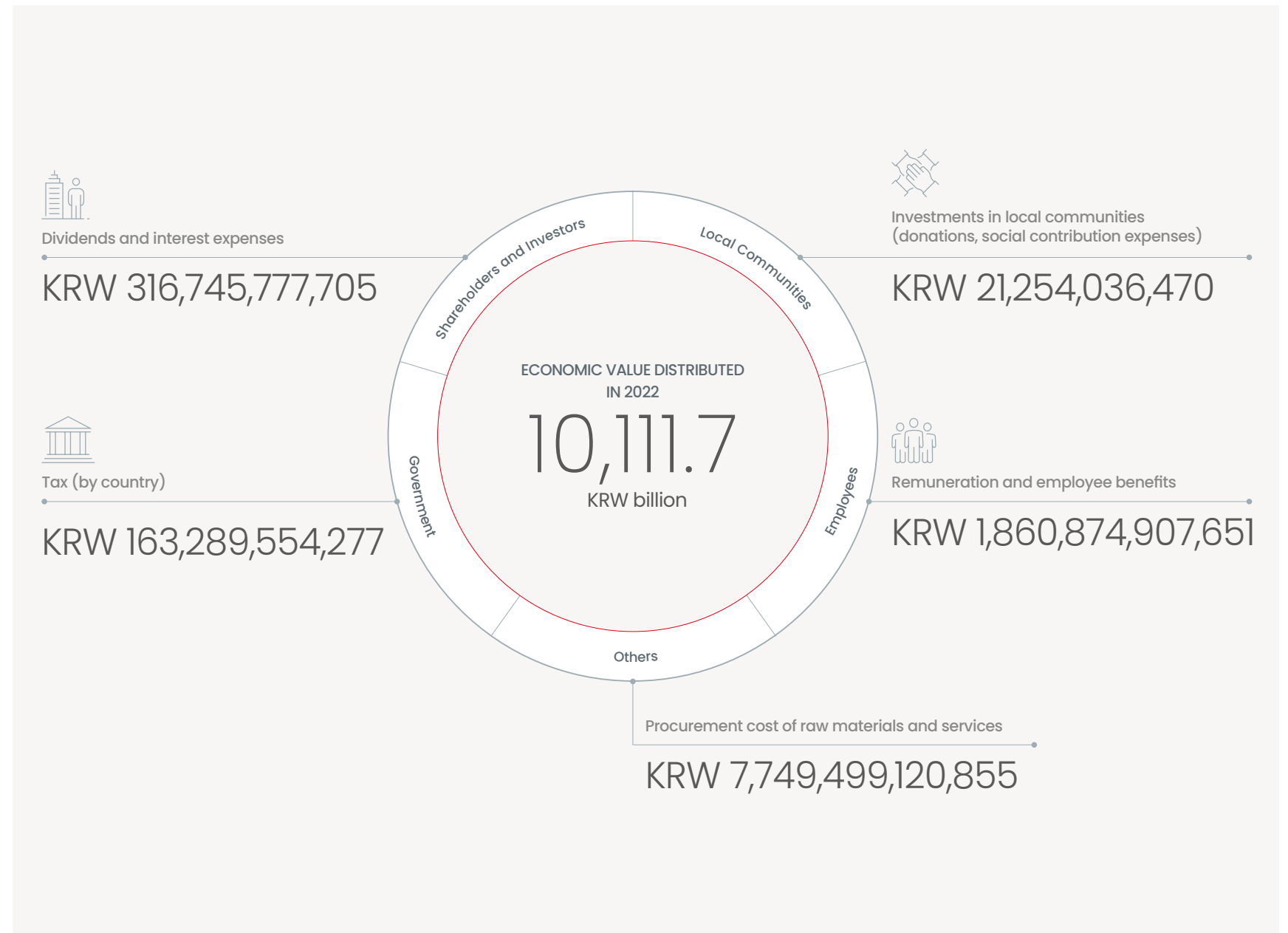
Total Assets 22,175.4 KRW billion 
Sales 14,111.9 KRW billion 
Operating Revenue 489.8 KRW billion 

LOTTE at a Glance

Creation and Distribution of Economic Value

LOTTE Corporation created economic value of KRW 14,111.9 billion in 2022 and distributed KRW 10,111.7 billion to stakeholders with whom the company interacted through its business process. 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.

Creation of Economic Value and Distribution to Stakeholders in 2022

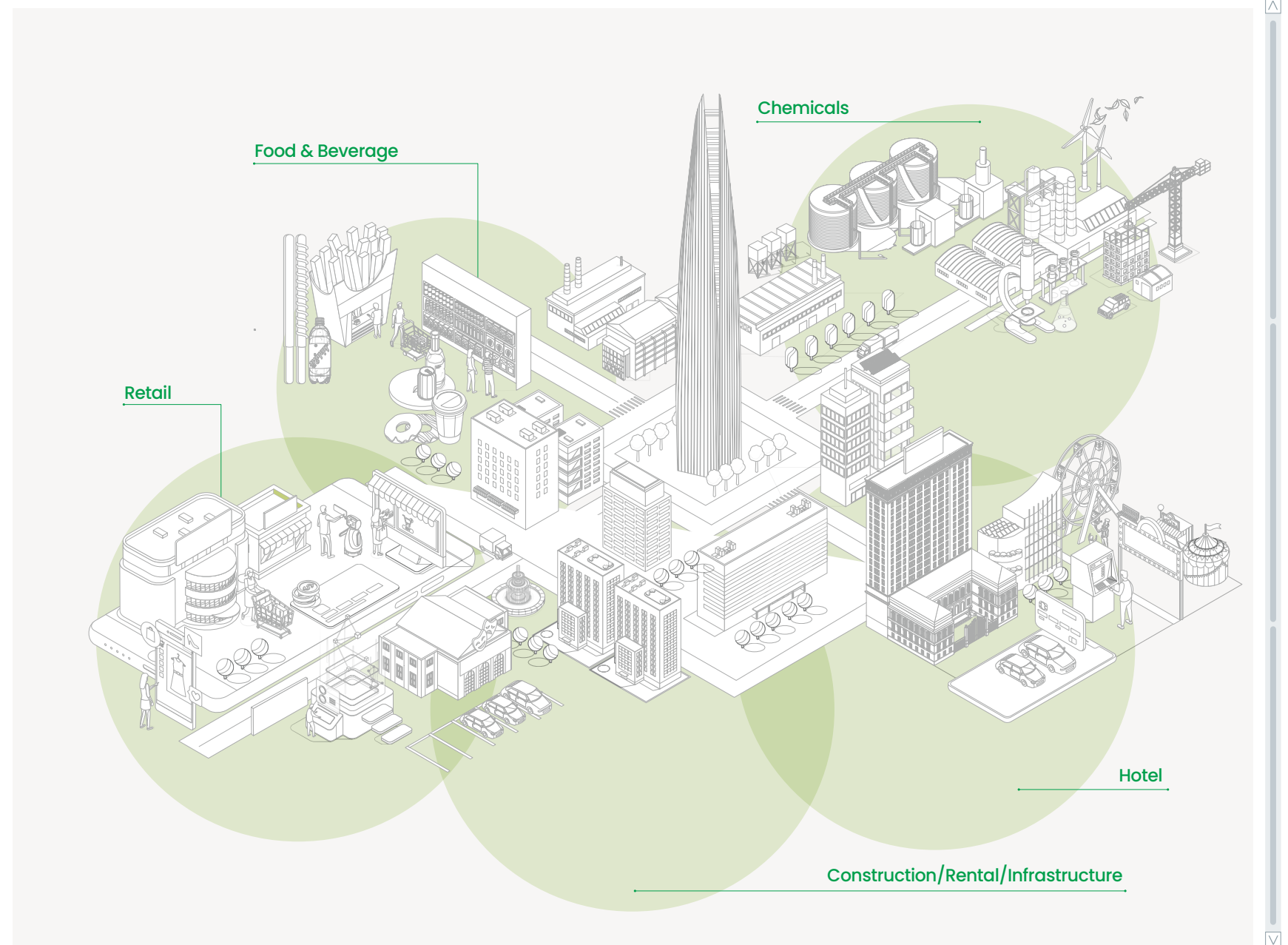


LOTTE at a Glance

LOTTE Group

The history of LOTTE Group began with the establishment of LOTTE Confectionery in 1967. Expanding its business into various industries such as food, distribution, chemicals, hotels, construction, rental, and infrastructure, LOTTE Group has grown into a leading global company representing South Korea. Over the past 50 years, fueled by unwavering passion, the group has strengthened its capabilities and achieved remarkable results, leading to increased customer affection and deeper global trust. With a commitment to adding value to human life and nurturing a healthier future for the planet, LOTTE Group will continue to challenge, innovate, and create another great history.

BUSINESS PORTFOLIO

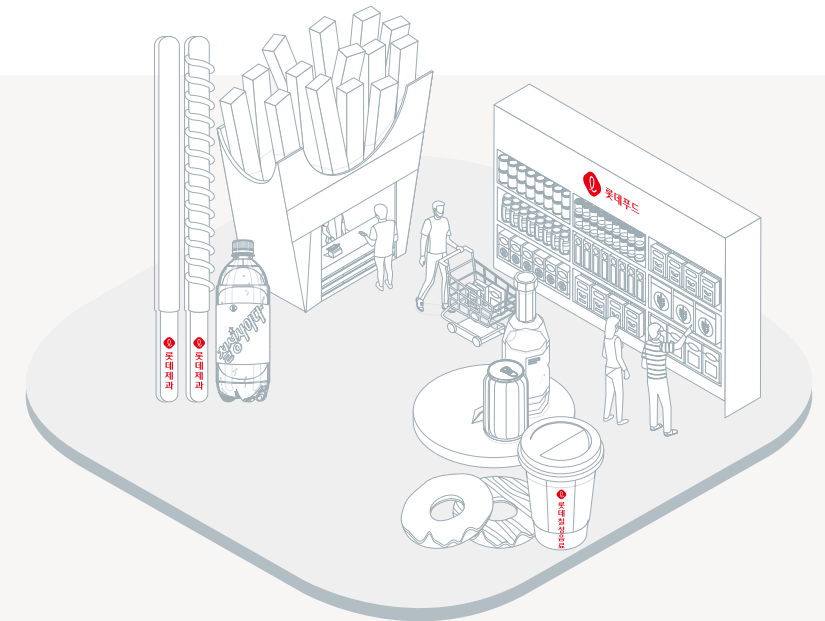


LOTTE Business Portfolio

LOTTE Group Business Areas

In November 2021, LOTTE Group shifted from a BU system to an HQ system in November 2021 based on the internal and external consensus on the reinforcement of authority and responsibility of the CEOs of the Group affiliates. 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 talents for the Group, streamlining the organizational culture, and implementing ESG and the Group governance. LOTTE will align the HQ system with our corporate slogan of "New Today, Better Tomorrow," based on which we will focus on preparing for the next 50 years.



FOOD & BEVERAGE

Our food & beverage business began with the founding of LOTTE Confectionery in 1967 and has grown into the largest food conglomerate in South Korea, encompassing confectionery, beverages, alcoholic drinks, food materials, processed food, and food service. Affiliates of LOTTE Food & Beverage HQ, including LOTTE WELLFOOD, demonstrate exceptional technology, quality, and marketing capabilities, leading the food industry. They also create a new food culture through differentiated brand strategies, diverse food service franchise development, and global-level food research and safety management. Particularly in 2022, LOTTE Confectionery integrated with LOTTE Foods, transforming into a comprehensive food company. On April 1, 2023, it changed its name to LOTTE WELLFOOD, aiming to leap as a global food company.

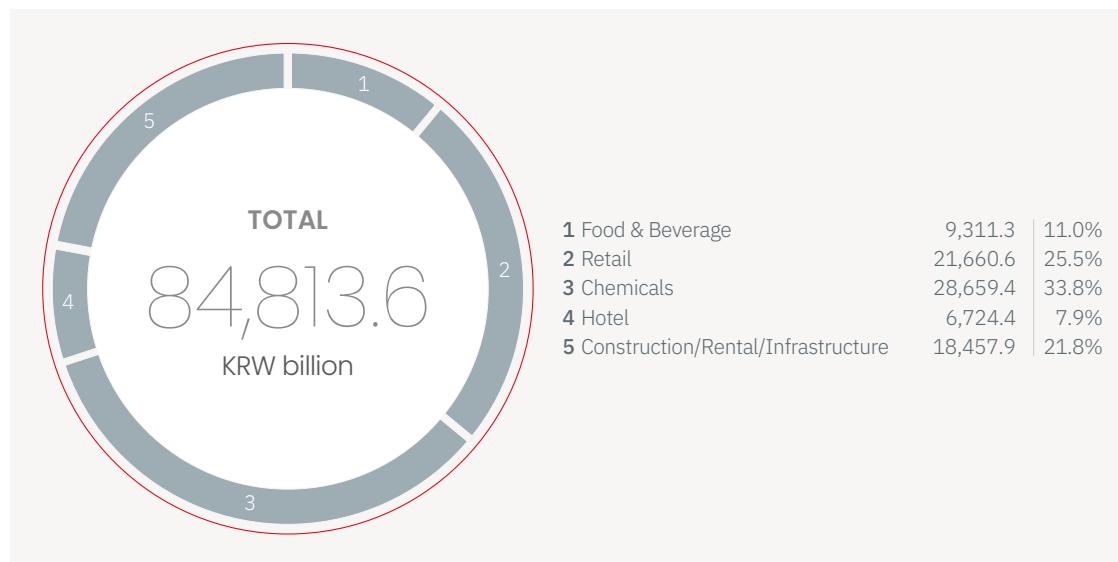
Major Group Affiliates

[LOTTE WELLFOOD](#) | [LOTTE Chilsung Beverage](#) | [LOTTE GRS](#)

* Click the company name to visit its corporate website

Sales by Business HQ in 2022

Unit: KRW billion (%)

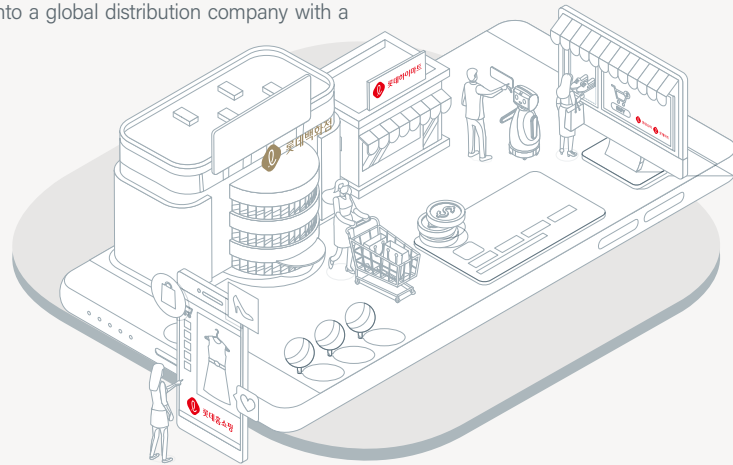


LOTTE Business Portfolio

RETAIL

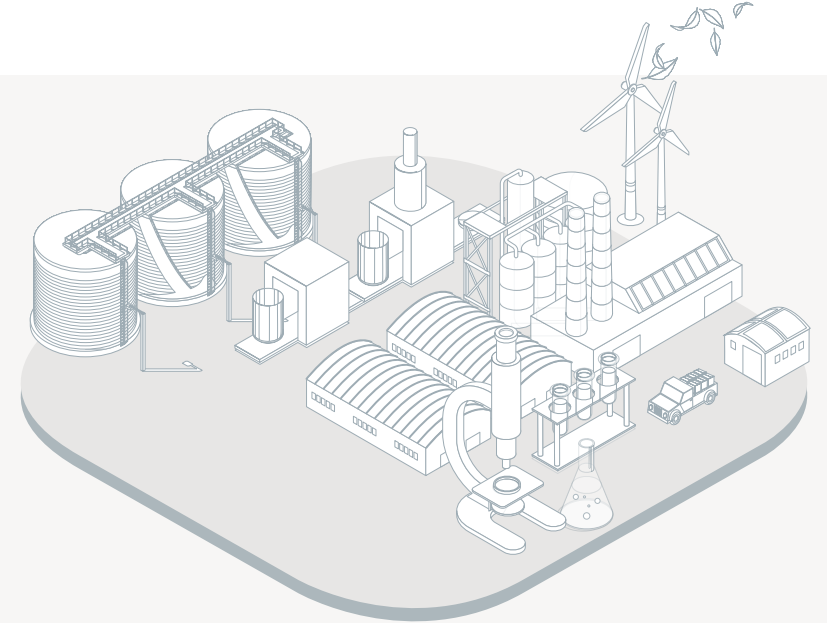
LOTTE Retail HQ has demonstrated its top capabilities in all aspects of distribution since the 1970s, leading the evolution of the distribution industry. Distribution affiliates, including LOTTE Department Store and LOTTE Mart, have introduced new distribution channels, store formats, specialized shops, and expanded various services such as online and mobile shopping. In addition, LOTTE Home Shopping and LOTTE e-commerce are enhancing their channel and content competitiveness, experiencing continuous growth. In addition, FRL Korea and LOTTE GFR are spearheading transformations in the fashion industry through unique brands and content offerings, while LOTTE Members is rapidly advancing as a marketing platform company, providing convenient membership and seamless payment services.

Our retail business, which has continuously evolved, is embracing a new vision to become "the customers' first shopping destination." Through groundbreaking services and content that transcend traditional online and offline boundaries, the company aims to deliver customers unparalleled experiences and novel delights. It also aims to actively pursue global business, with a focus on Asian regions like Vietnam, Indonesia, and Taiwan, to grow into a global distribution company with a strong competitive edge.



Major Group Affiliates

LOTTE Shopping (LOTTE Department Store, LOTTE Mart/Super, LOTTE e-commerce) | Korea Seven | LOTTE Hi-Mart | LOTTE Home Shopping



CHEMICALS

Since the 1970s, our chemical business has contributed to advancing domestic chemical industry through continuous technological development, quality innovation, and enhanced production capabilities, leading to its growth. LOTTE Chemical, LOTTE Fine Chemical, LC Titan, LC USA, and other chemical-related group affiliates supply a wide range of chemical products used in various aspects of daily life, from basic raw materials to high-value specialty items. Moreover, they have established production and sales bases in key countries worldwide, exporting products to over 120 countries. With such efforts, they are acquiring the capabilities and reputation of a top-tier global chemical company.

Major Group Affiliates

LOTTE Chemical | LOTTE Fine Chemical | LOTTE Aluminum | LOTTE MCC | LC Titan

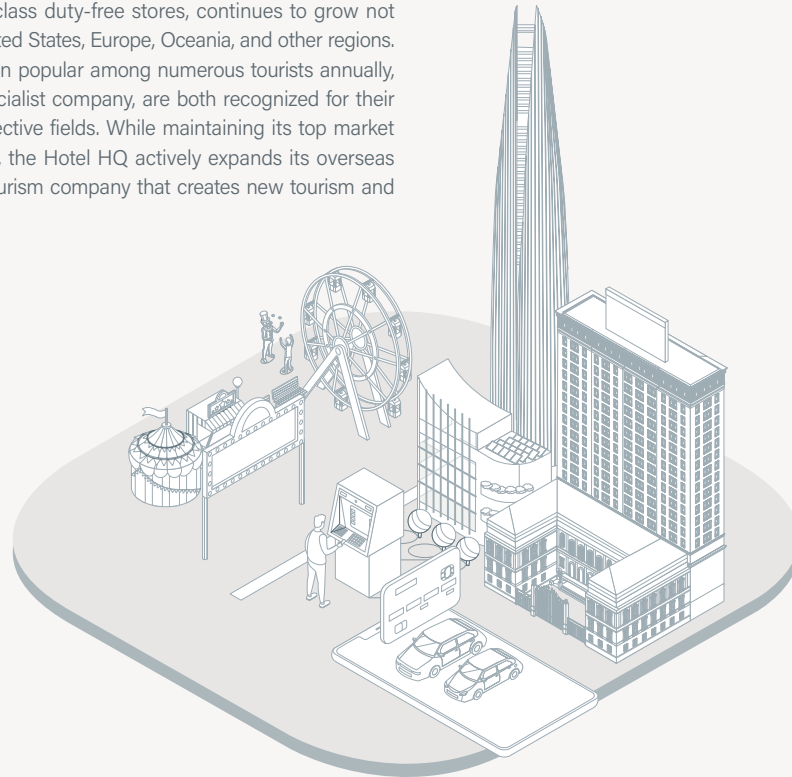
* Click the company name to visit its corporate website



LOTTE Business Portfolio

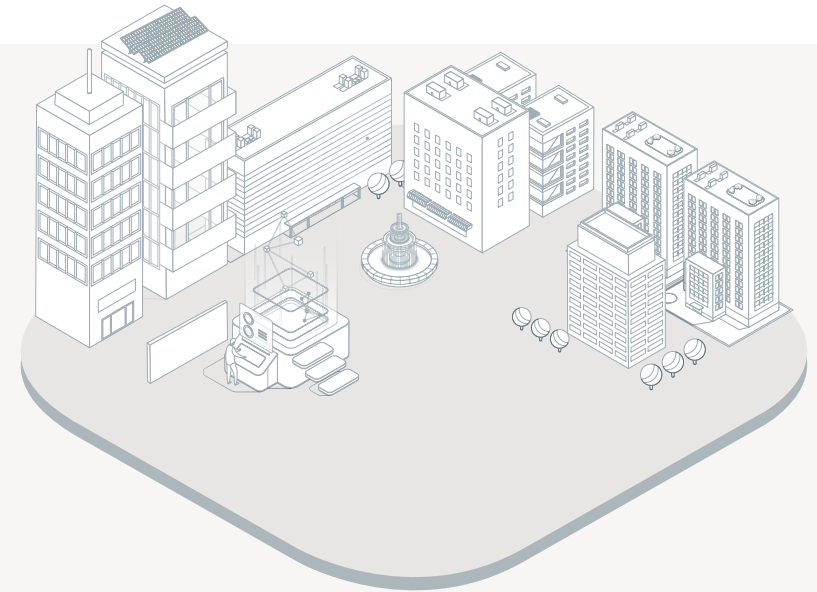
HOTEL

LOTTE Hotel HQ has been at the forefront of the development of the domestic tourism and culture industry for the past 50 years, offering top-notch facilities and services. LOTTE Hotels&Resorts, a global hotel and resort chain, along with LOTTE Duty Free, which possesses world-class duty-free stores, continues to grow not only in Korea but also in Asia, the United States, Europe, Oceania, and other regions. LOTTE World Adventure, a destination popular among numerous tourists annually, and LOTTE JTB, a travel service specialist company, are both recognized for their exceptional capabilities in their respective fields. While maintaining its top market share in the domestic hotel industry, the Hotel HQ actively expands its overseas businesses to evolve into a global tourism company that creates new tourism and culture experiences.



Major Group Affiliates

HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE Duty Free, LOTTE World) | LOTTE Hotel Busan | LOTTE JTB



CONSTRUCTION/RENTAL/ INFRASTRUCTURE

LOTTE Construction/Rental/Infrastructure HQ is enhancing the quality of people's lives and increasing convenience through diverse business ventures. With distinctive technology and abundant know-how, it demonstrates outstanding capabilities in rental, logistics, ICT, finance, marketing, entertainment, asset management, trade, sports, and other diverse fields. In addition, through welfare and cultural foundations, it contributes to social welfare and cultural arts, working towards creating a warm and harmonious world for everyone to live in.

Major Group Affiliates

LOTTE Engineering & Construction | LOTTE Rental | LOTTE Global Logistics | LOTTE Data Communication | Daehong Communications | LOTTE Capital | LOTTE International

* Click the company name to visit its corporate website



Double Materiality Analysis

Materiality Analysis Process

LOTTE Corporation conducted a materiality analysis through the following process to identify key reporting topics and structure its contents. The 2023 materiality analysis revealed the significance of the following issues: Creating economic value; Increasing employee diversity; Achieving net zero and expanding renewable energy; Protecting human rights; and Establishing climate change governance. This year, the importance of issues related to expanding new businesses and diversifying the portfolio, as well as promoting diversity, has strengthened. These findings signify the desire for fostering a sustainable and inclusive corporate culture through ESG-driven new business initiatives, as expressed by stakeholders. This drive aims to strengthen business sustainability and align with broader societal values.

Selection of Key Issues Based on Double Materiality

Forming an ESG issue pool

LOTTE Corporation has identified 71 key material issues that are important from both a business/financial perspective and have a high impact on stakeholders. To determine these issues, the company conducted analyses of global economic, environmental, and social issues; collected opinions of sustainability management experts; and conducted internal reviews.

Analyzing ESG issues

To determine the priorities of issues from the ESG issue pool, we analyzed documented data and quantified the results for each analysis category.

- **Analyzing the Impact on Business**
 - Benchmarking of leading companies in the same industry: Analyzing key sustainability issues from recent sustainability reports of companies in the same industry
 - Past Sustainability Reports (2020-2021): Analyzing key sustainability issues and content from previously published reports
- **Analyzing the Importance to Stakeholders**
 - International Standards Analysis: Analysis of major domestic and international sustainability initiatives and ESG evaluations
 - Media Research: Analysis of 1,594 articles from major domestic media outlets reported in 2022
 - Expert Assessment: Evaluation of the impact of the key sustainability issue pool by sustainability management experts

Gathering stakeholders' opinions (Double materiality)

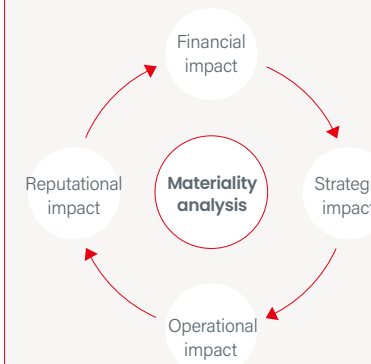
LOTTE Corporation conducted a double materiality-based stakeholder survey to determine both the sustainability issues that need to be managed for business operations and the issues with high business/financial impact from the perspective of stakeholders. Through this survey, the company identified sustainability issues that are of high interest in terms of financial and business performance impact as well as environmental and social impact for both LOTTE Corporation and its stakeholders.

OUTLINE OF STAKEHOLDER SURVEY

Period	Feb. 15, 2023 – Feb. 28, 2023
Method	Online survey
Targets	Employees of LOTTE Corporation, Subsidiaries, Group Affiliates
Contents	<ul style="list-style-type: none"> • Assessment of ESG issues which have high level of importance and impact on LOTTE Corporation • Assessment of ESG issues which have high level of importance and impact on stakeholders

Selecting material issues

We derived priorities considering the business impact (aligned with financial, strategic, and operational impact) and importance to stakeholders (aligned with reputation impact) for each issue.



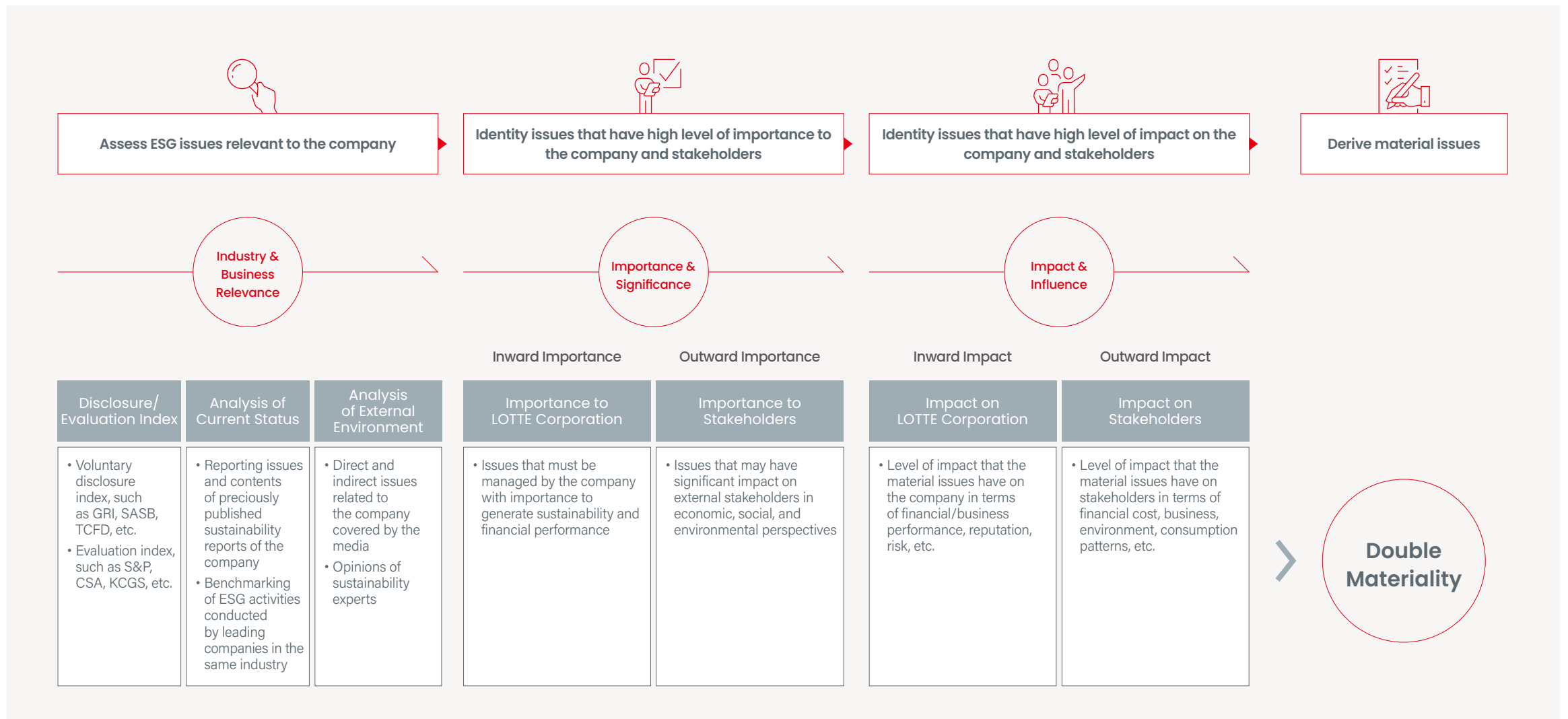
Materiality analysis results

The material issues identified through the materiality analysis are disclosed in the report with specific management directions, key performance indicators, and medium to long-term plans for each issue.

Double Materiality Analysis

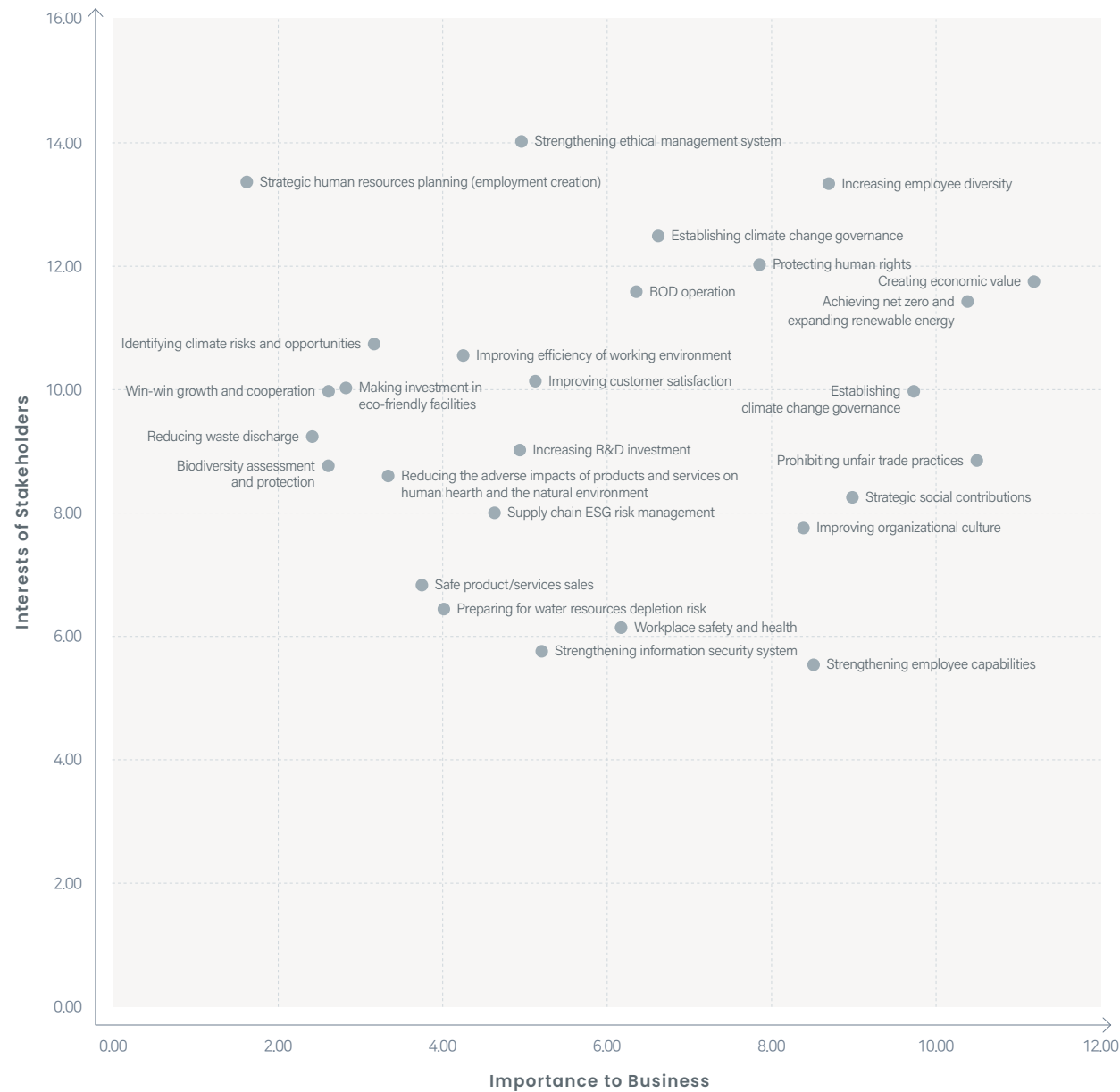
Double materiality methodology which we used to select material topics and develop reporting content is as follows.

Double Materiality Methodology



Double Materiality Analysis

Results of Materiality Analysis



No.	Classification	Topic	Page
1	Economic	Creating economic value	M15-21, R p.37-39
2	Social	Increasing employee diversity	M07, 14-15, R p.15, 26
3	Environmental	Achieving net zero and expanding renewable energy	M12-14, R p.04, 06-08
4	Social	Protecting human rights	M07, 09, R p.14, 34
5	Environmental	Establishing climate change governance	M13, R p.04
6	Economic	Prohibiting unfair trade practices	R p.55-57
7	Economic	Protecting shareholder rights	R p.52
8	Economic	Strengthening ethical management system	R p.58
9	Economic	BOD operation	R p.49-50
10	Social	Strategic social contributions	R p.40-43
11	Social	Improving organizational culture	R p.22-25
12	Social	Improving customer satisfaction	-
13	Social	Strategic human resources planning (employment creation)	R p.16-18
14	Environmental	Improving efficiency of working environment	R p.04-05
15	Economic	Increasing R&D investment	M13, 17-21
16	Social	Strengthening employee capabilities	R p.19-21
17	Environmental	Identifying climate risks and opportunities	M12-14, R p.06-08
18	Environmental	Making investment in eco-friendly facilities	M09, 11, 14
19	Social	Supply chain ESG risk management	R p.34-35
20	Social	Win-win growth and cooperation	R p.34-36

Double Materiality Analysis

Management of Material Issues

Material Issues	Impact	Issue Management Direction	Mid to Long-term Goals and Implementation Status	Page
<p>Creating economic value (GRI 201-1, GRI 201-2, GRI 201-3)</p>	<ul style="list-style-type: none"> Increasing demand for the transition to ESG-driven new business portfolio aimed at supporting stakeholders' sustainable growth. It is important for LOTTE Corporation to advance its business portfolio to achieve sustainable growth, and there is also growing importance on mid- to long-term economic value creation. 	<ul style="list-style-type: none"> Selected 4 new business domains by considering ESG-driven new business areas and their alignment with LOTTE Group's vision, as well as the Group's capabilities and direction: Health & Wellness, Mobility, Sustainability, New Life Platform LOTTE Corporation identifies growth areas within the Group and establishes interconnected strategies, promoting new business initiatives and monitoring synergies among related Group affiliates. To create social value and discover new business opportunities through open innovation, the company focuses on startup discovery and supports their growth. 	<ul style="list-style-type: none"> Health & Wellness <ul style="list-style-type: none"> Aim to establish 3 mega plants with a total production capacity of 360,000 liters of antibody pharmaceuticals by 2030, growing into the global top 10 CDMO. In the first half of 2022, LOTTE Corporation established two subsidiaries, Lotte Biologics and Lotte Healthcare. Mobility <ul style="list-style-type: none"> In January 2022, LOTTE Data Communication acquired JoongAng Control, a leading EV charging station company, to expand its mobility business. In April 2022, LOTTE Group launched "LOTTE UAM TF," a collaborative initiative involving LOTTE Rent-A-Car, LOTTE Engineering & Construction, LOTTE Data Communication, and partner companies. Sustainability <ul style="list-style-type: none"> Aim to achieve a sales target of KRW 700 million through EC and DMC factories by 2030. Plan to expand the production capacity of the membrane separation material to 100,000 tons per year by 2030. LOTTE Chemical established dedicated business units for battery materials and hydrogen energy in 2022. New Life Platform <ul style="list-style-type: none"> Acquired a virtual reality and metaverse specialized company in 2021. L-CAMP startup accelerating program <ul style="list-style-type: none"> Discovering and supporting startups in various promising industries such as e-commerce/logistics, manufacturing, new technologies (AI, security, etc.), healthcare, and mobility, which will lead the markets. 	M15-21 R p.37-39
<p>Increasing employee diversity (GRI 2-9, GRI 2-10, GRI 405-1)</p>	<ul style="list-style-type: none"> As stakeholders' interest in corporate "diversity and inclusion" grows, there is a call for efforts to enhance workforce diversity. It is essential to create an environment where diverse talents are respected and work, to strengthen future competitiveness based on creativity and innovation. 	<ul style="list-style-type: none"> Established and proclaimed the "Diversity Charter" that respects and eliminates discrimination against gender, culture, physique, and generation among employees. Hosting the "Lotte Diversity Forum" (formerly Lotte Wow Forum) each year to emphasize the importance of securing diversity for future-oriented growth. Set 4 strategic directions for promoting the qualitative growth of female talents in the mid- to long term: Strengthening commitment to fostering female talents, developing female leadership and addressing biases, enhancing the effectiveness of support systems, and improving overall awareness of diversity across the organization. 	<ul style="list-style-type: none"> Have been participating in the "Target Gender Equality (TGE)" initiative since 2020 with the goal of increasing the representation of women executives each year. <ul style="list-style-type: none"> As of 2022, the percentage of women executives reached 71%. LOTTE Corporation operates the "Women Leadership Mentoring Program" to enhance the leadership capabilities of female employees. <ul style="list-style-type: none"> Starting from 2023, an additional consulting program is scheduled to be introduced Aim to achieve the mandatory employment rate for persons with disability across all Group affiliates by operating standard workplaces for people with disabilities. <ul style="list-style-type: none"> As of 2021, LOTTE Group achieved a rate of 3.16%, surpassing the average rate for large companies. Adopted a management localization strategy, which involves nurturing top local management leaders and management localization strategies. <ul style="list-style-type: none"> Plan to host the "Global HR Conference" in 2023 to promote LOTTE Group's HR policies and to provide support for local hiring and talent development. Number of local hires as of 2022 stood at 44,000. Signed agreements to improve the employment rate of persons with disability and enhance awareness about them in 2022, based on which we are operating standard workplaces for persons with disability to support their economic independence. 	M07,14-15 R p.15, 26

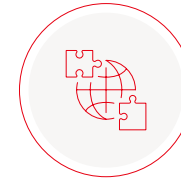
Double Materiality Analysis

Material Issues	Impact	Issue Management Direction	Mid to Long-term Goals and Implementation Status	Page
Achieving net zero and expanding renewable energy (GRI 2-13, GRI 305-5)	<ul style="list-style-type: none"> With the expansion of the global agenda to reach net zero, there is a growing trend for mandatory net zero implementation beyond self-regulation conducted by each industry. It is required for LOTTE Group to fulfill corporate environmental responsibilities through such efforts as GHG reduction and increasing the use of renewable energy. 	<ul style="list-style-type: none"> Helping customers and employees enhance their use of EVs by expanding the installation of EV charging stations (with a focus on distribution and service sector affiliates). Increasing the adoption and utilization of renewable energy in the Group affiliates. 	<ul style="list-style-type: none"> Declared the 2040 Net Zero goal at the Group level <ul style="list-style-type: none"> Operated the Net Zero TFT to set detailed emission reduction measures and underwent verification in 2022. Established the Carbon Neutral Roadmap 1.0 in September 2022. Aim to reduce 3.87 million tons compared to BAU by 2030 Aim to reduce 8.54 million tons compared to BAU by 2040 (Food & Beverage HQ, Retail HQ, and Hote HQ will achieve net zero) Aim to reduce 12.6 million tons compared to BAU by 2050 (All including Chemical HQ will achieve net zero) Pursue external sourcing of renewable energy through long-term power purchase agreements (PPA) <ul style="list-style-type: none"> LOTTE Global Logistics signed PPA with power generators and KEPCO in December 2022. LOTTE Global Logistics signed PPA with a solar power capacity of 6.9MW at its Central Mega Hub Terminal. As of 2022, LOTTE Group operates a total of 1,511 EV charging stations, and its affiliates have a combined solar power generation capacity of 14.97 MW, capable of producing an annual output of 17,569 MWh of electricity. 	M13-14 R p.07
Protecting human rights (GRI 406-1, GRI 407-1, GRI 408-1, GRI 409-1)	<ul style="list-style-type: none"> There is growing stakeholder interest in human rights-related issues and risks arising in business operations and supply chains. The importance of proactively managing ESG risks through the internalization of human rights management is growing. 	<ul style="list-style-type: none"> Established the "LOTTE Group Statement on Human Rights" which was followed by company-wide efforts to embed and promote the values of human rights management that all employees must adhere to in business operations. Selecting key performance indicators (KPIs) related to human rights management across the organization and conducting annual performance evaluations and feedback on the results. 	<ul style="list-style-type: none"> Establishing management systems for human rights management and supply chain management with the goal of becoming a leading ESG company by 2025. <ul style="list-style-type: none"> Established the LOTTE Group Statement on Human Rights in 2022. Declared the Group's ESG strategy and management system at the 2021 "ESG Management Declaration Ceremony" and set KPIs for continuous management. <ul style="list-style-type: none"> "Advancement of human rights management" indicator is included in the LOTTE ESG KPIs, and performance evaluation and feedback are conducted annually. 	M07, 09 R p.14, 34
Establishing climate change governance (GRI 2-9, GRI 2-12, GRI 2-13, GRI 2-14)	<ul style="list-style-type: none"> There is growing stakeholder interest in the financial impact of climate change risks on companies. LOTTE Corporation recognizes that transition and physical risks related to climate change are becoming more significant. And as business opportunities arise from these risks, the company analyzes and utilizes them to build a new business portfolio. 	<ul style="list-style-type: none"> Analyzing climate change risks and opportunities in ESG committees and regular meetings to incorporate them into corporate decision-making. Developing mid to long-term strategies considering the climate change scenarios and business alignment to secure sustainable growth engines, including the entry into green new businesses by LOTTE Chemical. 	<ul style="list-style-type: none"> To address climate change risks, strengthening the oversight and management role of top decision-making bodies such as the BOD and executive management in climate-related matters. <ul style="list-style-type: none"> Established the ESG Committee within the BOD in 2021 (climate-related risk management). Set in place the "LOTTE Sustainable Growth Environmental Management Indicators" for an effective operation of the environmental management system and its performance management. <ul style="list-style-type: none"> Including risk management related to climate change within detailed items, performance reporting system (climate change) indicators, analyzing and evaluating performance annually, and providing feedback on the results. Conducting management activities such as training environmental experts for risk management through the Net Zero TFT. 	M13 R p.05-06, 48

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.



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

GRI Standards Index

GRI STANDARDS_UNIVERSAL STANDARDS(GRI 2, GRI 3)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
2-1	Organizational details	Legal name					Food & Beverage: U.S., Belgium, Kazakhstan, Russia, Laos, Cambodia, Vietnam, Mongolia, China, Japan, Philippines, Singapore, India, Pakistan, Myanmar Retail: Vietnam, Taiwan, Indonesia Chemicals: Mexico, Peru, U.S., Germany, Poland, Slovakia, UAE, Turkey, Hungary, Italy, Nigeria, Russia, Thailand, Vietnam, China, Japan, India, Pakistan, Uzbekistan, Malaysia, Indonesia, Hong Kong Hotel: U.S., Russia, Vietnam, Japan, New Zealand, Australia, Singapore, Myanmar, Uzbekistan Infrastructure: U.S., UK, Germany, Hungary, Russia, Kazakhstan, Thailand, Cambodia	R p.64, 67-69
		Nature of ownership and legal form						
		Countries of operation						
2-2	Entities included in the organization's sustainability reporting	Entities included in its sustainability reporting						R p.102
		Differences between the list of entities included in its financial reporting and the list included in its sustainability reporting						
2-3	Reporting period, frequency and contact point	Reporting period and frequency						R p.102
		Reporting period for financial reporting and, if it does not align with the period for sustainability reporting, explain the reason for this						
		Publication date of the report						
		Contact point						
2-4	Restatements of information					No changes		-
2-5	External assurance	Policy and practice for seeking external assurance						R p.99-100
		External assurance statement						
		Assurance standards and the level of assurance obtained						
		Relationship between the organization and the assurance provider						
2-6	Activities, value chain and other business relationships	Sector(s) in which it is active					Type of business: Management consulting, leasing, intangible property leasing, public relations services, advertising agency, intangible property brokerage.	R p.64, 66-69
		Value chain	The organization's activities, products, services, and markets served					
			The organization's supply chain					
2-7	Employees	Employment	Total number of employees	Person	151	193	294	
		By gender	Male	Person	118	147	205	
			Female	Person	33	46	89	
		By region	Korea	Person	150	193	294	
			Overseas	Person	1	0	0	
		By employment type (permanent)	Total number of permanent employees	Person	150	188	281	
			Male	Person	117	144	196	
			Female	Person	33	44	85	

GRI Standards Index

GRI STANDARDS_UNIVERSAL STANDARDS(GRI 2, GRI 3)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page		
2-7	Employees	By employment type (permanent)	Korea	Person	149	188	281			
			Overseas	Person	1	0	0			
		By employment type (contract)	Total number of contract employees	Person	1	5	13			
			Male	Person	1	3	9			
			Female	Person	0	2	4			
			Korea	Person	1	5	13			
			Overseas	Person	0	0	0			
			Total number temporary employees	Person	0	0	0			
		By employment type (full-time)	Total number full-time employees	Person	0	0	0			
		By employment type (part-time)	Total number part-time employees	Person	0	0	0			
		Methodologies used to compile the data							All employees of LOTTE Corporation are included. The number of employees is calculated based on the year-end figures (same as the number disclosed through the business reports). * Registered executives, dispatched personnel to the Group affiliates, and contracted staff are excluded (same as the number disclosed through the business reports)	
		Contextual information necessary to understand the data reported							All business sites of LOTTE Corporation are located in Korea.	
Significant fluctuations in the number of employees							Acquired LOTTE ACADEMY, Corporate Management & Support Team, and DESIGN & MANAGEMENT CENTER			
2-8	Workers who are not employees	Total number of workers who are not employees	Total	Person	-	-	20	-		
		Methodologies used to compile the data								
		Significant fluctuations in the number of workers who are not employees								
2-9	Governance structure and composition	Governance structure, including committees of the highest governance body								
		Committees of the highest governance body that are responsible for decision-making on and overseeing the management of the organization's impacts on the economy, environment, and people								
		Executive and non-executive members								
		Independence								
		Tenure of members								
		Number of other significant positions								
		Gender;								
		Under-represented social groups								
		Competencies								
		Stakeholder representation								

GRI Standards Index

GRI STANDARDS_UNIVERSAL STANDARDS(GRI 2, GRI 3)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
2-10	Nomination and selection of the highest governance body	Nomination and selection processes for the highest governance body						R p.46-48
		Views of stakeholders						
		Criteria used for nominating and selecting highest governance body members						
		Diversity Independence Competencies relevant to the impacts of the organization						
2-11	Chair of the highest governance body	Report whether the chair of the highest governance body is also a senior executive in the organization						R p.47
		If the chair is also a senior executive, explain their function within the organization's management, the reasons for this arrangement, and how conflicts of interest are prevented and mitigated						
2-12	Role of the highest governance body in overseeing the management of impacts	Role of the highest governance body and of senior executives in developing, approving, and updating the organization's purpose, value or mission statements, strategies, policies, and goals related to sustainable development						M09 R p.49-50
		Role of the highest governance body in overseeing the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people	Whether and how the highest governance body engages with stakeholders to support these processes					
		Role of the highest governance body in reviewing the effectiveness of the organization's processes	How the highest governance body considers the outcomes of these processes					
2-13	Delegation of responsibility for managing impacts	How the highest governance body delegates responsibility for managing the organization's impacts on the economy, environment, and people	Whether it has appointed any senior executives with responsibility for the management of impacts					M06 R p.48
		Whether it has delegated responsibility for the management of impacts to other employees						
		Process and frequency for senior executives or other employees to report back to the highest governance body on the management of the organization's impacts on the economy, environment, and people						
2-14	Role of the highest governance body in sustainability reporting	Whether the highest governance body is responsible for reviewing and approving the reported information, including the organization's material topics, and if so, describe the process for reviewing and approving the information						
2-15	Conflicts of interest	Processes for the highest governance body to ensure that conflicts of interest are prevented and mitigated						R p.46-48
		Whether conflicts of interest are disclosed to stakeholders, including, at a minimum, conflicts of interest relating to	Cross-board membership					
			Cross-shareholding with suppliers and other stakeholders					
			Existence of controlling shareholders Related parties, their relationships, transactions, and outstanding balances					

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GRI STANDARDS_UNIVERSAL STANDARDS(GRI 2, GRI 3)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
2-16	Communication of critical concerns	Whether and how critical concerns are communicated to the highest governance body Total number and the nature of critical concerns that were communicated to the highest governance body during the reporting period						R p.50 Business Report p.460
2-17	Collective knowledge of the highest governance body	Measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development						R p.50
2-18	Evaluation of the performance of the highest governance body	Processes for evaluating the performance of the highest governance body in overseeing the management of the organization's impacts on the economy, environment, and people					Every year, the performance of the highest governance body was comprehensively reviewed based on evaluation criteria (roles and activities within the board of directors, board participation, expertise, communication, diversity, and others).	R p.48 Business Report p.483-494
		Whether the evaluations are independent or not, and the frequency of the evaluations Actions taken in response to the evaluations					The performance evaluation of the board of directors was conducted annually, organized by an independent HR department that is separate from the BOD. Based on the evaluation results, efforts are made to promote and support effective board activities. The evaluation results are also utilized when reviewing the reappointment of directors after their terms expire. However, to ensure the independence of the board, the evaluation and compensation are not directly linked, and a separate compensation policy is in place.	
2-19	Remuneration policies	Remuneration policies for members of the highest governance body and senior executives	Fixed pay and variable pay				Directors and auditors receive compensation within the approved remuneration limit at the AGM. The remuneration is composed of basic salary (basic salary, position allowance, contribution allowance, etc.) and variable pay (performance-based incentives, etc.). The basic salary is determined based on various factors such as position, years of service, presence of a managerial role, and company contribution. The basic salary is provided based on a salary table according to each position. Position allowance is given to executives holding positions such as President, Vice President, and CEO. Performance-based incentives are provided differentially based on the performance in the previous year.	R p.48 Business Report p.483-494
			Sign-on bonuses or recruitment incentive payments				The variable pay (performance-based incentives, etc.) is determined by considering the company's annual financial performance, such as revenue and operating profit, along with leadership, ethical management, and other contributions to the company. External directors and audit committee members are excluded from the recipients of variable pay (performance-based incentives, etc.).	
			Retirement benefits				According to the retirement payment regulations approved at the AGM, the retirement payment amount will be calculated by multiplying the years of service after the retirement base date and the retirement payment factor, and then settled and paid.	
2-20	Process to determine remuneration	Remuneration policies for members of the highest governance body and senior executives relate to their objectives and performance	Whether independent highest governance body members or an independent remuneration committee oversees the process for determining remuneration					R p.48 Business Report p.483-494
		Process for designing its remuneration policies and for determining remuneration	How the views of stakeholders (including shareholders) regarding remuneration are sought and taken into consideration Whether remuneration consultants are involved in determining remuneration and, if so, whether they are independent of the organization, its highest governance body and senior executives					
		Results of votes of stakeholders (including shareholders) on remuneration policies and proposals					Members of the Compensation Committee are appointed by the BOD, composed of directors appointed at the AGM. Relevant matters are being disclosed to the public.	

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GRI STANDARDS_UNIVERSAL STANDARDS(GRI 2, GRI 3)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
2-21	Annual total compensation ratio	Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees	%	271.14	253.77	428.13	Calculation Formula: Total compensation for the organization's highest-paid individual (numerator) / Median annual total compensation for all employees (denominator)	-
		Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees	%	Employees -10, Highest-paid 69.8	Employees 6.4, Highest-paid-0.4	Employees 4.3, Highest-paid 76	Calculation Formula: Percentage increase in annual total compensation for the organization's highest-paid individual to the unregistered median percentage increase in annual total compensation for all employees	
		Contextual information necessary to understand the data and how the data has been compiled					Information about employment, executives' compensation, etc. disclosed through the electronic disclosure system	
2-22	Statement on sustainable development strategy	Statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development to the organization and its strategy					LOTTE Group ESG Statement http://www.lotte.co.kr/global/en/esg/lotteEsg.do	M04, 06
2-23	Policy commitments	Policy commitments for responsible business conduct	Authoritative intergovernmental instruments that the commitments reference					R p.04, 14, 46
			Whether the commitments stipulate respecting human rights;					
		Specific policy commitment to respect human rights	Internationally recognized human rights that the commitment covers				The LOTTE Group Statement on Human Rights based on international human rights principles and norms, including the Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, and UN Convention on the Rights of the Child.	
			Categories of stakeholders, including at-risk or vulnerable groups, that the organization gives particular attention to in the commitment				LOTTE Group Statement on Human Rights http://www.lotte.co.kr/global/en/about/rights.do	
		Links to the policy commitments if publicly available, or, if the policy commitments are not publicly available, explain the reason					LOTTE Group Statement on Human Rights http://www.lotte.co.kr/global/en/about/rights.do	
	Level at which each of the policy commitments was approved within the organization, including whether this is the most senior level							
	Extent to which the policy commitments apply to the organization's activities and to its business relationships					LOTTE Group Statement on Human Rights http://www.lotte.co.kr/global/en/about/rights.do LOTTE Group Statement on Environmental Management http://www.lotte.co.kr/global/en/about/environmentalMng.do		
	How the policy commitments are communicated to workers, business partners, and other relevant parties					Code of Conduct for LOTTE Group Partner Companies http://www.lotte.co.kr/global/en/compliance/partners.do		
2-24	Embedding policy commitments	How it allocates responsibility to implement the commitments across different levels within the organization					In June 2022, LOTTE Corporation's ESG Team established the LOTTE Group Statement on Human Rights with approval from the ESG Committee, the highest decision-making body for ESG matters. The Statement was distributed to the Group affiliates and integrated into their ESG KPIs. Efforts have been made to promote the implementation of the Statement, including conducting education and human rights impact assessments, to enhance human rights management within the Group.	
		How it integrates the commitments into organizational strategies, operational policies, and operational procedures						
		How it implements its commitments with and through its business relationships						
		Training that the organization provides on implementing the commitments						

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GRI STANDARDS_UNIVERSAL STANDARDS(GRI 2, GRI 3)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page	
2-25	Processes to remediate negative impacts	a. Commitments to provide for or cooperate in the remediation of negative impacts that the organization identifies it has caused or contributed to					LOTTE Corporation established a compliance system in 2020 to prevent major risks (negative impacts). The system incorporates processes such as risk identification, diagnosis, corrective actions, and monitoring to ensure effective risk management and mitigation.	R p.55-56, 59, 98	
		b. Approach to identify and address grievances, including the grievance mechanisms that the organization has established or participates in					LOTTE Corporation has a Compliance Team within the Legal & Compliance Division responsible for identifying and constantly reviewing, investigating, and evaluating the company's overall risks. To address such risks, the company introduces or modifies regulations, authorities, procedures, etc., and reports to the CEO, Board of Directors, or Compliance Committee for necessary actions. Employee or partner grievances are received through LOTTE Group Sinmungo, where policies ensuring anonymity and confidentiality are applied.		
		c. Other processes by which the organization provides for or cooperates in the remediation of negative impacts that it identifies it has caused or contributed to					LOTTE Corporation not only utilizes the compliance system but also implements and operates a compliance program (CP) and an internal accounting system to address and prevent financial and non-financial risks.		
		d. How the stakeholders who are the intended users of the grievance mechanisms are involved in the design, review, operation, and improvement of these mechanisms					All stakeholders using LOTTE Group Sinmungo can submit improvement suggestions regarding the operation of Sinmungo. When such suggestions are received, the responsible Sinmungo department at LOTTE Corporation reviews them and decides whether to incorporate them.		
		e. How the organization tracks the effectiveness of the grievance mechanisms and other remediation processes, and report examples of their effectiveness, including stakeholder feedback					LOTTE Corporation evaluates the effectiveness of the LOTTE Group Sinmungo operation by conducting surveys and analyzing the results each year. In a survey conducted among employees of the 30 main affiliates, when asked about their expectations of problem resolution through Sinmungo, 88.3% of the respondents answered "Moderate" or "Strongly Agree," indicating a high level of effectiveness in Sinmungo's operation.		
2-26	Mechanisms for seeking advice and raising concerns	Mechanisms for individuals	Advice on implementing the organization's policies and practices for responsible business conduct					R p.53-57	
			Concerns about the organization's business conduct						
2-27	Compliance with laws and regulations	Total number of significant instances of non-compliance with laws and regulations during the reporting period, and a breakdown of this total by	Instances for which fines were incurred				No instances for which fines were incurred (LOTTE Corporation)	R p.59	
			instances for which non-monetary sanctions were incurred				No instances for which non-monetary sanctions were incurred (LOTTE Corporation)		
		Total number and the monetary value of fines for instances of noncompliance with laws and regulations that were paid during the reporting period, and a breakdown of this total by	Fines for instances of non-compliance with laws and regulations that occurred in the current reporting period	KRW			0		No instances for which fines were incurred (LOTTE Corporation)
			Fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods	KRW	13,920,000		0		On December 21, 2020, LOTTE Corporation was fined KRW 13.92 million by the Fair Trade Commission for violating the regulations on disclosing the status of its corporate group, and paid it on February 24, 2021.
		Significant instances of non-compliance							No significant instances of non-compliance in 2022 (LOTTE Corporation)
	How it has determined significant instances of non-compliance					If there are matters that can affect the company's credit, reputation, or other similar non-compliance issues, they are considered significant instances of non-compliance.			
2-28	Membership associations	Report industry associations, other membership associations, and national or international advocacy organizations in which it participates in a significant role						R p.101	
2-29	Approach to stakeholder engagement	Approach to engaging with stakeholders	Categories of stakeholders it engages with, and how they are identified					R p.75	
			Purpose of the stakeholder engagement						
			How the organization seeks to ensure meaningful engagement with stakeholders						

GRI Standards Index

GRI STANDARDS_UNIVERSAL STANDARDS(GRI 2, GRI 3)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page	
2-30	Collective bargaining agreements	Percentage of total employees covered by collective bargaining agreements	%				Non-applicable. As LOTTE Corporation falls under non-unionized workplaces, it does not enter into separate collective bargaining agreements. To determine collective labor conditions and employment terms, LOTTE Corporation has established and operates the Employment Rules. In addition, individual labor conditions are determined through the renewal and compliance of Individual Labor Contracts.	-	
		For employees not covered by collective bargaining agreements, report whether the organization determines their working conditions and terms of employment based on collective bargaining agreements that cover its other employees or based on collective bargaining agreements from other organizations							
3-1	Process to determine material topics	Process it has followed to determine its material topics						R p.70-71	
		How it has identified actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights, across its activities and business relationships;							
		How it has prioritized the impacts for reporting based on their significance							
		Stakeholders and experts whose views have informed the process of determining its material topics							
3-2	List of material topics	List its material topics						R p.72-74	
		Report changes to the list of material topics compared to the previous reporting period							
3-3	Management of material topics	Actual and potential, negative and positive impacts on the economy, environment, and people, including impacts on their human rights						R p.72-74	
		Whether the organization is involved with the negative impacts through its activities or as a result of its business relationships, and describe the activities or business relationships							
		Policies or commitments regarding the material topic							
		Actions to prevent or mitigate potential negative impacts							
		Actions taken to manage the topic and related impacts	Actions to address actual negative impacts, including actions to provide for or cooperate in their remediation						
			Actions to manage actual and potential positive impacts						
	Processes used to track the effectiveness of the actions								
	Goals, targets, and indicators used to evaluate progress								
	Information about tracking the effectiveness of the actions taken	Effectiveness of the actions, including progress toward the goals and targets							
		Lessons learned and how these have been incorporated into the organization's operational policies and procedures							
		How engagement with stakeholders has informed the actions taken and how it has informed whether the actions have been effective							

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GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_ECONOMIC(GRI 200)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
201-1	Direct economic value generated and distributed	Direct economic value generated	Revenues	KRW	9,086,649,229,563	9,924,864,014,193	14,111,852,309,175	R p.64-65 Business Report p.151-152
			Operating costs	KRW	4,857,072,638,715	5,351,408,530,725	7,749,499,120,855	
			Employee wages and benefits	KRW	1,093,269,917,293	1,167,165,617,905	1,860,874,907,651	
		Economic value distributed	Payments to providers of capital	KRW	203,718,431,711	188,038,614,610	316,745,777,705	
			Payments to government by country	KRW	-51,181,582,625	-80,934,648,802	163,289,554,277	
			Community investments	KRW	25,957,973,291	12,618,107,310	21,254,036,470	
		Economic value retained	'Direct economic value generated' less 'economic value distributed'	KRW	2,957,811,851,178	3,286,567,792,445	4,000,188,912,217	
	Where significant, report economic value generated and distributed separately at country, regional, or market levels, and the criteria used for defining significance					Do not manage it separately by country Do not manage it separately by country		
201-3	Defined benefit plan obligations and other retirement plans	If the plan's liabilities are met by the organization's general resources, the estimated value of those liabilities		KRW	27,568	32,861	35,911	Business Report p.306
		Separate fund to pay the plan's pension liabilities:	Extent to which the scheme's liabilities are estimated to be covered by the assets	KRW million	27,458	35,132	41,603	
			Basis on which that estimate has been arrived at				Calculating estimated employee retirement benefits and provisions	
			When that estimate was made	Years	End of the year	End of the year	End of the year	
			Percentage of salary contributed by employee or employer	%	100	100	100	
	Level of participation in retirement plans				Posting the education materials for retirement plans on the intranet			
201-4	Financial assistance received from government	Total monetary value of financial assistance received by the organization from any government during the reporting period	Tax relief and tax credits	KRW	0	0	0	-
			Subsidies	KRW	0	0	0	
			Investment grants, research and development grants, and other relevant types of grant	KRW	0	0	0	
			Awards	KRW	0	0	0	
			Royalty holidays	KRW	0	0	0	
			Financial assistance from Export Credit Agencies	KRW	0	0	0	
			Financial incentives	KRW	0	0	0	
			Other financial benefits received or receivable from any government for any operation	KRW	0	0	0	
			Report by country	KRW	0	0	0	
	Whether any government is present in the shareholding structure	%	314	3.61	5.40			

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GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_ECONOMIC(GRI 200)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Relevant ratio of the entry level wage by gender at significant locations of operation to the minimum wage	Male entry level employees	%				Providing remuneration that meets or exceeds the minimum wage set by the region where our main business is located, and enables our employees to pursue a qualitative life for their safety and job satisfaction.	Business Report p.482
			Female entry level employees	%					
		Actions taken to determine whether workers are paid above the minimum wage when a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules							
		Whether a local minimum wage is absent or variable at significant locations of operation							
		Definition used for significant locations of operation					Global network of the Group affiliates		
202-2	Proportion of senior management hired from the local community	Percentage of senior management at significant locations of operation that are hired from the local community		%	6.40	6.10	5.90	Based on LOTTE Mart, LOTTE WELLFOOD, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE GRS, HOTEL LOTTE, LOTTE Cultureworks, LOTTE Department Store, LOTTE Duty Free, LOTTE Global Logistics, LOTTE Property & Development, LOTTE Aluminum, LOTTE Data Communication, LOTTE International, LOTTE Engineering & Construction, LOTTE Rental, LOTTE Capital, Daehong Communications, LOTTE Members, LOTTE Fine Chemical, LOTTE R&D Center, LOTTE World	-
		The definition used for 'senior management'					Senior-level employees (M Grade and above)		
		The organization's geographical definition of 'local'					Mahor Countries: Vietnam, China, Indonesia, U.S., Japan, Russia, India, Malaysia, Pakistan, Myanmar		
		The definition used for 'significant locations of operation'					Top 10 countries based on the number of countries where our Group affiliates do their business and the number of locally hired employees		
203-1	Infrastructure investments and services supported	Extent of development of significant infrastructure investments and services supported		Persons	25,110	13,912	18,445	Mom's Happiness Playground, Mom's Happiness Dream Attic, Youth Library, Super Blue Marathon, VALYOU, disaster relief, etc.	R p.40-43
		Whether these investments and services are commercial, in-kind, or pro bono engagements		KRW	Cash 16,943 KRW million In-kind 97 KRW million	Cash 2,117 KRW million In-kind 447 KRW million	Cash 3,807 KRW million In-kind 232 KRW million	Corrected the data error of 2020 donations reported through the previous reports (KRW 17,041 million → Cash: KRW 16,943 million, In-kind: KRW 97 million)	
203-2	Significant indirect economic impacts	Significant identified indirect economic impacts of the organization, including positive and negative impacts					Cash	R p.40-43	
204-1	Proportion of spending on local suppliers	Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation		\$	31.2	76.4	90.5	U.S. (Chemical, Hotel, Biologics, etc.)	R p.64, 67-69
			The organization's geographical definition of 'local'	VND	43.9	36.3	37.8	Vietnam (Department Store, Mart, Hotel, Food, Cinema, Chemical, etc.)	
		The definition used for 'significant locations of operation'					Countries where our subsidiaries, branched, R&D centers, and manufacturing facilities are located		
		The definition used for 'significant locations of operation'					Food & Beverage: U.S., Belgium, Kazakhstan, Russia, Laos, Cambodia, Vietnam, Mongolia, China, Japan, Philippines, Singapore, India, Pakistan, Myanmar Retail: Vietnam, Taiwan, Indonesia Chemicals: Mexico, Peru, U.S., Germany, Poland, Slovakia, UAE, Turkey, Hungary, Italy, Nigeria, Russia, Thailand, Vietnam, China, Japan, India, Pakistan, Uzbekistan, Malaysia, Indonesia, Hong Kong Hotel: U.S., Russia, Vietnam, Japan, New Zealand, Australia, Singapore, Myanmar, Uzbekistan Infrastructure: U.S., UK, Germany, Hungary, Russia, Kazakhstan, Thailand, Cambodia, Vietnam, China, Japan, Australia, Philippines, India, Pakistan, Singapore, Malaysia, Indonesia, Hong Kong		

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GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_ECONOMIC(GRI 200)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
205-1	Operations assessed for risks related to corruption	Total number and percentage of operations assessed for risks related to corruption	Number of business sites	Sites	1	0	0	In 2020, LOTTE Corporation established a compliance system and conducted a risk assessment in the anti-corruption field.
		Percentage of business sites	%	100	0	0		
		Significant risks related to corruption identified through the risk assessment						During the risk assessment in 2020, corruption risks were identified in the partner contracting process. However, it was determined that the number of such transactions was not significant, and the scale of the transactions was not substantial, resulting in a low-risk evaluation.
205-2	Communication and training about anti-corruption policies and procedures	Total number and percentage of governance body members that the organization's anticorruption policies and procedures have been communicated to, broken down by region	Number of employees	Cases	9	8	8	LOTTE Corporation conveyed the content of the LOTTE Personnel Code of Conduct, which includes anti-corruption policies, to the CEO and all members of the Board of Directors.
		Percentage of employees	%	100	100	100		
		Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to, broken down by employee category and region	Number of employees					LOTTE Corporation translated the LOTTE Personnel Code of Conduct into 6 languages, including English, and distributed it to all LOTTE Group employees worldwide.
		Total number and percentage of business partners that the organization's anticorruption policies and procedures have been communicated to, broken down by type and region	Number of partners					LOTTE Group has posted the LOTTE Personnel Code of Conduct on its website, making it accessible to various stakeholders, including partners. However, it is challenging to ascertain the specific number and proportion of partners who have accessed it.
		Total number and percentage of governance body members that have received training on anti-corruption, broken down by region	Number of employees					Business Report (VI. Matters about organizations of the company, including BOD)
		Percentage of employees	%					
205-3	Confirmed incidents of corruption and actions taken	Total number and nature of confirmed incidents of corruption	Type of incidents of corruption				No confirmed incidents of corruption	
		Number of incidents of corruption	Cases	0	0	0	No confirmed incidents of corruption	
		Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	Cases	0	0	0	No confirmed incidents of corruption	
		Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	Cases	0	0	0		
		Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases			0	0	0	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant	Cases	0	0	0		
		Main outcomes of completed legal actions, including any decisions or judgements			0	0	0	

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GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_ECONOMIC(GRI 200)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
207-1	Approach to tax	a. Description of the approach to tax, including:	Whether the organization has a tax strategy and, if so, a link to this strategy if publicly available				Have not disclosed a tax strategy	-
			Governance body or executive-level position within the organization that formally reviews and approves the tax strategy, and the frequency of this review				LOTTE Corporation follows a system where the responsibilities related to corporate tax, value-added tax, and other relevant tasks are allocated to specific departments or personnel. As per the delegation rules, the responsible executives (according to the delegated authority) provide approval, ensuring that tax reporting and payment are carried out within the designated deadlines.	
			Approach to regulatory compliance				Review of the relevant law when it is revised to determine its application.	
			How the approach to tax is linked to the business and sustainable development strategies of the organization				When formulating a business plan, a taxation strategy is established in compliance with the tax law and reflected in the cash flow, etc.	
207-2	Tax governance, control, and risk management	a. Description of the tax governance and control framework, including:	Governance body or executive-level position within the organization accountable for compliance with the tax strategy				There is no governance organization responsible for ensuring compliance with taxation strategies. There are processes for handling corporate income and accounting for corporate tax within the internal control. - Process for tax law revision, etc. - Process for the revision of accounting criteria, etc.	-
			How the approach to tax is embedded within the organization					
			Approach to tax risks, including how risks are identified, managed, and monitored					
			How compliance with the tax governance and control framework is evaluated					
207-3	Stakeholder engagement and management of concerns related to tax	a. Approach to stakeholder engagement and management of stakeholder concerns related to tax, including	Approach to engagement with tax authorities				Providing opinions on the position of the Korea Listed Companies Association, accounting firms, and law firms related to the issue of tax law revision.	-
			Approach to public policy advocacy on tax					
			Processes for collecting and considering the views and concerns of stakeholders, including external stakeholders					

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GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_ECONOMIC(GRI 200)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page	
207-4	Country-by-country reporting	a. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes					<p>Information unavailable/incomplete</p> <p>* As part of the annual reporting process, consolidated information for affiliated companies for the years 2020 and 2021 has been submitted to the tax authorities. However, separate management of subsidiary companies by country has not been conducted. (Data for 2022 is scheduled for submission in December 2023).</p> <p>** Items submitted in the country-by-country reporting: Revenue, profit before tax, tax paid, legal capital, retained earnings, number of employees, tangible assets</p>		
		Names of the resident entities							
		Primary activities of the organization							
		Number of employees, and the basis of calculation of this number							
		Revenues from third-party sales							
		Revenues from intra-group transactions with other tax jurisdictions							
		b. For each tax jurisdiction reported in Disclosure 207-4-a							
		Profit/loss before tax							
		Tangible assets other than cash and cash equivalents							
		Corporate income tax paid on a cash basis							
		Corporate income tax accrued on profit/loss							
		Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax							
		c. The time period covered by the information reported in Disclosure 207-4							

GRI Standards Index

GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_ENVIRONMENTAL(GRI 300)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page	
302-1	Energy consumption within the organization	Total fuel consumption within the organization		5.39	5.04	14.53	The total value of Lotte Property & Development was calculated by dividing it by the leased area of LOTTE Corporation. The total value of Lotte Corporation has been verified by a third party (verifying the GHG emissions statement, etc.).	-	
		Electricity consumption	TJ	2	2.04	9.57			
		Heating consumption (LNG and vehicle fuel such as gasoline)		3.39	3	4.96			
		Standards, methodologies, assumptions, and/or calculation tools used							
		Source of the conversion factors used							
302-3	Energy intensity	Energy intensity ratio for the organization	TJ/KRW trillion	0.59	0.51	1.03	Energy intensity calculation: Total energy consumption (TJ) / Revenues (KRW trillion)	-	
303-3	Water withdrawal	Total water withdrawal and a breakdown of this total by the following sources	Surface water	Tons	762	740	2,980	Defined water withdrawal as same as water consumption and water discharge	-
		Groundwater	Tons	361	328	4,503			
303-4	Water discharge	Total water discharge and a breakdown of this total by the following sources	Surface water	Tons	762	740	2,980		-
		Groundwater	Tons	361	328	4,503			
303-5	Water consumption	Total water consumption and a breakdown of this total by the following sources	Surface water	Tons	762	740	2,980		-
		Groundwater	Tons	361	328	4,503			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, the following information					We collaborated with local community stakeholders and professional organizations to improve water quality in Seokchon Lake, which is adjacent to our business building and is directly or indirectly affected by our employees' activities, for about 8 months. We also provided support for monitoring (from April to December 2022) and related costs. We plan to continue these activities in 2023 by signing an MOU with the Songpa District Office and other relevant organizations.	-	
304-2	Significant impacts of activities, products and services on biodiversity	Nature of significant direct and indirect impacts on biodiversity with reference to one or more of the following						-	
304-3	Habitats protected or restored	Size and location of all habitat areas protected or restored, and whether the success of the restoration measure was or is approved by independent external professionals						R p.42	
		Whether partnerships exist with third parties to protect or restore habitat areas distinct from where the organization has overseen and implemented restoration or protection measures							
		Status of each area based on its condition at the close of the reporting period							
		Standards, methodologies, and assumptions used							

* Reason for the increased figures of environmental data: Expansion of leased areas of LOTTE Corporation

GRI Standards Index

GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_ENVIRONMENTAL(GRI 300)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
305-1	Direct (Scope 1) GHG emissions	Gross direct (Scope 1) GHG emissions	tCO ₂	224.25	198.54	317.36		
		Gases included in the calculation	Type of gas	CO ₂	CO ₂	CO ₂	Lotte Property & Development, not LOTTE Corporation, was subjected to statement verification.	
		Standards, methodologies, assumptions, and/or calculation tools used					The verification of the guidelines and specifications for reporting and certifying greenhouse gas emissions trading under the greenhouse gas emissions trading system was received by Lotte Property & Development, which provided data to LOTTE Corporation.	
305-2	Energy indirect (Scope 2) GHG emissions	Gross location-based energy indirect (Scope 2) GHG emissions	tCO ₂	97.28	97.58	457.99		
		If applicable, gross market-based energy indirect (Scope 2) GHG emissions	tCO ₂	Non applicable	Non applicable	Non applicable		
		If available, the gases included in the calculation	Type of gas	CO ₂	CO ₂	CO ₂		
		Standards, methodologies, assumptions, and/or calculation tools used					The guidelines for reporting and certification of greenhouse gas emissions under the emissions trading scheme.	
305-4	GHG emissions intensity	GHG emissions intensity ratio for the organization	tCO ₂ /KRW trillion	35.38	29.84	54.94		
		Organization-specific metric (the denominator) chosen to calculate the ratio		CO ₂	CO ₂	CO ₂	Calculation formula: Total GHG emissions (tCO ₂) / Sales (KRW trillion)	
		Types of GHG emissions included in the intensity ratio		CH ₄	CH ₄	CH ₄		
		Gases included in the calculation		N ₂ O	N ₂ O	N ₂ O		
305-6	Emissions of ozone-depleting substances (ODS)	Production, imports, and exports of ODS in metric tons of CFC-11 (trichlorofluoromethane) equivalent	Tons					
		Substances included in the calculation					Non applicable (do not have environmental facility due to the nature of business – pure holding company)	
		Source of the emission factors used						
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Significant air emissions, in kilograms or multiples, for each of the following:	NOx	Kg				
			SOx	Kg				
			Persistent organic pollutants (POP)	Kg				
			Volatile organic compounds (VOC)	Kg				
			Hazardous air pollutants (HAP)	Kg				
			Particulate matter (PM)	Kg				
			Other standard categories of air emissions identified in relevant regulations	Kg				
		Source of the emission factors used					Non applicable (do not have environmental facility due to the nature of business – pure holding company)	
Standards, methodologies, assumptions, and/or calculation tools used								

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GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_ENVIRONMENTAL(GRI 300)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
306-1	Waste generation and significant waste-related impacts	Organization's significant actual and potential waste-related impacts						R p.09-11
		Inputs, activities, and outputs that lead or could lead to these impacts						
		Whether these impacts relate to waste generated in the organization's own activities or to waste generated upstream or downstream in its value chain					We periodically manage the amount of waste generated, taking into account the environmental impact of office waste disposal (such as air pollution from incineration and soil pollution from landfill) and promote recycling. Recently, we have participated in a recycling program (hand towel recycling) and plan to continue to promote waste management in the future.	
306-2	Management of significant waste-related impacts	<p>Actions, including circularity measures, taken to prevent waste generation in the organization's own activities and upstream and downstream in its value chain, and to manage significant impacts from waste generated</p> <p>-----</p> <p>If the waste generated by the organization in its own activities is managed by a third party, a description of the processes used to determine whether the third party manages the waste in line with contractual or legislative obligations</p> <p>-----</p> <p>The processes used to collect and monitor waste-related data</p>						R p.09-11
306-3	Waste generated	Total weight of waste generated	Tons	518	6.01	32.03		-
306-4	Waste diverted from disposal	Preparation for reuse/recycling	Tons	3.56	3.46	25.24		-
		Other recovery operations	Tons	0	0	0		-
306-5	Waste directed to disposal	Incineration (with energy recovery)					Non applicable	
		Incineration (without energy recovery)	Tons	1.46	2.3	6.11		-
		Landfilling	Tons	0.16	0.26	0.68		-
		Other disposal operations	Tons	0	0	0		-

GRI Standards Index

GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_SOCIAL(GRI 400)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page	
401-1	New employee hires and employee turnover	Number of new employee hires during the reporting period by age group	Under 30 years old	Persons	6	5	24		
			30-50 years old	Persons	29	63	124		
			Over 50 years old	Persons	6	5	7		
			Rate of new employee hires during the reporting period by age group	Under 30 years old	%	15	7	15	
				30-50 years old	%	71	86	80	
				Over 50 years old	%	15	7	5	
			Number of new employee hires during the reporting period by gender	Male	Persons	29	50	97	
				Female	Persons	12	23	58	
			Rate of new employee hires during the reporting period by gender	Male	%	71	68	63	
				Female	%	29	32	37	
		Number of new employee hires during the reporting period by region	Domestic	Persons	41	73	155		
			Overseas	Persons	0	0	0		
		Rate of new employee hires during the reporting period by region	Domestic	%	100	100	100		
			Overseas	%	0	0	0		
		Number of employee turnover during the reporting period by age group	Under 30 years old	Persons	8	6	8		
			30-50 years old	Persons	50	19	41		
			Over 50 years old	Persons	12	7	5		
		Rate of employee turnover during the reporting period by age group	Under 30 years old	%	11	19	15		
			30-50 years old	%	71	59	76		
			Over 50 years old	%	17	22	9		
	Number of employee turnover during the reporting period by gender	Male	Persons	48	22	39			
		Female	Persons	22	10	15			
	Rate of employee turnover during the reporting period by gender	Male	%	69	69	72			
		Female	%	31	31	28			
	Number of employee turnover during the reporting period by region	Domestic	Persons	70	32	54			
		Overseas	Persons	0	0	0			
	Rate of employee turnover during the reporting period by region	Domestic	%	100	100	100			
		Overseas	%	0	0	0			
401-3	Parental leave	Number of employees that were entitled to parental leave, by gender	Male	Persons	3	3	12	Spouse's childbirth during the current year	
			Female	Persons	1	2	1	Childbirth during the current year	
		Number of employees that took parental leave, by gender	Male	Persons	5	4	9	Based on the date when the parental leave starts	
			Female	Persons	0	3	1	Based on the date when the parental leave starts * Employees who transferred during their leave from the LOTTE ACADEMY are excluded	
		Number of employees that returned to work in the reporting period after parental leave ended	Male	Persons	5	4	9	Based on the return-to-work date after parental leave	
			Female	Persons	2	0	3	Based on the date when the parental leave starts * Employees who transferred during their leave from the LOTTE ACADEMY are excluded	

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GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_SOCIAL(GRI 400)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
401-3	Parental leave	Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	Male	Persons	3	4	4	Among those who have stayed more than a year since their return-to-work date
			Female	Persons	-	1	-	
		Return to work rate of employees that took parental leave	Male	%	100	100	100	Employees who returned to work after parental leave / Employees who should return to work after parental leave Return-to-work rate based on the date of reinstatement from parental leave • 2020: 1 left out of 5 male and 2 female employees • 2021: All returned to work out of 4 male employees • 2022: All returned to work out of 9 male and 3 female employees
			Female	%	50	100	100	
		Return to work and retention rate of employees that took parental leave	Male	%	100	80	100	Employees who maintained their employment for 12 months after return to work / Employees who returned to work in the previous period • 2020: 1 moved to other Group affiliates out of 3 male and 1 female employees who returned to work in 2019 • 2021: 1 left out of 5 male and 2 female employees returned to work in 2020 • 2022: 4 male employees returned to work in 2021
			Female	%	-	50	-	
402-1	Minimum notice periods regarding operational changes	Minimum number of weeks' notice typically provided to employees and their representatives prior to the implementation of significant operational changes that could substantially affect them					LOTTE Corporation is not obligated to inform the labor union as it operates as a non-union workplace. However, it maintains a communication channel through the Labor-Management Council to communicate major management changes that significantly affect employees. Basic management status is reported and shared on a quarterly basis. In case of new business investments or other issues, the company promptly communicates through the Labor-Management Council as needed.	
		For organizations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements						As a non-union workplace, LOTTE Corporation does not have collective bargaining agreements.
403-1	Occupational health and safety management system	List of the requirements if the system has been implemented because of legal requirements					R p.29	
403-2	Hazard identification, risk assessment, and incident investigation	Description of the processes used to identify work-related hazards and assess risks on a routine and non-routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks	How the organization ensures the quality of these processes, including the competency of persons who carry them out				R p.28-30	
		Description of the processes for workers to report work-related hazards and hazardous situations, and an explanation of how workers are protected against reprisals	How the results of these processes are used to evaluate and continually improve the occupational health and safety management system					
		Description of the policies and processes for workers to remove themselves from work situations that they believe could cause injury or ill health, and an explanation of how workers are protected against reprisals						
		Description of the processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, to determine corrective actions using the hierarchy of controls, and to determine improvements needed in the occupational health and safety management system						

GRI Standards Index

GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_SOCIAL(GRI 400)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page	
403-3	Occupational health services	Description of the occupational health services' functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality of these services and facilitates workers' access to them						R p.30	
403-4	Worker participation, consultation, and communication on occupational health and safety	Description of the processes for worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management system, and for providing access to and communicating relevant information on occupational health and safety to workers Where formal joint management-worker health and safety committees exist, a description of their responsibilities, meeting frequency, decision-making authority, and whether and, if so, why any workers are not represented by these committees						R p.28-33	
403-5	Worker training on occupational health and safety	Description of any occupational health and safety training provided to workers, including generic training as well as training on specific work-related hazards, hazardous activities, or hazardous situations						R p.31-32	
403-6	Promotion of worker health	Explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided Description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organization facilitates workers' access to these services and programs						R p.25	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Description of the organization's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products, or services by its business relationships, and the related hazards and risks						R p.28-30	
403-8	Workers covered by an occupational health and safety management system	If the organization has implemented an occupational health and safety management system based on legal requirements and/or recognized standards/guidelines	Number and percentage of all employees and workers who are not employees but whose work and/or workplace is controlled by the organization, who are covered by such a system	%	100	100	100	All employees of LOTTE Corporation (151 in 2020, 193 in 2021, 294 in 2022) are covered by the Industrial Safety & Health Management System. All employees of LOTTE Corporation (151 in 2020, 193 in 2021, 294 in 2022) are covered by the Industrial Safety & Health Management System	-
403-9	Work-related injuries	For all employees	Number and rate of fatalities as a result of work-related injury	%	0	0	0	We classify our company as general office work, and we can confirm that there are no occupational injuries or hazards related to harmful substances or work intensity regarding the category of occupational injuries.	-
404-1	Average hours of training per year per employee	Average hours of training that the organization's employees have undertaken during the reporting period	Male Female	Hours	63.7 69.1	61.5 66.6	62.9 70.7		-
404-2	Programs for upgrading employee skills and transition assistance programs	Type and scope of programs implemented and assistance provided to upgrade employee skills Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment						R p.19-21	

GRI Standards Index

GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_SOCIAL(GRI 400)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page		
404-3	Percentage of employees receiving regular performance and career development reviews	By gender	Male	%	96	78	92	This item is applied differently from the previous year's standard. [Before] Number of performance evaluation participants (excluding executives, support expert staff, and some contract employees) / Total number of regular employees (including executives) [Revised] Number of actual performance evaluation participants / Total number of performance evaluation candidates (excluding executives, support expert staff, and some contract employees) * The number of actual performance evaluation participants includes employees who have worked for 3 months or more during the evaluation period of the current year (Jan.1-Oct.31) and are still employed as of the end of the evaluation observation period (Oct.31).	-	
			Female	%	97	64	89			
		By age group	Under 30 years old	%	100	80	89			
			30-50 years old	%	95	74	91			
			Over 50 years old	%	0	-	100			
405-1	Diversity of governance bodies and employees	Percentage of individuals within the organization's governance bodies by gender	Male	%	100	100	89		-	
			Female	%	0	0	11			
		Percentage of individuals within the organization's governance bodies by age group	Under 30 years old	%	0	0	0			
			30-50 years old	%	0	0	0			
			Over 50 years old	%	100	100	100			
		Other indicators of diversity where relevant		%	0	0	0			Based on headcount (not based on the criteria for determining contribution)
		Percentage of employees by gender	Male	%	78	76	70			
			Female	%	22	24	30			
		Percentage of employees by age group	Under 30 years old	%	9	6	8			
			30-50 years old	%	79	84	84			
	Over 50 years old	%	13	10	9					
Other indicators of diversity where relevant (such as minority or vulnerable groups)		%	2	1	2	Based on headcount (not based on the criteria for determining contribution)				
405-2	Ratio of basic salary and remuneration of women to men	Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation		%	50.5	49.8	53.9	Based on LOTTE Corporation	Business Report p.482	
		Definition used for 'significant locations of operation'								
406-1	Incidents of discrimination and corrective actions taken	Number of incidents of discrimination during the reporting period		Cases	0	0	0	No incidents of discrimination occurred	-	
		Status of the incidents and actions taken with reference to the following: Incident reviewed; Remediation plans being implemented; Remediation plans that have been implemented, with results reviewed through routine internal management review processes; Incident no longer subject to action)								
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated	Type of operation (such as manufacturing plant) and supplier				LOTTE Corporation is a non-union workplace and is not obligated to engage in collective bargaining. However, we respect the three labor rights guaranteed by the Constitution of Korea and recognize the determination of workers' association and the right to collective bargaining.	-		
		Measures taken by the organization in the reporting period intended to support rights to exercise freedom of association and collective bargaining	Countries or geographic areas with operations and suppliers considered at risk							

GRI Standards Index

GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_SOCIAL(GRI 400)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page
408-1	Operations and suppliers at significant risk for incidents of child labor	Operations and suppliers considered to have significant risk for incidents of:	Child labor Young workers exposed to hazardous work				Prohibition of child labor clarified through the LOTTE Group Statement on Human Rights and Code of Conduct for Group Group Partner Companies	R p.98
		Operations and suppliers considered to have significant risk for incidents of child labor either in terms of:	Type of operation (such as manufacturing plant) and supplier Countries or geographic areas with operations and suppliers considered at risk					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor either in terms of:	Type of operation (such as manufacturing plant) and supplier Countries or geographic areas with operations and suppliers considered at risk					R p.98
		Measures taken by the organization in the reporting period intended to contribute to the elimination of all forms of forced or compulsory labor						
411-1	Incidents of violations involving rights of indigenous peoples	Number of identified incidents of violations involving the rights of indigenous peoples during the reporting period	* Indigenous peoples: Tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community	Cases			No identified incidents of violations involving the rights of indigenous peoples	-
		Status of the incidents and actions taken with reference to the following: Incident reviewed; Remediation plans being implemented; Remediation plans that have been implemented, with results reviewed through routine internal management review processes; Incident no longer subject to action)						
413-1	Operations with local community engagement, impact assessments, and development programs	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs	Social impact assessments, including gender impact assessments, based on participatory processes					R p.40-43
			Environmental impact assessments and ongoing monitoring					
			Public disclosure of results of environmental and social impact assessments					
			Local community development programs based on local communities' needs					
			Stakeholder engagement plans based on stakeholder mapping					
			Broad based local community consultation committees and processes that include vulnerable groups					
Works councils, occupational health and safety committees and other worker representation bodies to deal with impacts								
Formal local community grievance processes								

GRI Standards Index

GRI STANDARDS_TOPIC-SPECIFIC STANDARDS_SOCIAL(GRI 400)

No.	Title	Classification	Unit	2020	2021	2022	Note	Page				
413-2	Operations with significant actual and potential negative impacts on local communities	Operations with significant actual and potential negative impacts on local communities	Location of the operations Significant actual and potential negative impacts of operations				No such operations among LOTTE Corporation's business sites	-				
415-1	Political contributions	Total monetary value of financial and in-kind political contributions made directly and indirectly by the organization by country and recipient/beneficiary If applicable, how the monetary value of in-kind contributions was estimated					Political contributions and participations are prohibited in Korea	-				
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact	Incidents of non-compliance with regulations resulting in a fine or penalty Incidents of non-compliance with regulations resulting in a warning Incidents of non-compliance with voluntary codes				No violations by LOTTE Corporation	-				
417-2	Incidents of non-compliance concerning product and service information and labeling	Number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact	Incidents of non-compliance with regulations resulting in a fine or penalty Incidents of non-compliance with regulations resulting in a warning Incidents of non-compliance with voluntary codes				No incidents of non-compliance with regulations by LOTTE Corporation resulting in a fine or penalty	-				
417-3	Incidents of non-compliance concerning marketing communications	Number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact	Incidents of non-compliance with regulations resulting in a fine or penalty Incidents of non-compliance with regulations resulting in a warning Incidents of non-compliance with voluntary codes					-				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Number of substantiated complaints received concerning breaches of customer privacy, categorized by: Number of identified leaks, thefts, or losses of customer data If the organization has not identified any substantiated complaints, a brief statement of this fact	Complaints received from outside parties and substantiated by the organization Complaints from regulatory bodies	Cases	0	0	0	0	0	0	No identified complaints due to breaches of customer privacy by LOTTE Corporation	-

TCFD Index

Topic	Title	Page	Note
Governance	The board's oversight of climate-related risks and opportunities	M06, M09 R p.06, 48	
	Management's role in assessing and managing climate-related risks and opportunities	M06, M09 R p.06	
Strategy	The climate-related risks and opportunities the organization has identified over the short, medium and long term	M13 R p.06	
	The impact of climate-related risks and opportunities on the organization's business, strategy and financial planning	M13 R p.08	
	The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	M12-13	
Risk Management	The organization's processes for identifying and assessing climate-related risks	R p.04-06	
	The organization's processes for managing climate-related risks	R p.04-06	
	How processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	R p.04-06	
Metrics and targets	The metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	M13	Energy consumption, GHG emissions, etc.
	Scope 1, scope 2, and if appropriate, scope 3 GHG emissions and the related risks	R p.07-08, 89	
	The targets used by the organization to manage climate-related risks and opportunities and performance against targets	R p.06-08	

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
Human Rights	<ol style="list-style-type: none"> 1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. make sure that they are not complicit in human rights abuses. 	<ul style="list-style-type: none"> • LOTTE Corporation respects human rights, which are fundamental rights and freedoms granted to all people, and supports the “UN Guiding Principles on Business and Human Rights” as a member of the UNGC. • LOTTE Group, which prioritizes human rights management as a fundamental value in its business operations, explicitly outlines its commitment to human rights protection in documents such as its compliance management policy and LOTTE Personnel Code of Conduct, which serve as the foundation of corporate management. We are dedicated to implementing human rights management based on these policies. • In June 2022, LOTTE Group established the LOTTE Group Statement on Human Rights, which outlines the behavioral and value criteria that all employees must adhere to in their management activities and business operations. We are committed to implementing human rights management based on this charter. 	M07, M09 R p.14, 34
Labour	<ol style="list-style-type: none"> 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labour; 5. the effective abolition of child labour; and 6. the elimination of discrimination in respect of employment and occupation. 	<ul style="list-style-type: none"> • 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. The council is consisting of 12 members (6 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. • 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. • LOTTE Group was the first domestic company to formalize a “Diversity Charter” that respects the diversity of its members in terms of gender, culture, physical characteristics, and generations, and abolishes discrimination in 2013. • LOTTE Group strives to provide equal opportunities for all young people who take their first steps in society, regardless of their school, hometown, appearance, etc., through the use of competency-based recruitment and blind recruitment to ensure equal opportunities, improve fairness in the process, and enhance job satisfaction for new employees. 	M07 R p.14-15, 27
Environment	<ol style="list-style-type: none"> 7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally friendly technologies. 	<ul style="list-style-type: none"> • LOTTE Group recognizes environmental value as a core element of its business activities and pursues it as a top priority in order to provide stakeholders with the value of a clean nature. • LOTTE Group established the LOTTE Group Statement on Environmental Management in September 2022 to practice environmental management, which stipulates the standards of proper behavior and value judgment that all employees must comply with in the process of conducting business activities, such as compliance with laws and regulations, establishment of environmental management systems, minimization of pollutants, compliance with agreements, and social and ethical responsibilities. • LOTTE Group operates the LOTTE Sustainable Growth Environmental Management Indicators to effectively operate the environmental management system and manage performance. The company not only provides guidance for the Group affiliates to check and utilize the Indicators on their own but also analyzes and evaluates performance every year to provide feedback on the results. • LOTTE Group has formed the Environmental Management Verification Team comprising environmental experts from the Group affiliates to review and further enhance environmental management practices. The Team is actively engaged in internal auditing activities, including data management and on-site audit. • LOTTE Group has established a Carbon Neutral Roadmap 1.0, which specifies reduction targets and measures to achieve “2040 Net Zero.” In addition, it has established and implemented medium- to long-term climate change response strategies that consider climate change scenarios and business linkages, such as energy efficiency, decarbonization of energy, innovative eco-friendly solutions, and leading green business platforms. 	M12-14 R p.04-11
Anti-Corruption	<ol style="list-style-type: none"> 10. Businesses should work against corruption in all its forms, including extortion and bribery. 	<ul style="list-style-type: none"> • 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. • 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. • LOTTE Corporation operates Sinmungo (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. 	R p.58-59

Independent Assurance Statement

Dear Stakeholders of LOTTE CORPORATION

Korean Foundation for Quality (further 'KFQ') has been requested by LOTTE CORPORATION to conduct an independent verification on the 「2022 Sustainability Report for LOTTE CORPORATION」(further 'the Report'). KFQ has responsibility to provide an independent verification opinion against the criteria and scope of assurance as specified below. LOTTE CORPORATION has sole responsibility for the preparation of the Report.

Verification Criteria and Scope

- Verification Criteria : AA1000AS(v3) and AA1000AP (2018)
 - Verification Type: Type 2 [Verification of compliance of 4 reporting principles]
 - Verification Level : Moderate [Verification based on limited evidence collected]
 - Verification boundary : The financial and non-financial performance of LOTTE CORPORATION and Group affiliates
 - Verification Scope : Compliance with the 4 reporting principles (Inclusivity, Materiality, Responsiveness, Impact) according to AA1000AP and the GRI Standards 2021 reporting requirements
 - GRI Standards (2021) Reporting Principles
 - Universal Standards
- Reporting in accordance with GRI Standards (2021), compliance with the following requirements

Requirements	Compliance	Requirements	Compliance
1. Reporting principles	○	6. Provide reasons for omission	○
2. General Disclosures	○	7. Publish a GRI content index	○
3. Determine material topics	○	8. Provide a statement of use	○
4. Report the disclosures in GRI 3: Material Topics 2021	○	9. Notify GRI	○
5. Report disclosures from the GRI Topic Standards for each material topic	○	-	-

- Topic Standards

Requirements	GRI Standards/Topic Disclosure
Reporting material issues according to the GRI Topic Standards	<ul style="list-style-type: none"> • GRI 201 : Economic Performance • GRI 305 : Emissions • GRI 405 : Diversity and Equal Opportunity • GRI 406 : Non-discrimination • GRI 407 : Freedom of Association and Collective Bargaining • GRI 408: Child Labor • GRI 409: Forced or Compulsory Labor

Methodology

In order to assess the reliability of the sustainability performance in the Report against above mentioned criteria, the assessment team reviewed sustainability-related processes, systems, internal control procedures, and available performance data. The documentation the assessment team reviewed during the verification includes:

- Non-financial information e.g., data provided by LOTTE CORPORATION, disclosed Business Reports, and information obtained from media and/or the internet; and
- Financial information i.e., Data disclosed in the electronic disclosure system (dart.fss.or.kr) of the Financial Supervisory Service and data posted on the homepage were used, but these contents are not included in the scope of verification.

The assessment was performed by document verification and interviewing the person in charge. The validity of the materiality assessment procedure in the Report, the material issue selection considering stakeholders, the data collection, management, and report preparation procedure, as well as the validity of the description, were evaluated through interviews the person in charge, but external stakeholder interviews were not conducted. Afterwards, it was confirmed that some errors, inappropriate information, and misstatement found in the above steps were appropriately corrected before publishing the Report.

Competency and independence

The assessment team was consisted in accordance with KFQ's internal regulations. KFQ has no conflict of interest to the LOTTE CORPORATION business which could threaten the impartiality of verification, other than providing third-party verification services.

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 LOTTE CORPORATION. We did not perform any further assessment on raw data.

Independent Assurance Statement

Findings and Conclusions

As a result of the verification, the Report was prepared in accordance with the requirements for ' in accordance with GRI standard 2021' and the assessment team found reasonable objectives to guarantee the four reporting principles of AA1000AP (2018) and the AA1000AS(V3) Type 2 assurance level. We also found no significant errors or inadequacies in the Report regarding compliance with reporting principles.

• Inclusivity

LOTTE CORPORATION defines the six stakeholder groups (Shareholders and Investors, Group Affiliates, Employees, Government, Local Communities, NGOs and Associations) and hears their opinions through the communication channels considering the characteristics of each group for effective communication. The assessment team could not find any major stakeholders that were omitted during this process, and it was confirmed that LOTTE CORPORATION is making efforts to reflect the collected opinions of stakeholders in its management strategy.

• Materiality

LOTTE CORPORATION formed a pool of 71 material issues through reviewing global environmental and social issues and collecting opinions from experts in the field of sustainability management. 20 material issues were finally derived through an analysis of business impact and stakeholder interest. In this process, LOTTE CORPORATION reviewed the economic impact and its social and environmental impacts of the company to enhance the appropriateness of selecting material issues. The assessment team confirmed that the identified material issues were highlighted in this Report, and that the material issues identified in the materiality analysis process were reported in the Report without omission.

• Responsiveness

LOTTE CORPORATION strives to respond in a timely manner to the needs and major concerns gathered from the stakeholders. The assessment team found no evidence that the organization's response activities and performance on material issues were inappropriately reported.

• Impact

LOTTE CORPORATION identifies and monitors the impact of material issues related to stakeholders throughout its management activities, and reports them within the scope possible. The assessment team could not find any evidence that the impact related to material issues was inappropriately measured and reported.

Recommendation for improvement

- We hope that a series of processes from the creation and collection of ESG-related data to performance reporting will be managed and reported more fully and systematically so that LOTTE CORPORATION's ESG management performance can be efficiently communicate with stakeholders.
- In addition, we expect that more meaningful information will be communicated to stakeholders by applying the principles of data reproducible and comparability in reporting the performance of Group Affiliates.



June, 2023
Seoul, Korea
Ji Young Song, CEO
Korean Foundation for Quality (KFQ)



Awards & Membership

Awards



2022

- 2022 LOTTE Corporation Sustainability Report received the Grand Award at the Annual Reports/ Print Category in the 2022 GALAXY Awards; and the Gold Award at the Cover Design Category at the 2022 ARC Awards (MerComm)

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 (Ministry of Culture, Sports and Tourism)

Membership



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

* As of the end of 2022

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 third 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, 2022. To enable the identification of trends, data for the previous three years from 2020 to 2022 were reported in case of quantitative performance. In addition, considering the timeliness of information, some ESG activities and performance include data up to May 2023.

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 Global Reporting Initiative (GRI) Standards 2021 – international sustainability management reporting standards. Furthermore, as a member of the UN Global Compact, a global sustainable management initiative, LOTTE Corporation has incorporated into the report the 10 Principles of the UNGC in order to comply with the universal values and principles in the areas of human rights, labour, environment, and anti-corruption.

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 ESG Factbook section.

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The paper used in printing the 2022 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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