

2023 SUSTAINABILITY REPORT

LOTTE CORPORATION



New today, Better tomorrow
LOTTE

NEW TODAY, **BETTER TOMORROW.**

A decorative graphic consisting of several horizontal lines in white, light blue, and dark blue. A white arrow points to the right above the lines. A red dashed line with a red arrowhead points to the right, crossing the dark blue line. Three small blue dots are positioned on the dark blue line to the right of the red arrowhead.

Standardization and mandatory disclosure of ESG data are accelerating worldwide. ESG has emerged as a new investment standard in response to global trends, but its core principles are not new. The values of prioritizing the environment and caring for people are longstanding ideals that humanity has traditionally embraced and practiced.

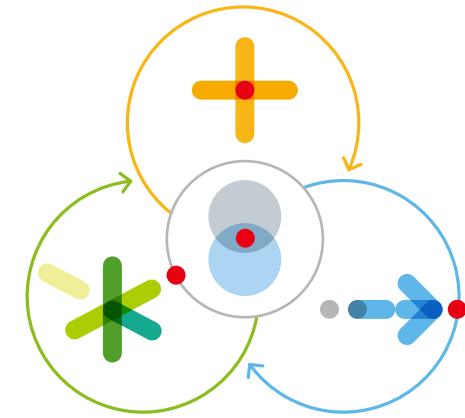
LOTTE Group proactively adopted ESG management in 2015, ahead of its widespread acceptance in corporate practices. And now we are focused on driving innovation that benefits all stakeholders, viewing all the businesses that LOTTE is pursuing from an ESG perspective. Particularly, in an uncertain business environment, it prepares a new future by advancing its key competencies from a long-term perspective and achieving a better balance between financial and non-financial performance. The better future that the new LOTTE will bring is to be completed with ESG innovation that is beneficial to everyone.

The better future that the new LOTTE will bring is to be completed with

ESG INNOVATION THAT IS BENEFICIAL TO EVERYONE.

LOTTE ESG, EXECUTING WITH EXCELLENCE

With a new perspective based on ESG, LOTTE is creating its own differentiated success formula that the new era demands. With our extraordinary execution capability, we add value to ESG, make the value sustainable, and connect it to our corporate value, thereby staying ahead of others to a beneficial future.



Adding Belonging to DEI

We add value to our company by leveraging DEI as a competitive advantage within our organization.



Reducing to Net-Zero

We strive to reduce our impact on the global environment to minimum, thereby winning the race towards carbon neutrality.



Doubling Down on Innovation

We create a new future that benefits everyone through bold and sustainable innovations that break the mold.



Shared Goals

We share the common goal for the new future that the new LOTTE is shaping.


DEI PROGRESS

Adding Belonging to DEI



WE BELONG IN DIVERSITY.

LOTTE Group respects and embraces the different thoughts of diverse talents, and the values of diversity, equity, and inclusion (DEI) have become our corporate culture and differentiated competitiveness. We are now taking a step beyond simply embracing diversity; we aim to enhance employees' sense of belonging and create new value in DEI initiatives. With connecting DEI values with a sense of belonging, LOTTE employees accelerate change and innovation toward a "New LOTTE."



LOTTE DEI



A workplace without discrimination is the future competitiveness of a company. LOTTE is eradicating all forms of discrimination on the grounds of differences and creating an organizational culture with a tighter DEI. Diverse team members will collaborate to build a company that everyone aspires to work for by fostering inclusivity and enhancing connections—a place employees are proud to be part of, where individual growth contributes to the overall success of the organization.

Dong-Woo Lee
CEO, LOTTE Corporation



WHY IT MATTERS?

DEI, which stands for diversity, equity, and inclusion, has recently emerged as a key word in corporate management. Leading global companies have created dedicated DEI departments, managing it as a key performance indicator. The level of interest from stakeholders is also very high so that companies are publishing a separate report on the related efforts and achievements. This commitment reflects a respect for diverse talents and a dedication to providing equitable opportunities based on DEI principles. A corporate culture that acknowledges and values differences not only boosts productivity and creativity but also enhances the organization's reputation and competitiveness. Research results from a number of global consulting companies also show that teams with diversity make better decisions and achieve higher performance than those without diversity, and that companies that practice DEI well have higher customer loyalty than those that do not. Therefore, practicing DEI goes beyond corporate social responsibility, and it is business competitiveness and a driving force for better innovation.

HOW LOTTE RESPONDS

Talent is the asset of a company. When we respect the diverse thinking of our employees, embrace each other's differences, compete fairly, and provide equal opportunities, talent goes beyond assets and becomes a company's sustainable competitive edge. LOTTE Group recognizes that DEI is a very important factor in enhancing corporate value, and approaches it strategically and manages it systematically. In order to realize the value of DEI, we have established policies in accordance with global initiatives and standards and is establishing a solid implementation system, and carrying out various activities to ensure that DEI becomes a healthy organizational culture of LOTTE Group. Based on diversity, we are creating a working environment where each employee can fully demonstrate their capabilities, and further enhancing the communication and cooperation capabilities so that each individual's diversity can be connected to bring about creative change and innovation. As a result of these efforts, LOTTE Group has made consistent progress in expanding diversity, including gender equality, over the past decade since the implementation of the Diversity Charter, leading to noticeable changes.



FIRST



KEY DEI MILESTONES

In 2013, LOTTE Group became the first Korean company to stipulate and declare a diversity charter. The LOTTE Group Diversity Charter, which recognizes the diversity of its employees and eliminates discrimination, consists of detailed items on respecting gender, cultural, physical, and intergenerational diversity.

10th

ANNIVERSARY



The WOW (Way of Women) Forum, which started in 2012 to help female leaders grow and increase their self-esteem, has evolved into the "LOTTE Diversity Forum" to mark its 10th anniversary in 2021. The Diversity Forum, which has expanded topics beyond gender to include generations, disabilities, and global areas, has positioned itself as a venue for communication to build a culture of diversity that is the foundation for organizational innovation.

100%



After successfully implementing the "automatic parental leave system" for female employees post-maternity leave and the "mandatory parental leave system" for male employees during their spouses' childbirth, LOTTE Group has achieved a parental leave utilization rate of 100% for women and 90% for men.

ESTABLISHMENT OF DEI MANAGEMENT SYSTEM





DEI Policy

LOTTE Group acknowledged the importance of DEI (Diversity, Equity, Inclusion) ahead of its peers, becoming the first Korean company to declare the Diversity Charter in 2013. This charter emphasizes respect for the gender, cultural, physical, and generational diversity of its employees while committing to eliminate discrimination. LOTTE Group's Diversity Charter is applied throughout the Group, including hiring and fostering employees, communication programs, and overseas business, to establish a corporate culture that embraces diversity, leading LOTTE Group's creativity and innovation.

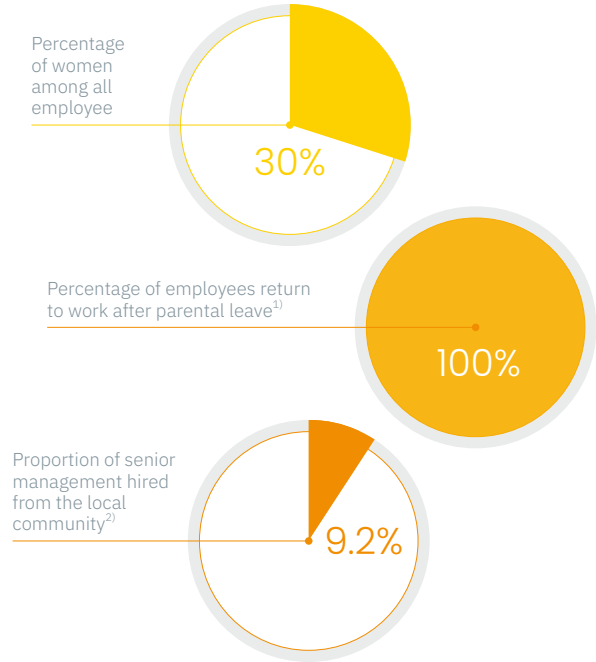
LOTTE Group also respects human rights, the basic rights and freedoms granted to all people, and strives to create an organizational culture in which employees can show their capabilities and trust each other without any prejudice or illegal discrimination. To respect human rights and spread DEI culture, LOTTE Group enacted the "LOTTE Group Statement on Human Rights" in 2022 and disclosed it to stakeholders through its website. LOTTE Group Statement on Human Rights is based on international human rights principles and norms, including the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, and UN Convention on the Rights of the Child, and presents standards for correct behavior and value judgment that all employees of LOTTE must observe in the course of management activities and business performance.

Diversity Charter

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

<p>1 We respect gender diversity.</p>  <p>We shall provide equal opportunities to men and women, offer active support so that they can sufficiently demonstrate their capabilities within the organization, and take the lead in implementing women-friendly systems, including childbirth and infant care.</p>	<p>2 We respect cultural diversity.</p>  <p>We shall take the lead in transcending nationality and race when recruiting and fostering talent who will lead our global business, and do our best to establish an open organizational culture so that our employees can unlock their full potential.</p>	<p>3 We respect physical diversity.</p>  <p>We shall embrace physical differences due to innate, acquired disabilities and provide optimal working environments so that our employees can demonstrate their unique skills. We also shall fulfill our social responsibilities and thus feel a sense of accomplishment in contributing to the company and society.</p>	<p>4 We respect generation diversity.</p>  <p>We shall strive to establish an organizational culture of communication and harmony where our employees can freely express their opinions and take action, irrespective of their job position and age.</p>
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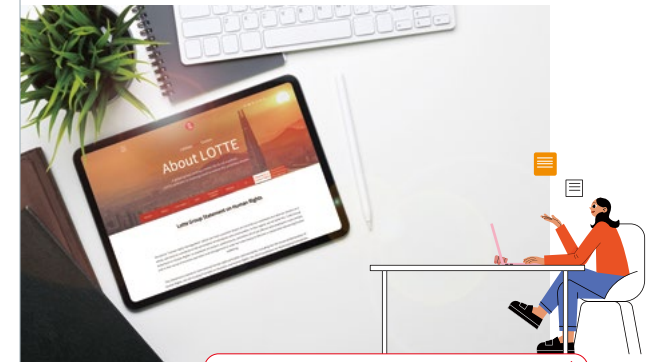
KEY DEI HIGHLIGHTS



* Based on LOTTE Corporation in 2023

¹⁾ Based on male employees

²⁾ Total number of full-time employees higher than executive level (domestic equivalent grade M) among full-time employees at overseas workplaces



Lotte Group Statement on Human Rights →

CREATING DEI CULTURE

Corporate Culture that Respects Diversity

In 2019, LOTTE Group officially endorsed the UN’s Women’s Empowerment Principles (WEPIs), and has been promoting job diversity for women, creating a pipeline for female leaders, and implementing leadership development programs for women with the goal of not only increasing the number of female talents but also fostering their qualitative growth over the mid- to long-term. Since 2014, we have been operating the “female leader mentoring program” in which female executives become mentors for female executives, and has been supporting self-directed learning of female talents. Thanks to these efforts, as of the end of 2023, the number of female employees increased more than twice over the past 10 years since we declared the LOTTE Diversity Charter, and the number of female executives has also increased five-fold.

LOTTE Group has been steadily expanding its international presence since launching its overseas business in 2006, operating various ventures in 26 countries worldwide as of 2023 year-end. In 2023, there were approximately 49,000 locals working in overseas subsidiaries, and LOTTE Group held the “Global HR Conference” last August with the goal of enhancing local employees’ sense of belonging to LOTTE and strengthening the management capabilities of overseas subsidiaries. In the process of expanding local recruitment moving forward, we will do our best to manage DEI, thereby strengthening the sense of belonging of its employees and the bond with the local community, and the company will strive to ensure that these efforts lead to an increase in the competitiveness of overseas subsidiaries and the corporate value of LOTTE Group in the mid to long term.

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 (LOTTE Hotels&Resorts)

- Smile With – dishwashing

Corporate Culture that Embraces Persons with Disabilities

Since 2019, LOTTE Group has developed and implemented a plan to increase employment opportunities for persons with disabilities, positively impacting job creation and social integration. The employment rate for persons with disabilities at LOTTE Group was 3.14% in 2021, 3.16% in 2022, and 3.20% in 2023, surpassing the average for large companies. For instance, Canon Korea, which operates “Angel With,” a standard workplace for persons with disabilities¹⁾, achieved an employment rate of 7.62%. Additionally, LOTTE Wellfood, LOTTE Chilsung Beverage, and HOTEL LOTTE (LOTTE Hotels&Resorts) are contributing to job creation through standard workplaces for individuals with disabilities. The Group affiliates like LOTTE Chemical are further supporting stable employment by establishing in-house cafes and hiring baristas with disabilities. Through these efforts, LOTTE Group is promoting economic independence for people with disabilities and fostering an inclusive culture where both disabled and non-disabled individuals can work together.

¹⁾ Standard Workplaces for Persons with Disabilities: A workplace that employs a large number of people with disabilities who have difficulty getting job in the general labor market and an enterprise model for employment of persons with disabilities creating stable jobs for people with difficulties and creating a foundation for social integration

Activities for the Creation of DEI Culture

LOTTE Group is carrying out various activities for the DEI value to become LOTTE’s competitiveness and corporate culture. The LOTTE Diversity Forum, which started in 2012 and marked its 12th anniversary in 2023, is a venue for communication held every year to create an inclusive corporate culture and increase employees’ sense of belonging, and under the slogan “We Belong in Diversity,” we delivered a message that it is important not only to embrace diversity but also to increase the sense of belonging and connection of our employees in 2023. Approximately 1,100 employees who attended the forum listened to expert lectures on diversity, exchanged opinions through talks and participatory plays, and sought ways to increase connections among employees.

Moreover, LOTTE Group is making continuous efforts to ensure that various generations can respect and cooperate with each other to create greater results. Through LOTTE SSUL TV, our corporate culture YouTube channel, content is shared to help one generation understand another. Additionally, we foster communication and harmony across generations by establishing Junior Boards for each Group affiliate, centered around employees in their 20s and 30s. In 2023, 310 members of Junior Board presented 264 ideas for improving organizational culture, and in 2024, it plans to expand opportunities to include opinions of junior employees in the company’s decision-making process.



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



Creating a Happy Organizational Culture →

▶ 2023 LOTTE Diversity Forum

OVERALL



When the LOTTE Diversity Charter was created in 2013, I participated as a member of the project, and I am amazed that it has already been over 10 years. I think that diversity is the foundation of organizational culture and the driving force behind new innovation and opportunity creation. I believe that if we reflect on the purpose and goal of the Diversity Charter once again and achieve qualitative growth in diversity, we will be able to face a better future.

Jin-sung Kim
Vice President, Retail HQ

GENDER



When I joined LOTTE Engineering & Construction Co as a new hire 20 years ago in 2003, I worried that, as a woman, I may face unequal evaluations compared to my male colleagues. However, many female talents have shown outstanding performance in their duties and creating an organizational culture without a glass ceiling, and as the first female executive at LOTTE Engineering & Construction, I am sure that I can create value that exceeds customer expectations with the flexibility and quick adaptability of women.

Jung-min Lee
Vice President, LOTTE E&C

GENDER



LOTTE Group is the first large company in Korea to operate a mandatory parental leave system for men. It may be unfamiliar that male employees use parental leave, but at LOTTE, a total of 6,508 people have used parental leave by 2022 since it was introduced as a mandatory system in 2017, and the usage rate has reached 90%. As a late father, I also benefited from the system, which allowed me to spend valuable time with my family.

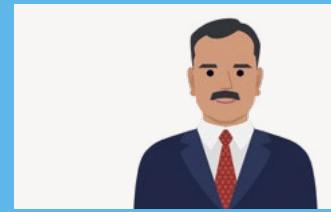
Chang-hoon Park
Senior Manager, Chemicals HQ

EMPLOYEE VOICE

WE BELONG IN DIVERSITY+

The 2023 LOTTE Diversity Forum, which took place at the Osan Campus of LOTTE Academy on November 17, 2023, was a venue for festival where diverse talents confirmed the corporate culture united with a sense of belonging. LOTTE Group will continue to make unified efforts among all employees to create a qualitative growth in diversity.

GLOBAL



Prejudice and discrimination are obstacles to the healthy growth of individuals, companies, and further our society, and diversity is the power that can counter them. Additionally, it is essential to respect the diversity of employees in creating an inclusive and harmonious corporate culture. I think the best way for LOTTE to become a truly global company is to become an example of diversity inclusion.

Milan Wahi
Managing Director, LOTTE Wellfood

GENERATION



In order to acknowledge differences between generations and understand each other, I think it is very important to have a channel to communicate naturally with each other. At the corporate level, LOTTE Group is preparing various communication channels to narrow the gap caused by the lack of communication between generations and expand the scope of cooperation, and among them, I think that the junior board and monthly meetings with the CEO are very effective communication channels.

Dong-jin Choi
Senior Associate, LOTTE Chilsung Beverage

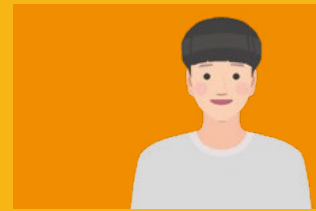
GENERATION



LOTTE Cultureworks is an organization that allows free communication between generations, where people listen to the opinions of new hires like me, and I am learning a lot from experienced seniors. If we acknowledge diverse individuals as they are, I think it can lead to positive outcomes both socially and in terms of corporate profitability.

Ha-yeong Lee
Associate, LOTTE Cultureworks

DISABILITY



After participating in the declaration ceremony to announce LOTTE Diversity Charter in 2013, I once again participated in the Diversity Forum as a representative of the disabled in 10 years. I believe this clearly demonstrates LOTTE's strong commitment to its employees with disabilities. I believe that the corporate culture that emphasizes the value of "companion" rather than "sympathy" is the image of LOTTE that dreams of a better future, and I expect that the culture of respect for diversity will become a differentiated competitive edge.

Yang-hoon Song
Associate, Canon Korea

Reducing to Net-Zero



WE ACCELERATE THE PACE OF RACE TO NET ZERO.

LOTTE Group is well aware that the transition to a decarbonized society is a common task that humanity is facing and a race that must be completed by working together globally. To prevent the climate crisis from reaching an irreversible tipping point, LOTTE Group is gathering the capabilities of all Group affiliates and the will of all employees. In a race that we must win for the future of humanity, LOTTE Group will continue to reduce its carbon footprint until net emissions reach zero.

LOTTE NET-ZERO



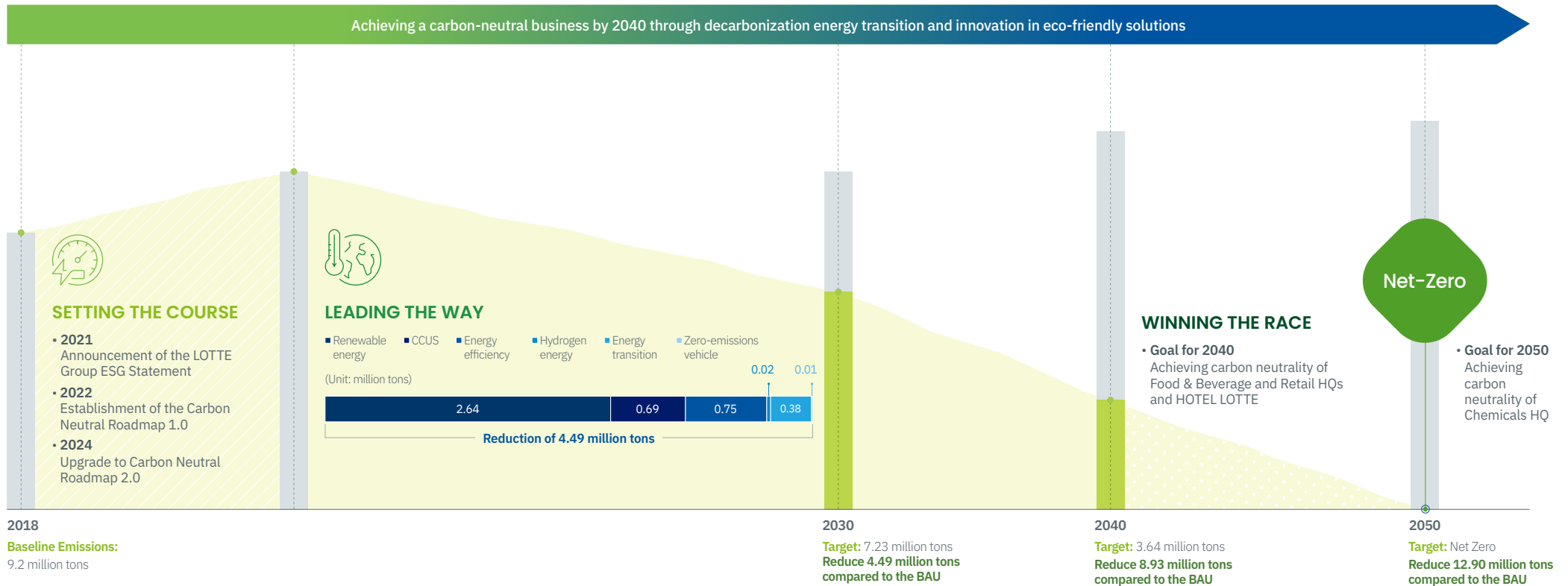
WHY IT MATTERS?

According to the World Meteorological Organization (WMO), the earth's average temperature in 2023 reached an all-time high, 1.45°C (±0.12°C error) higher compared to pre-industrialization times. This is close to the Paris Agreement's target of 1.5°C, which means that stronger and more specific climate action is required to prevent an irreversible climate change point. In the era of climate crisis, carbon neutrality has gone beyond an environmental issue and emerged as an international norm promoted by the entire world and an essential growth strategy for sustainable growth, the drive for carbon neutrality is being accelerated at the corporate and national levels.

HOW LOTTE RESPONDS

As a global company operating internationally and a responsible corporate citizen, LOTTE Group is actively engaged in the global effort for carbon neutrality. After acknowledging the climate crisis as a shared responsibility for humanity and committing to achieve carbon neutrality by 2040 in 2021, LOTTE Group established the Net Zero TFT to develop and verify detailed reduction plans. Building on this foundation, we launched the Carbon Neutral Roadmap 1.0 in 2022. In 2023, the roadmap was updated in accordance with environmental changes, and in early 2024, it was upgraded to Carbon Neutral Roadmap 2.0 to promote carbon neutrality based on economic feasibility and viability.

LOTTE CARBON NEUTRAL ROADMAP 2.0



NET-ZERO IMPLEMENTATION DIRECTION

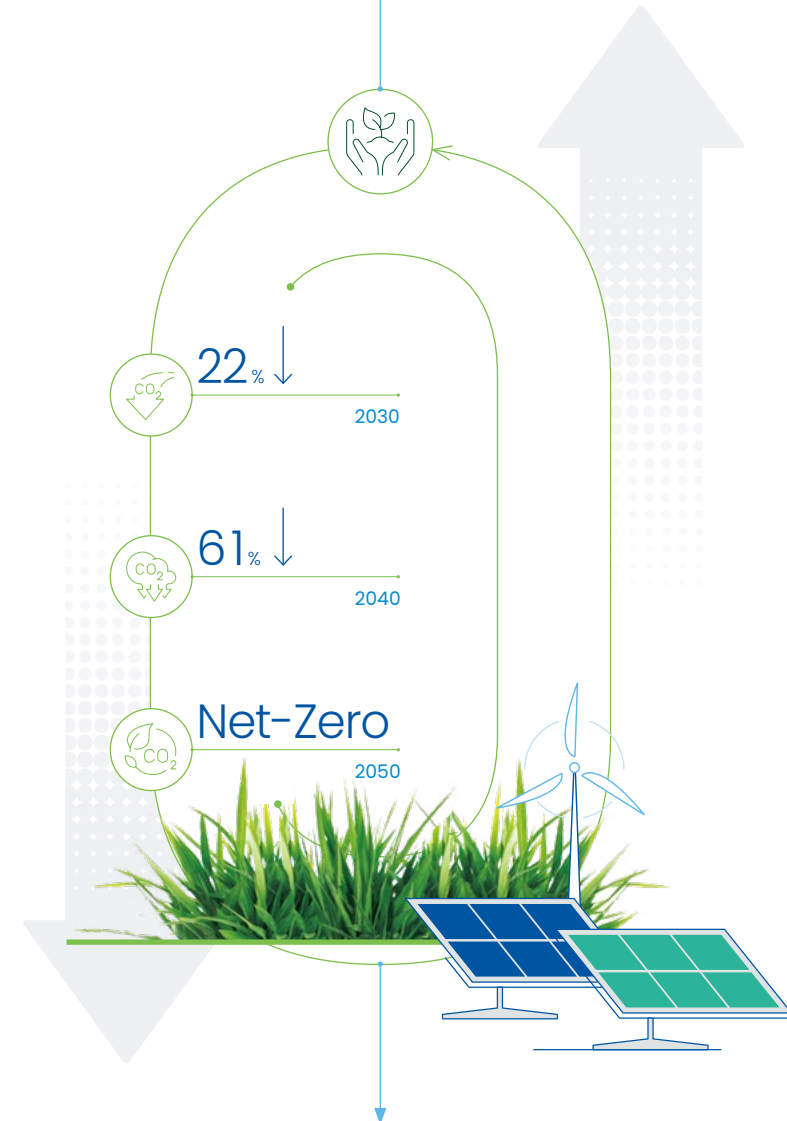
In September 2022, LOTTE Group established Carbon Neutral Roadmap 1.0, which aims to achieve the carbon neutrality by 2040¹⁾ by centering on the major companies in the Group. In 2023, we established the Carbon Neutral Roadmap 2.0 by updating the existing roadmap to reflect changes in our management environment, such as policy changes including electricity rate increases, business plan updates, and demands for optimization of reduction technology, and at the same time, proactively responding to climate change disclosures, and reported it to the ESG Committee in March 2024. According to the Carbon Neutral Roadmap 2.0, LOTTE Group aims to reduce greenhouse gas (GHG) emissions generated at our domestic business sites by 22% by 2030 and 61% by 2040 compared to 2018. We also aim to gradually achieve carbon neutrality at all business sites by 2050 and are preparing and implementing detailed reduction plans to achieve those goals.

¹⁾ Excluding Chemicals HQ. Chemicals HQ's net-zero target year: 2050

We selected the improvement of energy efficiency, CCUS, renewable energy, energy transition, hydrogen energy, and the switch to zero-emissions vehicle as 6 major reduction measures, and each company in the Group promoted realistic and effective reduction activities. At the Group level, we formed the Eco-friendly Management Task Force Team to set carbon reduction goals, established short- and mid-to-long-term reduction plans, and evaluated the implementation performance of each Group affiliate. In addition, we manage carbon neutrality as an ESG KPI and focus on advancing our climate change response, resulting in achieving an additional 9.3% reduction in carbon emissions compared to our 2023 target.

Moving forward, LOTTE Group will continue to advance and systematize our roadmap according to the changing climate change agenda as well as changes in policy and technology to faithfully implement the carbon neutrality goal promised to our stakeholders.

LOTTE Climate Change Response System



NET-ZERO MANAGEMENT SYSTEM

Net-Zero Strategy

Reduction Strategy

In accordance with the newly updated Carbon Neutral Roadmap 2.0, LOTTE Group will reduce carbon emissions by 4.49 million tons compared to the business as usual (BAU) by 2030 and achieve carbon neutrality for the Group affiliates in Food & Beverage and Retail HQs and HOTEL LOTTE by 2040. With regard to the Chemicals HQ, we aim to reach carbon neutrality by 2050 in consideration of technology levels. To achieve this goal, we have established a reduction strategy centered on six major reduction measures and have prepared an implementation plan by linking the six major reduction measures to four pillars – energy efficiency, transition to decarbonization energy, green solution innovation, and leading the green industry platform.

LOTTE Group's carbon emission reduction strategy focuses on energy efficiency and energy transition, and in addition to this, we plan to achieve green growth by utilizing LOTTE's technological capabilities, such as hydrogen energy, carbon capture utilization and storage (CCUS), and eco-friendly mobility. Specifically, by 2030, we will focus on the external procurement of renewable energy through long-term power purchase agreement (PPA), while accelerating carbon neutrality by developing innovative new technologies, applying large-scale CCUS facilities, and expanding hydrogen energy. In connection with the Carbon Neutral Roadmap, each Group affiliate is also promoting the introduction and expansion of new and renewable energy. As of the end of 2023, the Group affiliates installed solar power generation facilities with a capacity of 25.37 MW inside their premises, and these facilities can produce 23,445 MWh of electricity annually.

LOTTE Group's Installation of Photovoltaic Power Generation as of 2023

Power generation capacity


25.37 MW

Estimated power generation

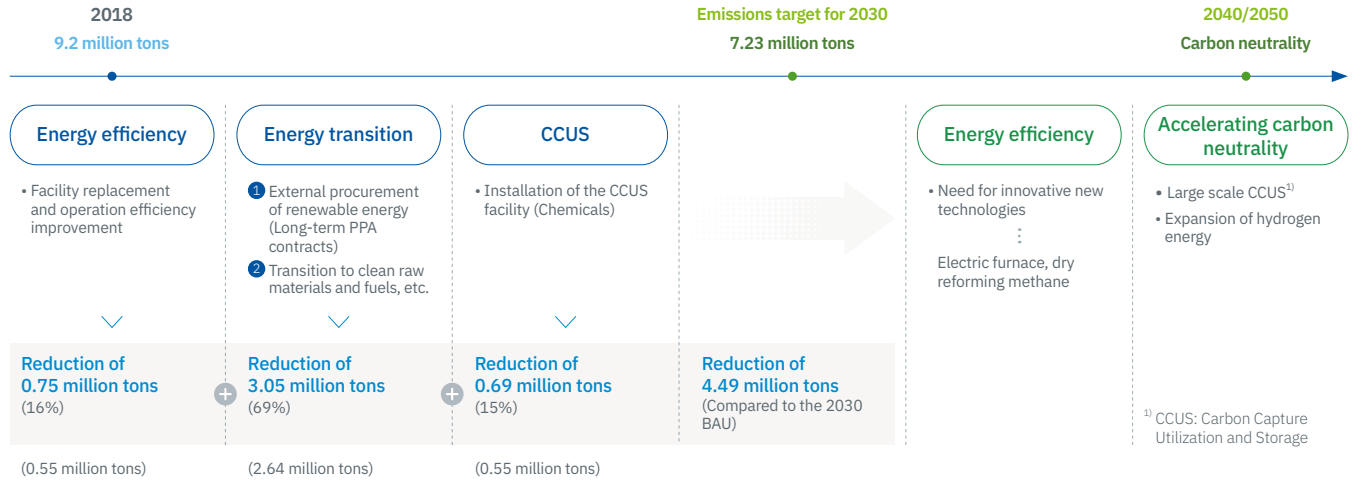
23,445 MWh

* 11 companies

LOTTE Global Logistics, LOTTE Property & Development, LOTTE Versalis Elastomers, LOTTE 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)



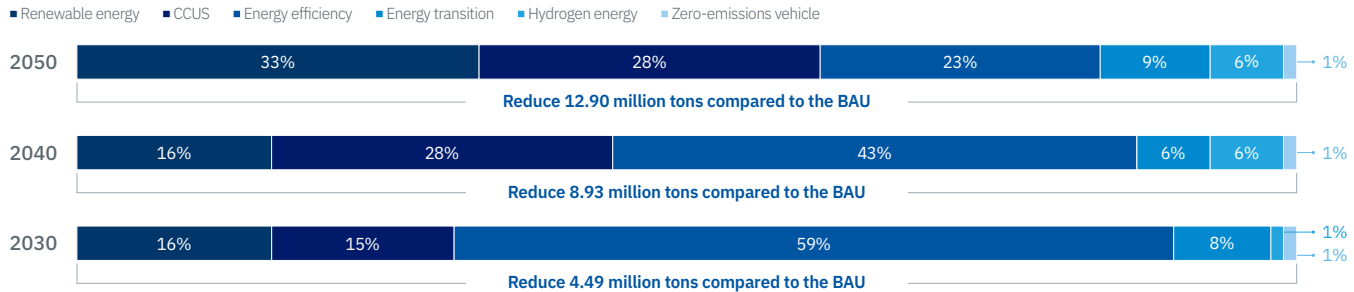
Carbon Neutral Strategy by Phase

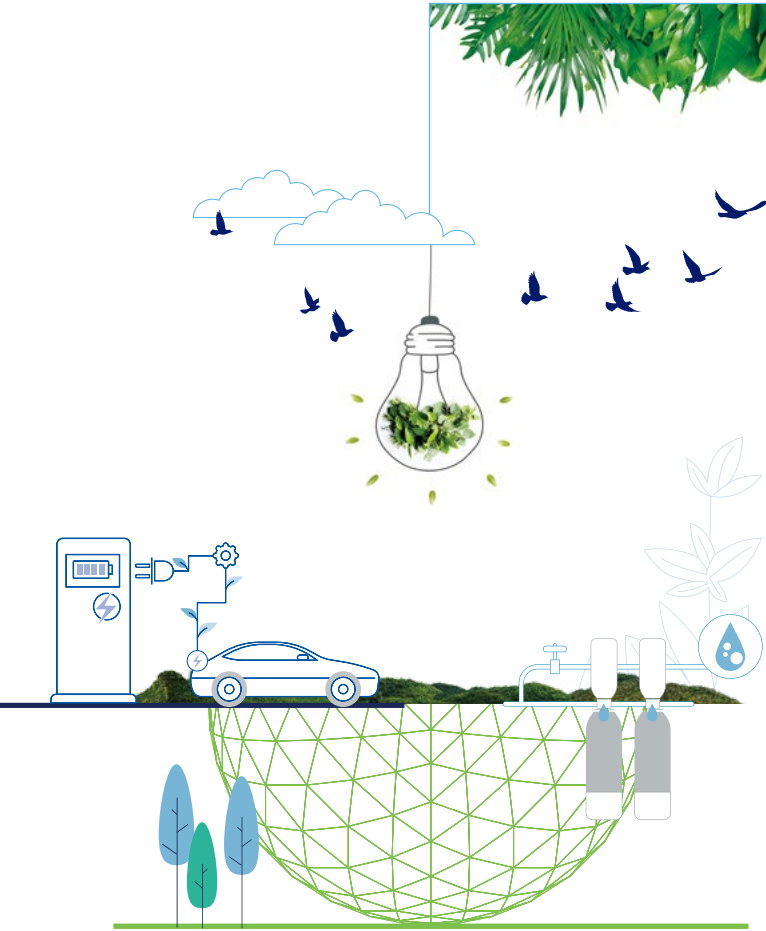


Mid- to Long-term Strategy for Climate Change Response



Plans by Key Reduction Measures





Net-Zero Governance

LOTTE Corporation has established the ESG Committee under the BOD, the company's highest standing decision-making body, and reports and decides on major agendas across ESG management, including response to climate change. As the main decision-making body responsible for responding to climate change, the ESG Committee presents direction in establishing LOTTE Group's Carbon Neutral Roadmap and supports monitoring and related decision-making on ESG risks managed by LOTTE Corporation. In 2023, the ESG Committee discussed environmental issues such as operating the Group's Eco-friendly Management Task Force Team, public disclosure of environmental data on holding company, management of ESG indicator data, and advancement of LOTTE Environment & Energy Total Service (LETS).

LOTTE Corporation has formed the Eco-friendly Management Task Force Team in which environment and energy experts from 14 Group affiliates participate to advance the Group's carbon neutral management, internalize environmental management, and strengthen capabilities by 2023. The Team is responsible for managing and updating the implementation of the carbon neutral roadmap, implementing environmental management, and training environmental experts within the Group, and the key achievements in 2023 include the expansion of renewable energy within the Group and the promotion of full-scale resource circulation commercialization. Additionally, it developed the Group environmental indicators and conducted data verification and monitoring to proactively respond to external environmental evaluations.

Climate Risk Management

LOTTE Corporation has comprehensively analyzed the impact of risks and opportunities due to climate change on its business and is systematically establishing response plans. In 2023, according to the recommendations of the TCFD (Task Force on Climate-Related Financial Disclosure), we divided climate change issues into transition risks and physical risks, and subdivided the two risks by type to review the major financial and non-financial impacts on the business. Moving forward, we plan to continuously manage climate risks so that they can be reflected in business plans and strategies in the mid- to long-term, considering the importance and necessity of carbon neutrality and the increasing economic and social losses due to abnormal climate.

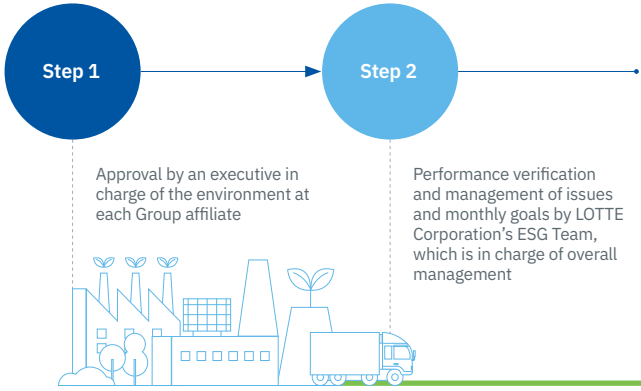
Category	Issues	Financial Risk	Opportunity	
Transition Risk	Policy/Regulation	Renewable energy transition	Short-term increase in procurement costs	Utilizing carbon neutral reduction measures
	Acute	Response to domestic and international regulations	Strengthening compliance costs, including expansion of carbon regulations and climate disclosure obligations	Performance to implement carbon neutrality
Physical Risk	Acute	Disasters such as cyclones, flooding, etc.	Maintenance costs at the workplace	
	Chronic	Steady rise in average temperature	Increased direct and indirect management costs at the workplace	

Net-Zero System

LOTTE Group operates the LETS system and systemizes and systematically promotes overall tasks related to environmental data, including greenhouse gas and energy management, emissions trading, and management of environmental pollution indicators. LOTTE Group's major Group affiliates settle and verify their monthly energy usage and greenhouse gas emissions through the LETS system. The related results are reported to executives in charge of each Group affiliate, and the Group's Eco-friendly Management Task Force Team is also striving to manage environmental data more systematically by verifying performance once a year and delivering feedback.

LOTTE Corporation, aiming to enhance its ESG management through 2023 and 2024, developed the Group ESG Standard Indicators in 2023 by integrating global ESG disclosure and evaluation metrics. Starting in January 2024, the company has been working on incorporating additional indicators and the carbon neutral roadmap into the system. The advancement of the LETS system is expected to increase convenience, including scalability and work efficiency in ESG data management, and based on this, LOTTE Corporation plans to promote the establishment of the Group ESG integrated platform.

GHG Emissions Reporting Process

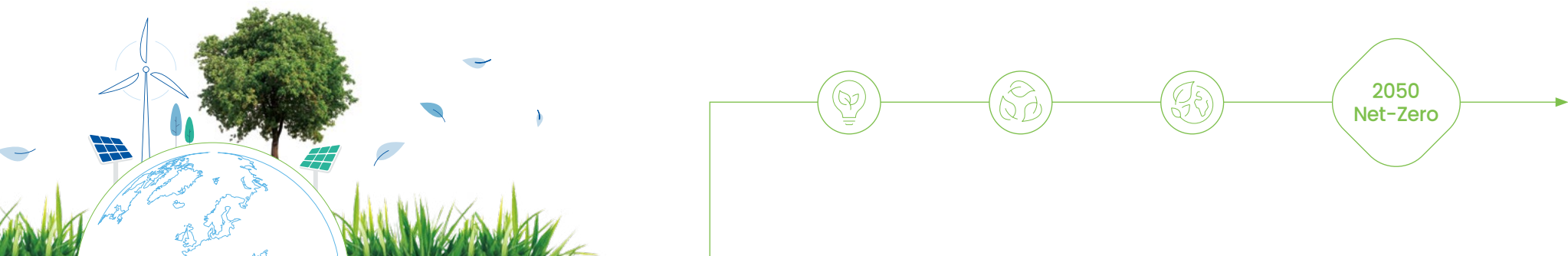
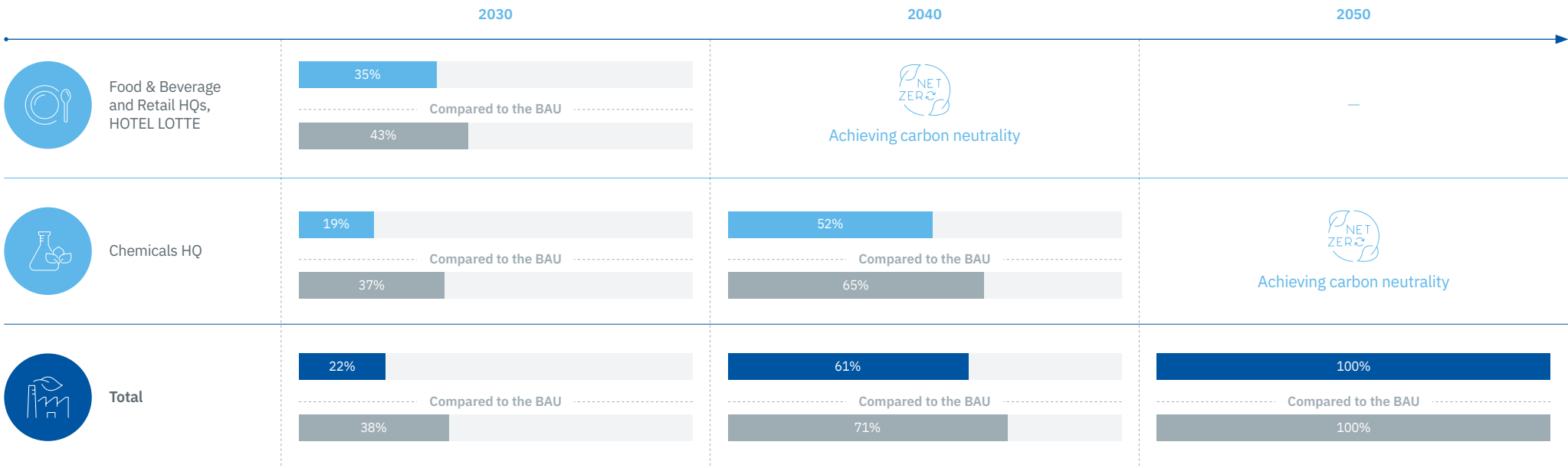


NET-ZERO METRICS AND TARGETS

Carbon Emissions Targets and Performance

LOTTE Group's total carbon emissions in 2023 were 4,437 thousand tons of Scope 1 and 4,442 thousand tons of Scope 2, a total of 8,879 thousand tons. This represents a significant reduction, with an additional 9.3% decrease compared to the emission target, outperforming for two consecutive years from 2022.

LOTTE Group's Carbon Neutrality Achievement Rate (compared to 2018)





LOTTE Global Logistics, Securing Renewable Energy

LOTTE Global Logistics is actively promoting the transition to eco-friendly energy. It signed a PPA contract with a power generation business operator in December 2022 to install a 6.9 MW solar power generation facility in the idle space above the logistics center and use the electricity generated by this at the logistics center. It began a full-scale operation in the first half of 2023, and as a result, LOTTE Global Logistics was able to reduce GHG emissions by 1,080 tCO2 in 2023.



LOTTE Group, Participated in World Climate Industry Expo

LOTTE Group participated in the World Climate Industry Expo (WCE) held at BEXCO in Busan in May 2023 and introduced the Group's carbon neutral activities and its future business to realize carbon neutrality. Under the theme of "Moving Forward, Together," 16 Group affiliates operated the LOTTE Group Hall to introduce eco-friendly leading technologies such as hydrogen energy and oxygen capture, as well as resource virtuous cycle products and green campaigns that can be encountered in everyday life to let people know about our carbon neutral activities.



LOTTE Chemical, Launched ECOSEED

LOTTE Chemical launched "ECOSEED," a virtuous resource cycle plastic material brand, in September 2023. ECOSEED has a product line that can recycle most of the plastics used in everyday life, and can provide customized solutions based on excellent technology. The brand identity that utilizes the shape that a seed sprouts and the infinity symbol that symbolizes a virtuous cycle embodies LOTTE Chemical's will to make ECOSEED a sustainable seed that realizes the circular economy.



LOTTE Shopping, Joined SBTi

LOTTE Shopping established a carbon neutral roadmap in 2022 and joined the Scientific Base Reduction Target Initiative (SBTi) for the first time as a domestic retailer in April 2023 to secure objectivity in climate change response goals and strategies. The company then calculated and submitted its carbon neutrality goals and carbon emissions data in accordance with SBTi standards and is currently awaiting final approval for membership. Additionally, LOTTE Shopping announced its support for TCFD in March 2023 and released its first TCFD Report in August of the same year.



LOTTE Wellfood, Joined Global RE100

LOTTE Wellfood joined RE100, a global initiative that aims at using 100% of renewable energy in April 2023 to achieve carbon neutrality by 2040. LOTTE Wellfood currently utilizes solar power generation at eight production plants and is in the process of constructing additional renewable energy facilities at its locations. Additionally, it plans to achieve RE100 at all workplaces by 2040 by procuring new and renewable energy through various methods, such as purchasing PPA and Renewable Energy Certificates (REC).



KEY ACTIONS

WE MUST WIN THE RACE TO NET → ZERO.

The global race toward carbon neutrality has begun, and what is important in this must-win race is cooperation, not competition. The Group affiliates in various business areas that make up the LOTTE Group are running together in the right direction, using the Group's Carbon Neutral Roadmap as a guide and demonstrating the capabilities of each affiliate.

FUTURE GROWTH PROSPECTS

Doubling Down on Innovation



WE ESTABLISH A FRAMEWORK FOR DISRUPTIVE INNOVATION TO DRIVE NEW GROWTH.

LOTTE Group is building growth momentum by finding new growth opportunities behind the rapidly changing business environment and boldly putting them into action. In 2022, LOTTE Group selected four new growth domains to enhance corporate value and transition to a sustainable growth system, and in 2023 when we entered an era of constant crisis, we focused on strengthening business competitiveness for each domain to secure differentiated success methods that fit the new management environment.

Bio & Wellness

Mobility

Sustainability

New Life Platform



Bio & Wellness

LOTTE Group is fostering businesses focusing on bio CDMO, senior town, and food tech-based new businesses among various business opportunities in the Bio & Wellness domain.

LOTTE Corporation founded its subsidiary, LOTTE Biologics, in June 2022 and is focusing on securing its business competitiveness through acquisition and establishment of production facilities with the goal of becoming a Global Top 10 Bio CDMO by 2030. HOTEL LOTTE launched VL (Vitality & Liberty), a premium senior residence brand, by consolidating LOTTE's life care know-how. As a senior residence run directly by the hotel, VL plans to provide high-quality service, systematic medical care, and professional leisure programs. In the food tech-based new business, the home meal replacement (HMR) business is to be expanded by combining the capabilities of the group between the Retail HQ and the Group affiliates in the Food & Beverage HQ, while in the mid- to long-term, we are preparing to lead the future food market by making in-house efforts to develop next-generation food materials such as alternative proteins and conducting corporate investments.



Mobility

LOTTE Group is fostering its businesses focusing on electric vehicle (EV) charging infrastructure, future mobility software, and smart logistics among new business opportunities arising from mobility services.

In 2022, LOTTE Innovate acquired EVSIS, a leading domestic EV charger manufacturer, to secure capabilities covering the entire value chain from the manufacture to the operation of chargers. Additionally, with the completion of the new EVSIS factory in Cheongju in February 2024, it has a production capacity of approximately 20,000 EV chargers, and is expanding its business based on this competitiveness. Meanwhile, as the future mobility industry is rapidly changing to software-centered industry, LOTTE Innovate is focusing on securing technology capabilities related to autonomous driving and transportation infrastructure. In order to realize smart logistics, LOTTE Global Logistics participated in the "delivery service pilot project using outdoor delivery robots" hosted by the Korea Institute for Robot Industry Advancement and successfully completed the first phase of the pilot project and plans to participate in the second phase of the pilot project with the goal of providing a service that enables robot delivery to the customer's front door.



Sustainability

LOTTE Group is fostering businesses focusing on secondary battery materials, next-generation batteries, hydrogen, and eco-friendly materials among the business opportunities created by changes for sustainable development.

The secondary battery materials business is expanding mainly in the chemical group in line with the growing demand for batteries and eco-friendly mobility. Through the acquisition of LOTTE Energy Materials (formerly Ijin Materials) in 2023, it has completed the business portfolio for the four major lithium-ion battery materials (anode materials, cathode materials, separators, and electrolyte organic solvents) and is preparing the next-generation battery materials (solid electrolyte, lithium metal cathode, vanadium liquid electrode). The hydrogen business is also led by the chemical group, and LOTTE Chemical has established joint ventures, such as LOTTE SK Eneroot and LOTTE-Air Liquide Ener'Hy, with leading domestic and foreign hydrogen business companies and is pursuing the expansion of the hydrogen supply chain and construction of hydrogen infrastructure to start the hydrogen business in earnest. LOTTE Chemical also launched "ECOSEED" in 2023, a resource virtuous cycle plastic material brand, and plans to continuously expand green business that can reduce carbon.



New Life Platform

LOTTE Group is fostering businesses focusing on metaverse, contents, AI-based new businesses, and unmanned platforms among the business opportunities created by digital technology innovation.

LOTTE Innovate launched "CALIVERSE," an ultra-realistic metaverse platform, at CES 2024. In the future, it plans to lead the business transformation of future industry by establishing itself as a window to connect the virtual world and reality by utilizing CALIVERSE's unique technology. LOTTE Group is also promoting a new content business utilizing various assets within the group, centered on LOTTE Corporation. The content business is to provide content experiences by planning products, services, and spaces linked to IP, and plans to develop a business model that can increase LOTTE's asset value through partnerships with leading content IP companies. Meanwhile, LOTTE Corporation established an AI TF in September 2023 to discover and foster future businesses using AI, and is strengthening its business competitiveness by reviewing the Group's AI strategic direction and analyzing and planning ways to utilize AI for each Group affiliate.





UNVEILING THE NEW FRONTIER OF BIOTECH INNOVATION



Brochure of LOTTE BIOLOGICS



Global Top 10 CDMO

Based on the capabilities of successfully entering the CDMO market within 7 months of the establishment, developing the business with the goal of becoming a global top 10 CDMO



360,000 L

Songdo Bio Campus, targeting antibody drug production scale by 2030



2023 MILESTONES

LOTTE BIOLOGICS is rapidly growing as a new growth engine for the group through active investment and fostering by LOTTE Corporation.

In January 2023, it entered the bio CDMO business in earnest by successfully completing all acquisition procedures for the biopharmaceutical production plant of BMS of the U.S. Through this, it secured not only a production facility of 40,000 liters but also manpower with experiences in GMP, and to respond to the rapidly growing ADC (Antibody-Drug Conjugates) market, it is building ADC production facilities with the goal of full-scale production in 2025. Additionally, to secure global business competitiveness, it plans to secure a total of 360,000 liters of bio-CDMO capacity by building a total of three bio plants by 2030 starting with the first plant in the Songdo Bio Cluster in 2024.

FUTURE PLANS

LOTTE BIOLOGICS intends to focus on three areas: securing production capacity, securing competitiveness in receiving orders, and stabilizing operations in 2024. To secure production capacity, it plans to promote the construction of the Songdo Bio Campus in earnest while focusing on expanding ADC services. In order to secure competitiveness in receiving orders, it plans to focus on performance management, strengthening market intelligence capabilities, and establishing an ESG management system. Additionally, to stabilize operations, the company plans to focus on not only ensuring production stability but also strengthening its internal infrastructure. By establishing a personnel system and upgrading the management system through these key initiatives, it aims to enhance corporate value and make progress toward achieving its global CDMO goals visible.

LOTTE BIOLOGICS also strives to create sustainable value. Songdo Bio Campus will also be built as a global CDMO factory that goes beyond simple production facilities and realizes the company's mission of "Delivering Therapies that Enable a Healthier World", the value of innovative solutions for a better life for humanity. Additionally, by establishing a Bio-Venture Initiative for startups and venture companies in the factory complex, it will contribute to the establishment of a virtuous cycle structure of the bio industry ecosystem by actively supporting the commercialization of new drug development technologies by small and medium-sized companies at the idea stage.



AI TRANSFORMATION



UNLOCKING THE FULL POTENTIAL OF AI-POWERED INNOVATION



SmartLLion



KRW 36 trillion+



Effect of increasing sales for 5 years is expected by promoting 30 tasks in the first stage for AI transformation

132



Internal and external big data sectors of the Group affiliates that can be processed through SmartLLion

2023 MILESTONES

In 2023, LOTTE Group launched a new AI organization focused on AI transformation and developed a strategic plan. The AI Transformation strategy aims to identify and promote initiatives that enhance core competitiveness, establish a framework for the safe use of AI, gather group data through a standardized data platform for learning purposes, secure LOTTE-specific AI by leveraging technological capabilities, and implement programs to improve AI literacy among employees.

Accordingly, LOTTE Group introduced the "Aimember," an AI platform developed by LOTTE Innovate, to all Group affiliates in January 2024. Aimember has a diverse lineup of its own foundation models and contributes to improving work efficiency by providing excellent performance and safe services. In December 2022, LOTTE Innovate introduced "SmartLLion," an in-house developed big data analysis platform designed to create a specialized AI model for LOTTE. SmartLLion can analyze and process large datasets from 132 sectors, both within and outside the Group affiliates, allowing users to view the final results at a glance. In 2023, it was introduced to 7 Group affiliates, including LOTTE GRS and LOTTE Wellfood, and its performance was inspected, and it plans to expand its scope to all Group affiliates to lead the creation of a new data-based business ecosystem in the future.

FUTURE PLANS

For successful AI Transformation, LOTTE Group plans to promote 30 projects for 18 Group affiliates by December 2024, and aims to complete 11 and 19 projects in the first and second half of 2024, respectively. The completed projects are in the second stage, which are scheduled to be applied to 25 Group affiliates from September 2024, and the expected financial effects of the 30 projects in the first stage is expected increase in five-year sales of more than KRW 3.6 trillion and reduce costs by more than KRW 2.8 trillion.

Moreover, it plans to advance and expand Aimember and SmartLLion in 2024, and it is expected to improve work productivity through this. Specifically, for SmartLLion, plans have been set to further integrate data from six Group affiliates, including LOTTE Chemical. The goal is to diversify data types by incorporating information on facilities, production, and logistics alongside the previously collected transaction, sales, and marketing data. It will do its best to foster AI capabilities and establish an organizational culture for AI transformation. Based on understanding of AI technology, it will create a culture that can utilize AI as a useful tool, promote innovation in problem solving methods using AI, and advance the AI transformation of LOTTE Group by fostering talents with AI expertise and business capabilities.



LOTTE Group remains undeterred by the increasingly uncertain management environment and continues to embrace challenges and progress. The future we encounter will vary based on how we respond to the opportunities and crises before us today. Moreover, we are not satisfied with past successes, but are upgrading our core capabilities to take a leap forward. In addition, we are making our innovation sustainable through sincere ESG management.

UNLEARNING INNOVATION

In a creative and viable organizational culture, we seek new growth opportunities from an ESG perspective and pursue innovation that benefits everyone through LOTTE's unique and differentiated success formula.





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Cover Story

LOTTE Group is striving to achieve healthy growth by seeking new growth opportunities from an ESG perspective, based on which we aim to enhance corporate value and enrich people's life. The cover of the 2023 LOTTE Corporation Sustainability Report was intended to include the image of LOTTE Group that strengthens its key capabilities in various business sectors, adding ESG value in all areas of our lives, and promoting sustainable growth. Moving forward, we will implement ESG management with sincerity through LOTTE's unique and differentiated success formula and open a new future beneficial to all.

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.



CHAIRMAN'S STATEMENT



LOTTE Group is preparing for innovation for the future based on sincere ESG management.

Unafraid of these times of uncertainties, guide by the courage to explore possibilities, we will establish ESG strategies that our society can sympathize with.

In addition, we will view businesses from an ESG perspective and strengthen execution capabilities for promoting continuous innovation, with an aim to achieve a sustainable growth that the new era demands.



Dong-Bin Shin
Chairman, LOTTE Group

CEO MESSAGE



**Dear stakeholders,
I would like to thank all of you for
your sincere support and cooperation that
you have placed on LOTTE Corporation.**

I am pleased to have this opportunity to look back on LOTTE's past and prepare for the future with our stakeholders through this Sustainable Report, which presents the efforts and achievements of LOTTE Corporation as we strive to create a future that is beneficial to all.

In 2023, LOTTE Corporation achieved meaningful results in the process of promoting robust ESG management based on its solid financial soundness. Based on the consolidated financial statements, our sales grew by 7.4% over the previous year to KRW 15.2 trillion, and we posted an operating profit of KRW 493.7 billion, maintaining the level recorded in the previous year despite the challenging business environment.

**While solidifying our growth momentum,
we have also made every effort to fulfill
our environmental and social responsibilities.**

We review the Carbon Neutral Roadmap established at the Group level and use it as a guide to manage each Group affiliate's performance, such as the amount of carbon reduction and the execution of investment expenses, based on which LOTTE Group achieved an additional 9.3% reduction in carbon emissions compared to the target set in 2023. We also recognize that the core of ESG management lies in our green business portfolio, and thus pursue the transition to a sustainable business by increasing our investments in renewable energy, developing eco-friendly materials, and promoting the resource circulation economy.



CEO MESSAGE

LOTTE Group is also promoting the establishment of an ESG data system to realize data-based ESG management in order to respond to the changes and demands of the times. To this end, led by LOTTE Corporation, we have selected the Group's ESG management indicators and established management standards, and we plan to systematize and manage the vast amount of ESG data, starting with environmental data, including the Carbon Neutral Roadmap. This will enable LOTTE Group to enhance its ESG data management capabilities and respond to the mandatory obligation of ESG disclosure in the short term, and in the long term, we aim to strengthen the Group's transparency and accountability.



As a company that fulfills its social responsibilities, LOTTE Corporation considers employee welfare and their safety as important values, while also striving to create a corporate culture in which diversity is respected and inclusion is embraced. Notably, this report covers the various activities and achievements aimed at expanding diversity and inclusion over the past ten years in the form of a Special Report. Since LOTTE became the first Korean company to publicly announce the Diversity Charter in 2013, we have been making continuous efforts to respect the diversity of gender, culture, body, and generation of our employees and to eliminate discrimination. In particular, we have been leading the family-friendly system by increasing the period of parental leave for women to two years and mandating the parental leave system for men since 2017, and the birth rate per 100 employees of LOTTE Group is 2.05, which is more than twice the national average of 0.81. I think this is a very significant achievement.

Moving forward, LOTTE will continue to pursue innovation for sustainable growth, strengthen communication with all its stakeholders, and increase positive contributions to our society and environment. I truly thank everyone who has joined us on our journey, and I hope that this report will help you to understand our efforts and our progress.

“

In 2023, LOTTE Corporation achieved meaningful results in the process of promoting robust ESG management based on its solid financial soundness and did our utmost to fulfill environmental and social responsibilities. Going forward, we will open a future that is beneficial to all by accelerating the transition to sustainable business, while also focusing on boosting our positive contributions to society and the environment. ”

Dong-Woo Lee
CEO / Vice Chairman, LOTTE Group

李東雨

ESG COMMITMENT



Nam-gyoo Park

Chairman of the ESG committee, LOTTE Corporation

Message from Chairperson of ESG Committee

Greetings! I am Nam-gyoo Park, Chairperson of ESG Committee of LOTTE Corporation.

I am deeply impressed by LOTTE Group's passion and its efforts to practice sustainability management. LOTTE Group disclosed detailed ESG management targets at the ESG Management Declaration Ceremony in 2021, and has continuously fulfilled its commitments to ensure that ESG management does not remain merely a declaration. These efforts have been concretized through the establishment of ESG committees within the BOD of all listed companies, the development of an ESG performance management system, and the formulation and implementation of a roadmap to achieve carbon neutrality by 2040. I believe these are exemplary practices.

In addition, as the importance of information protection management is emphasized with the advent of generative AI, LOTTE Corporation has incorporated it into the ESG performance management and made other efforts to swiftly adapt to internal and external environmental changes, hereby helping the Group affiliates lead the future ESG management. I believe that all these efforts are very important and evaluate them positively. It is an honor to participate in this process as a member of the ESG Committee of LOTTE Corporation.

Moving forward, the ESG Committee will do its best to help LOTTE Corporation establish the Group's strategy in consideration of sustainability and contribute to a stable and prosperous future with our valuable stakeholders.

Message from Head of ESG Management Innovation Office

Greetings!

I am Jun-Hyung RHO, Head of ESG Management Innovation Office of LOTTE Corporation.

Recently, the international standards for ESG principles, including carbon neutrality, social responsibility, and transparent governance, have become stricter, and mandatory ESG disclosure is on the horizon. Innovative business models and products that comply with ESG play an important role in pioneering new markets and securing a competitive advantage, which is becoming an essential element in helping companies achieve sustainable growth and build future-oriented businesses.

In response to this trend, LOTTE Group defines green business portfolio as the core element of its ESG management and focuses on advancing its Carbon Neutral Roadmap and responding to export regulations of its Chemicals HQ. To this end, the Eco-friendly Management Task Force Team sets carbon reduction targets and established short-term and mid- to long-term reduction plans and evaluate the implementation performance of each Group affiliate. In particular, we are pursuing the establishment of a sustainable portfolio and valuation-up by strengthening the management of those companies in the Chemicals HQ with high carbon emissions. In addition, we are building an ESG data management system and promoting its systematization in order to respond promptly and accurately to the demands for information disclosure, including mandatory ESG disclosure. This is an important step in reflecting the Group's commitment to ESG management in its business. Through this systematic approach, LOTTE Group intends to internalize ESG management, build trust with all our stakeholders, and fulfill responsibilities as a future-oriented company.

In this course, LOTTE Corporation is leading the ESG management of the Group, and will continue striving to ensure that the Group increases its corporate value through sincere ESG management and maintains stable growth even amid the changing environment.



Jun-Hyung Rho

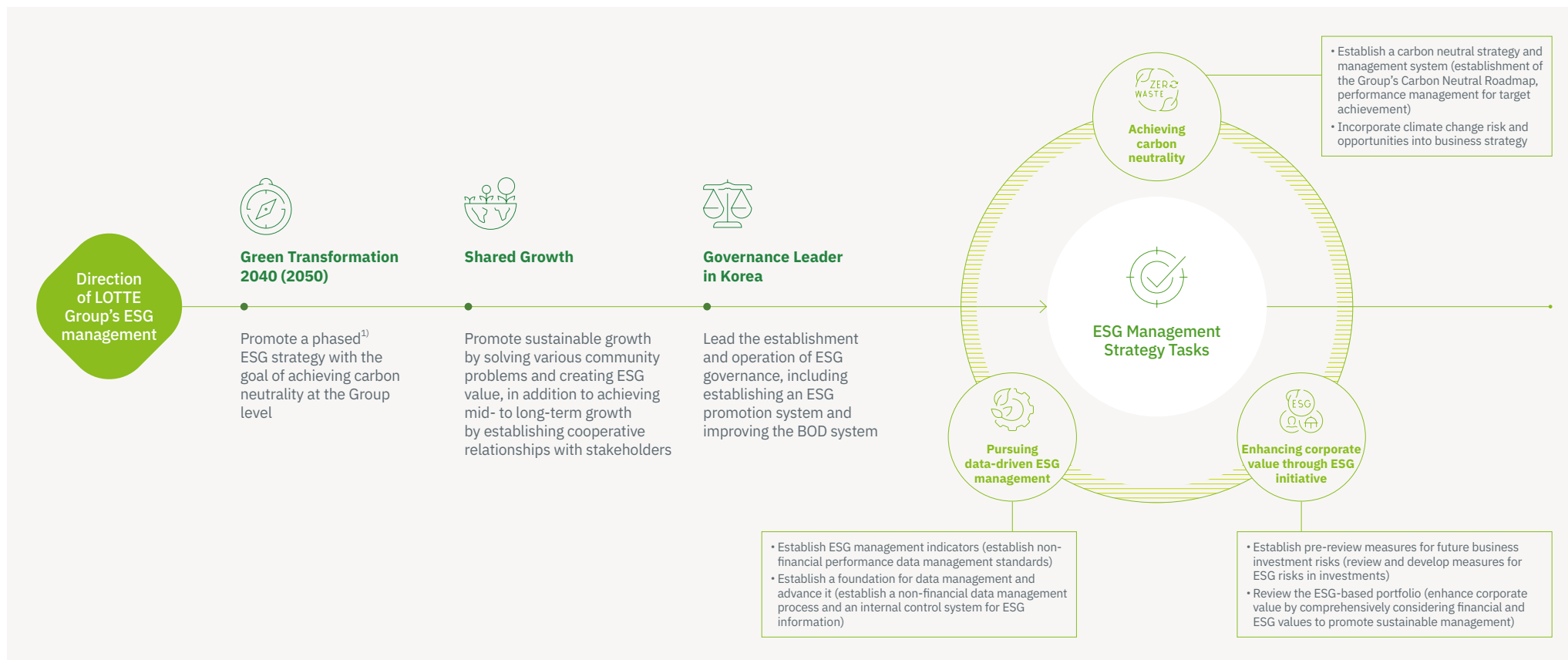
CSO / Executive Vice President, LOTTE Corporation

ESG GOALS & PROGRESS

ESG GOALS

LOTTE Group is realizing healthy growth by implementing ESG management to enrich the prosperous life of mankind as well as improving its corporate value.

LOTTE Group's ESG management aims to achieve "Green Transformation 2040 (2050), Shared Growth, and Domestic Governance Leadership," and in order to realize these goals, we are striving to achieve carbon neutrality, pursue data-driven ESG management, and enhance corporate value through ESG initiatives. We will pursue sustainable growth with LOTTE Group's unique new and beneficial methods and create a better future for all our stakeholders, including customers, shareholders, employees, partner companies, and local communities.



¹⁾ 2040 for non-chemicals HQs, 2050 for Chemicals HQ

ESG GOALS & PROGRESS



ESG VISION AND DIRECTION OF THE GROUP AFFILIATES

LOTTE Engineering & Construction

CREATING SUSTAINABLE VALUE



Conserving the global environment and securing eco-friendly new growth engines; Providing a safe working environment without loss of life; promoting shared growth based on fair trade and mutual respect; sharing love and growing with the local community; providing services that provide the best value to customers; and establishing a sound governance structure and transparent management

LOTTE Global Logistics

DELIVERING SUSTAINABLE VALUE TO FUTURE GENERATIONS



Green Logistics 2040, Fulfillment of social responsibility to customers and employees, ESG leader in the domestic logistics industry.

LOTTE Rental

ACCESS TO BETTER MOBILITY PLATFORM



Offering mobility experiences through eco-friendly services, A partner that connects better values, A leader that creates social impact

LOTTE Shopping¹⁾

DREAM TOGETHER FOR BETTER EARTH



Responsible Product Retail, Creating a Sustainable Environment, Building a Diverse and Inclusive Society, Strengthening Partnerships, Enhancing Corporate Transparency

LOTTE Wellfood

FOODMATE FOR SUSTAINABLE WELLNESS



Wellness for Earth, Wellness for Society, Wellness for Company

LOTTE Innovate

BUSINESS TRANSFORMATION LEADER



Expansion of eco-friendly business, realization of stakeholder-centered social values, establishment of a sound governance structure, and responsible management



LOTTE Fine Chemical

CREATING A BETTER TODAY AND MOVING TOWARDS A SUSTAINABLE TOMORROW THROUGH TECHNOLOGY AND PRODUCTS OF LFC



Green Planet, Green Basis, Green Partnership

LOTTE Chilsung Beverage

TO BETTER THE ENVIRONMENT, TO RENEW THE SOCIETY, TO STRENGTHEN THE COMPANY



Carbon neutrality by 2040, Establishment of a circular economy for plastics, Eco-friendly supply chain, Mutual growth with stakeholders, Trusted management

LOTTE Chemical

GREEN PROMISE 2030



Green Promise 2030 Contributing to the environment and society by pursuing carbon neutrality, eco-management, and the social value creation based on circulation and coexistence, while achieving future-oriented value growth by taking the lead in sustainable future industries.

LOTTE Hi-Mart

LIFELONG CARE & CONSULTING SPECIALIST FOR CUSTOMERS - CREATING SUSTAINABLE VALUE AT EVERY STAGE FROM PRODUCT SALES AND USE TO DISPOSAL



[Sales] - Good Products, [Installation] - Carbon Neutral Logistics, [Service] - Resource Circulation

HOTEL LOTTE²⁾

MAKING A SUSTAINABLE JOURNEY



Achieving carbon neutrality through eco-friendly management, realizing respect for human rights throughout the value chain, and providing sustainable products and services

¹⁾ LOTTE Department Store, LOTTE Mart/Super, LOTTE e-commerce ²⁾ LOTTE Hotels&Resorts, LOTTE Duty Free, LOTTE World

ESG GOALS & PROGRESS

ESG PROGRESS

ESG KPI FRAMEWORK OF LOTTE GROUP

LOTTE Group established an ESG management implementation plan and publicly announced it through the ESG Management Declaration Ceremony to begin ESG management in earnest in 2021. To encourage the practical implementation of ESG management, we established an ESG Performance Management System (KPI) and incorporated ESG management performance into the performance evaluation of the CEOs of the Group affiliates. To set the ESG key performance indicators (KPIs), LOTTE Corporation analyzed the ESG management status of the group affiliates in 2021, derived necessary improvements, and selected customized KPIs for each group affiliate based on this. The selection of indicators and the determination of evaluation scale and weights were made through communication and consultation between LOTTE Corporation and the Group affiliates, and we started applying the ESG KPIs in 2022 based on a deep understanding of the goal and a firm will to achieve it.

Advancement of ESG KPI Management

LOTTE Corporation manages ESG performance by dividing the group affiliates into three groups, A, B, and C, according to the level of ESG management requirements, with the goal of enhancing the sustainable management and corporate value of the LOTTE Group. Group A includes 12 listed companies and key unlisted companies; Group B includes nine companies with assets of over KRW 1 trillion that need to strengthen their ESG risk management capabilities; and Group C includes 23 companies that need to check the basic ESG management system. To achieve the ESG management goals at the level of a global leading company, LOTTE has enhanced its ESG evaluation indicators every year by reflecting global ESG trends and stakeholder requirements, and has continuously increased the number of target group affiliates. To systematically manage ESG management and increase efficiency and effectiveness in the execution of ESG, we will set mid- to long-term ESG directions at the Group level and operate the ESG KPIs in a way that allows each group affiliate to lead and manage ESG management in the future.

Status of ESG KPI Implementation of the Group Affiliates

Classification	2022	2023	2024 (Plan)
Group A	10 companies ¹⁾	11 companies ³⁾	12 companies ⁵⁾
Group B	10 companies ²⁾	9 companies ⁴⁾	9 companies ⁶⁾
Group C	-	-	23 companies ⁷⁾

¹⁾ LOTTE E&C, LOTTE Rental, LOTTE Wellfood, LOTTE Shopping, LOTTE Innovate, LOTTE Fine Chemical, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hi-Mart, HOTEL LOTTE

²⁾ Daehong Communications, LOTTE Global Logistics, LOTTE Property & Development, LOTTE Aluminum, LOTTE Capital, LOTTE Cultureworks, LOTTE Home Shopping, LOTTE GRS, LOTTE Hotel Busan, Korea Seven

³⁾ LOTTE E&C, LOTTE Global Logistics, LOTTE Rental, LOTTE Shopping, LOTTE Wellfood, LOTTE Innovate, LOTTE Fine Chemical, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hi-Mart, HOTEL LOTTE

⁴⁾ Daehong Communications, LOTTE Property & Development, LOTTE Aluminum, LOTTE Capital, LOTTE Cultureworks, LOTTE GRS, LOTTE Home Shopping, LOTTE Hotel Busan, Korea Seven

⁵⁾ LOTTE E&C, LOTTE Global Logistics, LOTTE Rental, LOTTE Shopping, LOTTE Energy Materials, LOTTE Wellfood, LOTTE Innovate, LOTTE Fine Chemical, LOTTE Chilsung Beverage, LOTTE Chemical, LOTTE Hi-Mart, HOTEL LOTTE

⁶⁾ Daehong Communications, LOTTE Property & Development, LOTTE Aluminum, LOTTE Capital, LOTTE Cultureworks, LOTTE Home Shopping, LOTTE GRS, LOTTE Hotel Busan, Korea Seven

⁷⁾ LOTTE-Nestlé, LOTTE Versalis Elastomers, LOTTE Members, LOTTE BIOLOGICS, LOTTE Ventures, LOTTE International, LOTTE Asahi Liquor, LOTTE AMC, LOTTE MCC, LOTTE INEOS Chemical, LOTTE Giants, LOTTE R&D Center, LOTTE JTB, LOTTE GFR, Canon Korea, LOTTE Healthcare, LOTTE GS Chemical, Uniqlo, People Networks, Korea Fujifilm, LC TITAN, LC USA, STL



LOTTE Corporation not only declares ESG management, but also integrates ESG management performance into the CEO performance evaluation to ensure that the principles of ESG are reflected in its actual business strategies. In addition, we are continuously improving our ESG evaluation indicators to respond to strengthened global regulations related to ESG and to reflect the voices of our stakeholders in discovering new business opportunities. LOTTE Corporation will continue to lead the Group's ESG management direction through ESG performance management and support the Group in its efforts to proactively respond to future changes from an ESG perspective.



Sung-wook Cho

Vice President, ESG Team of LOTTE Corporation



ENVIRONMENTAL

To respond to climate change, LOTTE Group has established a climate change response system with the goal of achieving carbon neutrality by 2040. Based on the carbon neutral roadmap strategy, we implement detailed tasks, thereby promoting eco-friendly management at all stages of the value chain.



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WHY IT MATTERS

Challenges such as abnormal weather events, water shortages, and biodiversity loss due to climate change are intensifying. To address these problems, the international community adopted the Paris Agreement in December 2015, with an aim to limit the global temperature increase to below 2°C compared to pre-industrial levels by 2050, fostering collective action against the climate crisis. It was followed by the Conference of the Parties (COP 27) of the UN Climate Change Conference held in 2022, where people recognized that the impact of climate change is not just a problem for individual countries but a global crisis, and agreed to prepare a financial fund to compensate for losses and damages in developing countries caused by climate change. In line with these movements, international organizations and each country are strengthening regulations and policies to respond to the climate crisis. 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, and companies are taking proactive action accordingly. To overcome the climate crisis, LOTTE Group has established a climate change response system as well with the goal of achieving carbon neutrality by 2040 and is implementing detailed tasks according to the carbon neutral roadmap strategy.

Meanwhile, as awareness of hygiene has been strengthened and the courier market has grown rapidly, the use of disposable products, including disposable plastics, has increased significantly, and problems such as marine pollution, threats to the ecosystem, and accumulation of microplastics in the body have emerged as important social issues. In response, LOTTE Group is promoting eco-friendliness across entire value chain, from manufacturing to distribution. We are also implementing "5Re" (Reduce, Replace, Redesign, Reuse, Recycle) execution model, LOTTE's unique resource virtuous cycle structure which consists of establishing a virtuous cycle of plastics in all areas of business, expanding eco-friendly packaging, and reducing food waste.

Key Activities & Achievements In 2023

Establishment of Carbon Neutral Roadmap 2.0

Advanced the existing roadmap to reflect environmental changes
Aim to reduce carbon emissions from business sites in Korea by 22% by 2030 and 61% by 2040 compared to 2018



Activities of Eco-friendly Management Task Force Team

Consists of environment and energy experts from 14 Group affiliates.
Promoted the expansion of renewable energy and commercialization of resource circulation within the Group



Acquisition of ISO 14001 Certification for environmental management system (17 Group affiliates)

HOTEL LOTTE (LOTTE World) and LOTTE Versalis Elastomers were added in 2023



Participation in the 2023 World Climate Industry Expo (LOTTE Group)

Introduced future leading technologies to achieve net-zero, including carbon neutrality roadmap, hydrogen energy, and batteries



Sustainable operation and management of the LOTTE Sustainable Growth Environmental Management Index

Operate an environmental management system and index with the goal of improving practical environmental performance
Added index related to carbon neutrality implementation in 2023



Strengthening Environmental Management

APPROACH

Statement on Environmental Management

LOTTE Group is bolstering corporate value by integrating environmental considerations as a pivotal component of its management practices. Through environmental management, we aim to deliver the invaluable benefits of clean nature to customers, employees, and stakeholders, while contributing to sustainable development and enhancing quality of life.

LOTTE Group has established the Statement on Environmental Management that specifies the standards for correct behavior and value judgment that all employees must comply with in the course of business activities and business execution in relation to environmental management practice, and has disclosed it externally on its website. The Statement consists of compliance with laws and regulations, establishment of an environmental management system, minimization of pollutants, implementation of agreements, and social and ethical responsibilities.



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

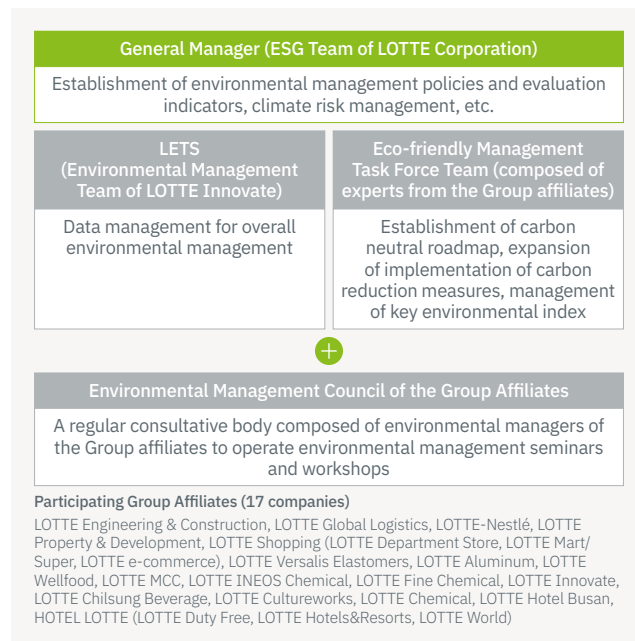
Areas	Themes
Response to climate change (2040 Net Zero)	<ul style="list-style-type: none"> Establish eco-friendly production processes Establish low-carbon logistics Build eco-friendly stores
Virtuous resource circulation	<ul style="list-style-type: none"> Establish a virtuous cycle of recycling plastics 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 and conduct water quality improvement activities
Sustainable production and consumption	<ul style="list-style-type: none"> Expand sustainable sourcing and eco-friendly product development

Environmental Management Organization

LOTTE Corporation operates a linkage system with the environmental management organizations of each major group affiliates, with the ESG Team playing a central role. In 2023, we formed an Eco-friendly Management Task Force Team in which environment and energy experts from 14 Group affiliates participate to advance the Group's carbon neutrality and strengthen its environmental management capabilities. The Team is in charge of verifying and monitoring environmental data, and is leading the expansion of renewable energy within the group and the promotion of commercialization of resource circulation in earnest.

The ESG Committee, the highest decision-making body, is in charge of ESG-related matters across the company. In 2023, the Committee discussed environment-related issues such as disclosure of environmental information on landlords, operation of the Eco-friendly Management Task Force Team, data management of ESG indicators, and promotion of LOTTE's integrated environmental energy service.

Environmental Management Organizations of LOTTE Group



* As of April 2024

LOTTE Environment & Energy Total Service System

LOTTE Group operates the LOTTE Environment & Energy Total Service (LETS) system to systematically implement overall environmental data-related works, including greenhouse gas (GHG) and energy management, emissions trading, and environmental pollution indicator management. LOTTE Corporation developed the Group ESG Standard Index in 2023 by integrating global ESG disclosure and evaluation indicators, and has been advancing the LETS system to reflect the environmental indicators of the Group ESG Standard Index and the carbon neutrality roadmap in the system since January 2024. The advancement of the LETS system is a process of laying the foundation for the operation of the Group's ESG integrated platform, and through this, it is expected that global-level indicator management and data validation will be achieved.

Environmental Management System Certification

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

Environmental Management System Certification of LOTTE Group

17 companies

LOTTE Engineering & Construction, LOTTE Global Logistics, LOTTE-Nestlé, LOTTE Versalis Elastomers, LOTTE Aluminum, LOTTE Wellfood, LOTTE MCC, LOTTE Innovate, LOTTE INEOS Chemical, LOTTE Fine Chemical, LOTTE Chilsung Beverage, LOTTE Cultureworks, LOTTE Chemical, LOTTE Hi-Mart, LOTTE Home Shopping, LOTTE Hotel Busan, HOTEL LOTTE (LOTTE Duty Free, LOTTE Hotels&Resorts, LOTTE World)

* As of April 2024

Strengthening Environmental Management

PERFORMANCE

Environmental Investment

LOTTE Group continues to invest in the R&D for clean technology and introduction of environmental pollutant reduction facilities to minimize the environmental impact due to its business operations.

Green Procurement

LOTTE Group encourages green procurement activities by purchasing eco-friendly products that reduce environmental impact throughout the entire process, including production, distribution, and use. Therefore, group affiliates purchase products that have obtained environmental mark certification such as Eco-label¹⁾ and GR Mark²⁾ every year.

Environmental Education

To enhance the expertise of personnel responsible for environment and ESG, LOTTE Corporation organizes environmental management seminars. These sessions feature experts from government and related organizations to impart crucial trends and expert knowledge and to facilitate the dissemination of best practices among the Group affiliates. In 2023, we held four expert seminars with a focus on strengthening climate and ESG capabilities.

Environmental Management Communication

LOTTE Group participated in the World Climate Industry EXPO (WCE) held at BEXCO, Busan in May 2023 and introduced future leading technologies to achieve net-zero, such as carbon neutrality roadmap, hydrogen energy, and batteries. Additionally, we displayed LOTTE Group affiliates' virtuous resource cycle products and campaigns that can be found daily.

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

²⁾ GR Mark: A certification standard provided by the Korean Agency for Technology and Standards to excellent recycled products. The mark is attached to recycled products whose quality has been improved through improvement of existing technology, or development of new technology.

ASSESSMENT

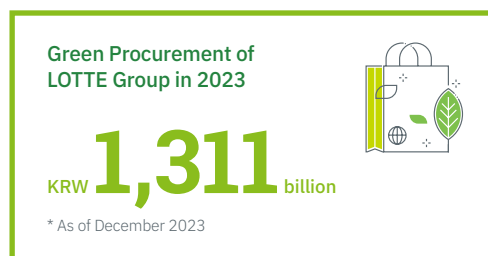
Environmental Management Indicators

LOTTE Group has set in place the Group Environmental Management Index consisting of operation management, performance management, and stakeholder relations management in consideration of the major industry types of the Group, with the goal of operating an environmental management system and securing actual environmental performance. The Index is managed through the LETS system, and carbon data for each Group affiliate is collected every month under the responsibility of each affiliate's executives to increase the reliability of data. LOTTE Corporation not only provides guidance for the Group affiliates to inspect and utilize their own environmental management indicators, but also analyzes and evaluates their performance every year and provides feedback on the results. We have evaluated the implementation carbon neutrality matters such as climate change governance, carbon emissions management, intensity management, and investment execution performance by applying them to ESG KPI since 2023.

Environmental Management Verification

To monitor environmental management progress and further advance our environmental initiatives, we have established an Eco-friendly Management Task Force Team comprising environmental experts from across the Group affiliates. The Team facilitates data management, internal audits, and serves as a platform for sharing information among all affiliates, promoting collaboration beyond mere evaluation. We conduct the environmental management checks annually, and carry out improvement measures for nonconformities and recommendations based on environmental management checks in accordance with the environmental management guide.

Following the environmental management inspection of the Group affiliates in 2023, we identified areas requiring improvement (approximately 15%) and promptly implemented corrective actions. In addition, we have devised and initiated mid- to long-term improvement strategies for certain issues.



OUTLOOK

In 2024, we plan to improve the evaluation system, including advancing the existing LETS system by adding a carbon neutral management function and reflecting ESG KPI evaluation.

Composition of the LOTTE Sustainable Growth Environmental Management Index

Index	Details
Operation management	<ul style="list-style-type: none"> • Whether to operate specialized environmental management processes (including climate change) • Whether to establish a global-level climate change management system • Whether to conduct an internal environmental audit • Whether to report environmental management performance periodically • Establishment and application of the management process of global environmental management
Performance management	<ul style="list-style-type: none"> • Improvement rate in carbon intensity (carbon emissions intensity) compared to the previous year • Investment intensity (basic unit investment cost) level for the year based on carbon neutral roadmap • Achievement rate compared to greenhouse gas reduction target based on carbon neutral roadmap • Execution rate compared to investment plan based on carbon neutral roadmap • Basic unit improvement rate in energy consumption compared to the previous year • Basic unit improvement rate in waste generation compared to the previous year • Basic unit improvement rate in water consumption compared to the previous year • Water and waste recycling performance management • Achievement rate compared to renewable energy transition goal based on carbon neutral roadmap
Stakeholder relations management	<ul style="list-style-type: none"> • Status of external disclosure of environmental information • Management of violations of government environmental regulations • Sharing ESG best practices internally and externally

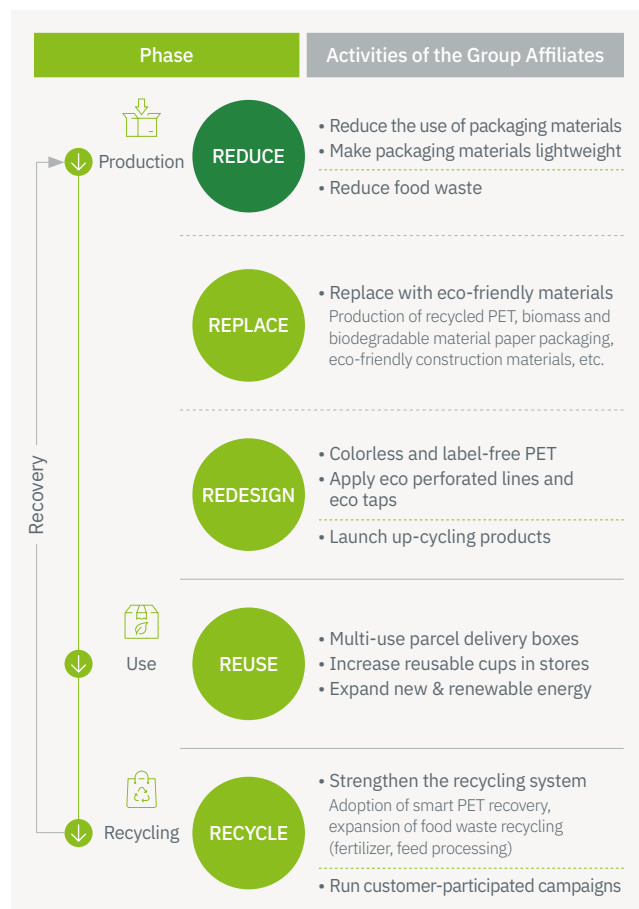
Facilitating the Circular Economy

APPROACH

LOTTE Group's Virtuous Resource Circulation Structure

From a long-term perspective, LOTTE Group has applied and continuously developed the "5Re (Reduce, Replace, Redesign, Reuse, Recycle) execution model," a resource virtuous cycle structure, across all business areas.

5Re Execution Model



PERFORMANCE

Virtuous Resource Circulation Project

Establishing a virtuous plastic recycling system

Utilizing our integrated value chain encompassing raw material production, packaging production, manufacturing, distribution, and sales related to PET (a plastic material), LOTTE Group has implemented and evolved its proprietary "plastic virtuous cycle system." This system aims to minimize plastic usage, enhance separation and recovery processes, promote raw material recycling, and reduce plastic waste. We are particularly focused on expanding this system, leveraging LOTTE Chemical's advanced technology.

In 2023, we operated a resource circulation system and manufactured a waste PET bottle collector centered on LOTTE Chemical and LOTTE. In order to establish a virtuous cycle system within the group and create a culture of proper waste separation and discharge, we promoted a pilot project to collect stretch film (industrial wrap) centered on the Eco-friendly Management Task Force Team (Resource Virtuous Cycle Division) and also established a cooperation model with the local governments (Michuhol-gu, Incheon Metropolitan City).



Signed an "agreement for the operation of a resource circulation system and establishment of a mutual cooperation network to create a proper culture of waste separation and discharge"

Expanding eco-friendly packaging

To promote the circular economy, LOTTE Group has been making continuous efforts to reduce the use of unnecessary disposable products and expand eco-friendly packaging. To this end, we have formed a consultative body among the Group affiliates to discuss ways to develop and apply eco-friendly packaging, and we are focusing on reducing the weight of containers, unifying materials, and R&D on biodegradable vinyl materials. In particular, we plan to continue research on the development of eco-friendly shipping boxes and the establishment of collection of boxes and establishment of a recycling system to expand the eco-friendly recyclable packaging products of LOTTE Group distributors. As part of these efforts, starting in March 2024, LOTTE Global Logistics has been providing a "courier without a waybill" service by applying a technology that prints transportation information directly on the surface of the shipping box tape instead of attaching a waybill used in the courier industry.

Reducing food waste

LOTTE Group continues to conduct R&D on reducing food waste generated in each business division. We plan to study ways to reduce food waste at each stage to minimize wasted food through the development of freshness improvement technology by measuring the amount of food waste by each Group affiliate and dividing it into production, processing, and distribution stages, and to minimize the amount of waste ultimately disposed of in landfill.

LOTTE Wellfood, in particular, is promoting an energy materialization project that uses waste oil to convert it into biodiesel, and Korea Seven is trying to minimize waste generated in stores through a last order service that sells products that close to their expiration date at a discount.



LOTTE Global Logistics implements a "courier without a waybill" service for the first time in the industry

Facilitating the Circular Economy



OUTLOOK

Activities to Reduce Waste Plastics

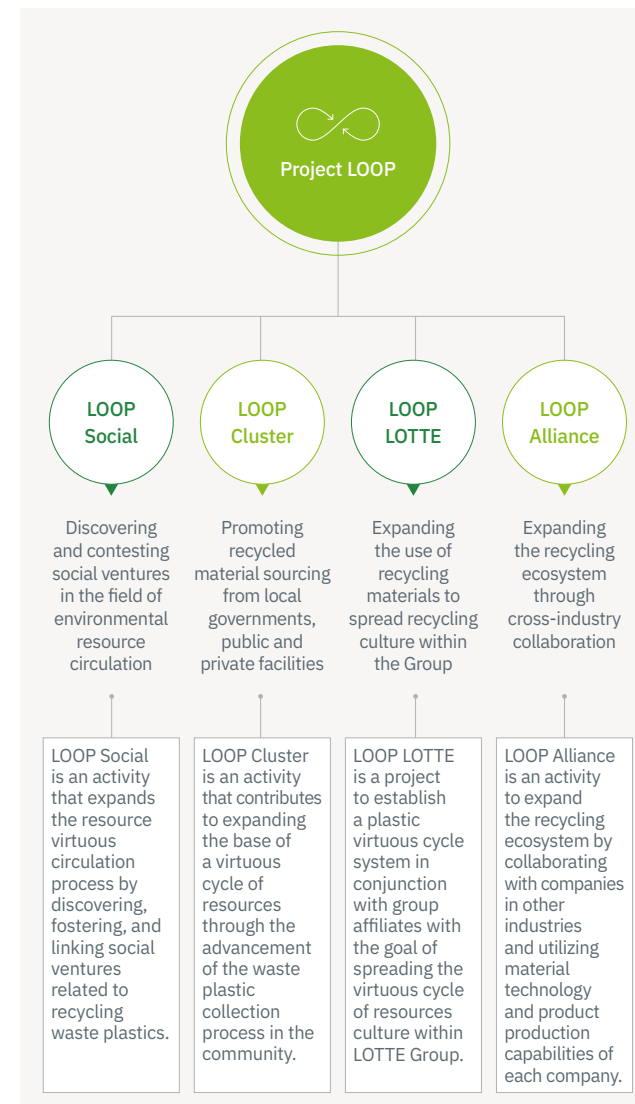
To establish the activities to reduce waste plastics within the Group, we have discovered and implemented items across all fields from manufacturing to consumption. From offices to sales sites, we have created an atmosphere where large and small efforts and innovations could be practiced, and by ensuring that best cases can be expanded to all group affiliates, all members are working together to minimize waste plastic generated in the workplaces.

LOTTE Group will continue to promote the development of new products by considering the resource circulation field as a new growth green business, and establish a virtuous resource circulation structure by conducting campaigns and projects that can be practiced in daily life. In 2024, we plan to continue to promote activities to reduce the amount of plastic generated through the Project LOOP, LOTTE's unique resource circulation system.

Virtuous Plastic Circulation Activities of the Group Affiliates

Item	Description	Category
Virtuous plastic circulation	<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
	<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

Project LOOP – LOTTE Resource Circulation System



SPECIAL CASE

Resource Circulation Activities of the Group Affiliates

LOTTE Chemical

Launched the 3rd class of Project Loop, a resource virtuous circulation startup

Project LOOP

Creating social value of circulation and coexistence aligned with business

As part of its commitment to ESG management under the Green Promise 2030 vision, LOTTE Chemical has been implementing “Project LOOP” since 2020. This initiative aims to establish a sustainable plastic resource cycle system by collecting domestic waste plastics and converting them into raw materials through ongoing collaboration with stakeholders. Additionally, LOTTE Chemical is fostering the growth of a long-term ecosystem for recycled plastic businesses.

Project LOOP Social

Discovering and supporting the development of social ventures in the resource circulation sector

‘Project LOOP Social’ is an activity to discover and foster social ventures in each area of the resource circulation value chain and to form cooperative relationships. In December 2023, three companies were selected for the 3rd class of the Project Loop Social, and we have provided support business realization funds, expert mentoring and accelerating, and online lectures. In 2024, we plan to continue our support activities by selecting support fields suitable for the environment of the resource virtuous cycle business.



Project LOOP Cluster

Supporting the establishment of a virtuous cycle system for community resources

LOTTE Chemical is supporting the opening of the Our Neighborhood ESG Center in collaboration with public institutions such as local governments and the Korea Labor Force Development Institute for the Aged. Our Neighborhood ESG Center is an activity hub that collects and converts waste plastics into resources. The waste plastics separated and discharged by local residents are collected, sorted, cleaned and recycled by personnel secured through the Project for the Job Creation for the Elderly. With the support of LOTTE Chemical, the first location of Our Neighbor ESG Center was opened in Geumjeong-gu, Busan in December 2022, followed by the second one in Dong-gu, Busan in September 2023, and the Ulsan Dong-gu ESG Center in Ulsan in March 2024. In addition, we are working with the Incheon and Ulsan offices of education to install waste PET collectors in schools and provide education on virtuous resource circulation.

Launched the ECOSEED, a bioplastic material brand

In September 2023, LOTTE Chemical launched “ECOSEED,” an eco-friendly material brand that applies physically and chemically recycled recycling materials and bioplastic materials (Bio-PET, etc.). ECOSEED has a high-quality product line (r-PET, r-PC, r-ABS, r-PE, r-PP) that can recycle plastics mainly used in everyday life, and can provide customized solutions for customers such as developing recycling material design solutions and producing high-functional compounding products. The company also has the advantage of being able to closely respond to the needs of global customers through operating global production bases in Europe, the Americas, and Asia and through partnerships with raw material sourcing partners. LOTTE Chemical plans to expand its green business with the goal of supplying one million tons of ECOSEED by 2030.

In the fourth quarter of 2023, LOTTE Chemical presented and sold eco-friendly souvenirs such as key chains (r-PE), wine stoppers (r-PP), and scarves (r-PET) made of ECOSEED materials in collaboration with LOTTE Museum and LOTTE Card at the “Austin Lee: PASSING TIME” exhibition hosted by LOTTE Museum, and donated the proceeds from the sale to social welfare facilities.



1



2



3

1. Signing ceremony of the 3rd class of Project Loop
2. Opening ceremony of the Ulsan Dong-gu ESG Center as part of Project LOOP Cluster activities
3. ECOSEED, eco-friendly materials brand

SPECIAL CASE

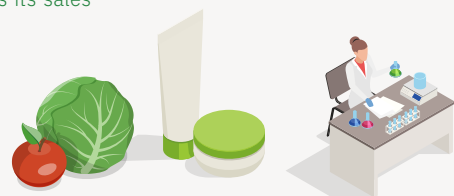
Resource Circulation Activities of the Group Affiliates



LOTTE Mart

Signed a business agreement for the project to build a value chain for sustainable product packaging materials

In October 2023, LOTTE Mart signed a business agreement with six organizations, including the World Wildlife Fund (WWF), to build a value chain for sustainable product packaging materials. As significant initiatives, we intend to identify and examine cases where the product supply industry voluntarily enhances sustainable packaging materials and supplies them to major retail outlets. Additionally, we aim to develop guidelines for sustainable packaging materials in distribution stores, taking into account relevant regulations and the practical circumstances of the product supply industry. We also plan to make joint efforts to develop and advance sustainable packaging materials through research projects, seminars, and meetings commonly needed in the product supply industry. Through this business agreement, LOTTE Mart will cooperate with the product supply industry to expand products with improved sustainable packaging materials, and will focus on promoting products with improved packaging by utilizing various media such as its sales locations, social media, and flyers.



LOTTE R&D Center

Food upcycling research

As interest in sustainability grows, consumer demand for value conscious consumption increases, which means that the food industry is required to actively develop eco-friendly materials and products. LOTTE R&D Center is focusing on the discovery and development of upcycling materials that utilize food by-products generated in the process of processing the food raw materials and product production. Food upcycling is significant as a resource circulation business that transforms by-products, which were previously discarded as mere waste despite their potential value, into high-value materials. Moreover, it can also be an opportunity to increase the value of LOTTE's products or brands. LOTTE Group is therefore expanding the scope of research so that food upcycling is not limited to food but can be applied to various non-food products such as cosmetics, goods, and household goods.

LOTTE Wellfood

Waste oil resource circulation

LOTTE Wellfood is strengthening ESG management by fully promoting the virtuous cycle of waste resources. In particular, instead of disposing of plant residues generated in the process or used cooking oil (UCO)¹ discarded after use by partner companies, LOTTE Wellfood is utilizing them as biofuel. This has enabled the company to establish a resource circulation system as the largest edible oil business in the country.

The UCO recycling business involves supplying cooking oil from LOTTE Wellfood to each franchise company, and in collaboration with a partner company, a waste cooking oil refining company, it collects, refines and sells the refined UCO which is used as a raw material for biodiesel production. Unlike regular diesel, which is made by refining petroleum, biodiesel is an eco-friendly fuel made from animal and plant fats and oils, and it has the advantage of being able to replace diesel because it has similar properties to petroleum-based fuels. This is an eco-friendly energy, and it not only has a significant effect in reducing GHG, but also contributes to environmental protection by reducing disposed food by-products that burden the environment and reducing carbon emissions.

In addition, it will play a significant role in improving air quality in accordance with the Renewable Fuel Standard (RFS)², which requires biodiesel to be mixed in a certain percentage. LOTTE Wellfood signed a strategic partnership agreement (MOU) for joint bio business with HD Hyundai Oilbank, Korea's leading oil refinery, to expand eco-friendly energy production in 2022 and has continued to maintain a cooperative relationship.

LOTTE Wellfood plans to supply more than 20,000 tons of recycled resources annually, in order to ensure produce biodiesel smoothly, by collecting and supplying waste cooking oil discharged from not only the company but also its group affiliates. Additionally, to establish a virtuous cycle of waste resources beyond the expansion of eco-friendly energy production, the company plans to expand its business by expanding the collection of UCO from some of the Group affiliates to partner companies.



Signing of a business agreement to build a value chain for sustainable product packaging materials

¹ Using discarded used cooking oil as a primary raw material for bioenergy

² Standard that requires biodiesel to be mixed at a certain rate in diesel in the market. The mandatory biodiesel blending ratio, currently 4%, is expected to increase to around 8% by 2030.



SOCIAL

LOTTE Group strives to create social value that scales positive impact on our society by utilizing its professional capabilities in cooperation with various stakeholders, with an aim to achieve sustainable growth.



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WHY IT MATTERS

In the rapidly and complexly changing business environment, such as the decrease in the economically active population and the advancement of digital technology, leading companies are striving to maintain their competitiveness by creating an environment where each individual can demonstrate their capabilities and immerse themselves in their work. They are also focusing on operating various systems to nurture outstanding talent and maintain a balance between work and life. Furthermore, they are establishing workplace safety and health management systems and promoting various accident prevention activities to ensure that their employees can work in a safe and comfortable environment. Meanwhile, as corporate social responsibility becomes an increasingly important feature of the management agenda, leading companies are seeking ways to contribute to solving social problems through social contribution activities based on professional capabilities and cooperation with various stakeholders.

LOTTE Group encourages its employees to learn and grow by themselves, with the aim of establishing a corporate culture in which employees join forces to create excellent results. To this end, we provide a wide range of job experience opportunities designed to enable employees to develop their careers on their own and grow into talent equipped with professional job expertise. In addition, to promote the rights of the underprivileged and improve awareness of the socially disadvantaged in order to create a more prosperous society, we are carrying out various types of social contribution activities by utilizing our business capabilities and resources in the areas of women and children, love for the country, win-win, and globalization. Based on these efforts, LOTTE Group paves the way to achieve sustainable growth by forming sound relationships with its stakeholders, including employees, partners, and local communities.

Key Activities & Achievements In 2023

Usage rate of parental leave: Women 100%, Men 90%

Successful settlement of the “automatic parental leave system” for female employees, as well as a “mandatory parental leave system” which male employees must use when their spouse gives birth



KRW 881.0 billion of Shared Growth Fund

Size of the Shared Growth Fund we formed to provide support for funding, sales channels, training, and innovation to 1,392 partner companies in order to enhance their competitiveness



KRW 2,065.2 billion (2.76-fold value increase compared to the time of investment)

Value of 186 invested companies selected through the L-CAMP, LOTTE's startup accelerating program



VALUE for ESG

Selected 20 teams (84 people) of VALUE university student volunteer groups in 2023 to implement ESG activities, such as producing upcycling supplies using waste clothing, creating picture books for children from multicultural families, and conducting campaigns to raise awareness of the visually impaired



28 Mom's Happiness Playgrounds and 87 Mom's Happiness Dream Attics (Cumulative from 2016 to 2023)

Mom's Happiness Projects (Playground, Dream Attic) with the goal of addressing inequalities in children's play and educational environments





Fair Recruitment and HR Management

APPROACH

People of LOTTE

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 continuous growth of our society as well as their own personal growth. LOTTE Group strives to secure challenging and creative talents with the priority of attracting and nurturing outstanding global talents.

HR Direction

In 2022, LOTTE Group declared a market and value-centered HR direction to enable continuous HR innovation led by the Group affiliates. LOTTE Group's HR direction consists of "market-driven HR" that strengthens the competitiveness of employees 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. In 2023, we focused on implementing this strategy in detail. To promote the sustainable growth of the group, 19 key tasks have been promoted together with each Group affiliate, led by the Integrated HR Innovation TFT, and all tasks have been spread to the Group affiliates and implemented. In 2024, we plan to supplement and upgrade it by reflecting opinions from the field.

As all Group affiliates are preparing for innovation in line with the rapidly changing business environment, we are implementing the Group affiliated-led HR strategies in connection with each affiliate's business strategy and transitioning to a more employee-centered HR system. 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

To ensure sustainable growth of the future, LOTTE Group aims to establish customized HR strategies for each Group affiliate, secure fairness in the HR system, and strengthen the execution capabilities of employees in the field. 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.

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

With the goal of promoting fundamental change and innovation, we have been communicating and sharing information mainly with the Chief Human Resource Officer (CHRO) of each business group and the HR executives of Group affiliates on a continuous basis, and we have been carrying out the key tasks since July 2022. In October 2023, we ended the TFT operation after sharing the results of the TFT activities for about a year and opinions among the Group affiliates. From 2024, we plan to accelerate change by launching the HR Inno Community, a permanent organization dedicated to promoting HR innovation led by the Group affiliates.

HR Exchange Meetings

Aside from the integrated HR Innovation TFT, the HR Exchange Meeting, which has been held since 2021, is a community that seeks to resolve issues from a practical point of view and specifically carries out key tasks with the HR team leaders and managers of each Group affiliate. As such, it has selected timely tasks for each year and the Group affiliates have carried them out together. All Group affiliates conducted activities from April to August 2023 in order to lay the foundation for job-oriented HR by deriving job competencies and diagnosing individual competency targets and current levels.

People of LOTTE



Fair Recruitment and HR Management

PERFORMANCE

Establishing HR Strategy Aligned with Business Strategy

To establish HR strategies specialized for each Group affiliate, it is necessary to understand the business strategy. Therefore, the HR organization of each Group affiliate shares the business strategy for each company through collaboration with the planning and strategy departments, reviews the major strategic goals for the next year and the major tasks for achieving them; and, based on this, it is establishing the HR strategic direction by considering how to collaborate in both the qualitative and quantitative aspects of human resources so as to execute the business strategies successfully.

Deriving HR Tasks Based on HR Strategies

To execute the HR strategies systematically, we define the detailed activities and develop them into tasks. Each HR task is specified under a task definition that describes the review background, major activities, driving entities, and processes, and even a detailed action plan is required. HR tasks that are clearly identified through this process are expected to form a solid foundation that will enable the CEOs of each affiliate to pursue business strategies seamlessly 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, who play a key role in implementing the company's 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 factors, such as employee promotion, retirement, and recruitment. This kind of workforce structure is set differently depending on the business and strategic direction of each Group affiliate. The Group affiliates therefore go beyond the method of simply adding to or subtracting from the previous year's workforce structure, and define the necessary organizational capabilities based on the business strategies and HR strategies. This has enabled them to calculate the size of the workforce size required for each organization and position in order to establish a mid- to long-term workforce structure.

Advancement of 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-academia collaboration internship, industry-academia scholarship, and industry-academia joint research.

Field-Oriented On-demand Recruitment

LOTTE Group is flexibly expanding the scope of evaluation tools to verify and evaluate the various capabilities required for each job, strengthening the recruitment process based on field and job, rather than on a uniform document- and interview-based evaluation. In particular, since 2010, each Group affiliate has been using certified interviewers to verify the capabilities and experience of applicants, and by improving the capabilities of the interviewers who are in charge of the interviews, thereby strengthening fairness and objectivity and increasing the satisfaction of applicants.

Diversifying Talent Acquisition Channels

LOTTE Group is focused on discovering external channels through which to secure diverse talents. In the IT and DT fields, we aim 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 SW Academy for Youth, BIT Academy, SAP Academy, Google Bootcamp, etc.) in order to attract talented people with outstanding job competencies.

In 2023, we were finally selected to participate in the digital talent development program conducted in conjunction with the Ministry of Employment and Labor and Busan City Hall. We formed a 6-month program in collaboration with various specialized educational institutions in Busan and carried out a customized project with mentors from IT-based Group affiliates such as LOTTE Innovate, LOTTE e-commerce, and LOTTE Members.

Fair Recruitment

LOTTE Group is striving to improve the fairness of the recruitment process and the satisfaction of new employees by providing equal opportunities in the recruitment process to young people taking their first steps into society, and by conducting job-based competency recruitment and blind recruitment regardless of one's school, region of origin, or appearance. In particular, to ensure fairness in the recruitment of the millennials and generation Z who value a fair process and fair compensation, we have prepared the LOTTE Fair Recruitment Guidebook and distributed it to all Group affiliates, and we update it every year. In addition, to practice our commitment to fair recruitment and provide job applicants with opportunities to develop into better talents, we have provided feedback on the results to those who were unsuccessful since 2014, while also conducting regular monitoring, including the performance of internal audits through follow-up inspections twice a year. LOTTE Group's efforts to establish fair recruitment have received positive evaluations externally, and we will continue to play a leading role in spreading the socially required culture of fair recruitment.



[Recruitment Website of LOTTE Group](#)

Fair Recruitment and HR Management

Establishment of Employment Branding

LOTTE Group continues to strengthen its employees' experience (EX: Employee eXperience), which is accumulated through the diverse experiences of our employees, and branding activities that inform potential future applicants of this experience. We are making efforts to attract outstanding talents by promoting the company's organizational culture, recruitment and job information, and various growth programs through various channels, such as recruitment fairs on college campuses and the JOB-café. In addition, we are actively promoting recruitment and corporate culture contents such as "Visual Radio Program" and "LOTTE SSUL TV" through YouTube to ensure that applicants can always access them with ease.

Recruitment YouTube Channel "L-RecruiTV"

LOTTE Group provides diverse recruitment and job information through LRecruiTV, a YouTube channel dedicated to recruitment opened in February 2020. We have introduced LOTTE Group with useful and fun contents, such as "video blog" on the daily life of employees in charge of specific duties, and "Balance Game" where employees play a game to provide information about the company. We have also expanded the scope of communication with applicants through "LOTTE Is" contents that contain honest on-site stories about recent corporate reviews. As of December 2023, LRecruiTV has approximately 52,000 regular subscribers, with an average of 20,000 views per content (138 registered content).

Job Fairs and LOTTE Group JOB-Café for Young Jobseekers

LOTTE Group runs offline recruitment events at the Group level to provide employment information and job counseling to jobseekers. In September 2023, we participated in the fairs held at seven universities, including Seoul National University, Yonsei University, Korea University, and Kyungpook National University. Current HR managers from 31 Group affiliates participated in the fairs and provided employment-related counseling to approximately 2,400 college students. In November 2023, we held the LOTTE Group Job Café once each in Seoul (LOTTE World Tower) and Busan (LOTTE Department Store in Gwangbok-dong), during which current personnel and job managers from 26 Group affiliates provided employment-related information to some 1,700 applicants. In addition, we prepared a promotional center introducing the products and services of various Group affiliates and lots of souvenirs, and operated it as an event to cheer them on applicants preparing for employment.

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, we 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 March 2024, 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.



L-RecruiTV – YouTube channel dedicated to recruitment



Job Fairs



LOTTE Group JOB-Café



Nurturing and Managing Outstanding Talent

APPROACH

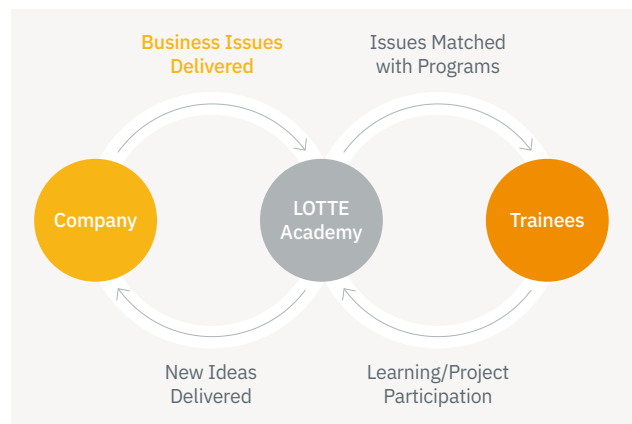
LOTTE Group has selected strategic HRs linked to business strategy, fair and transparent HR, HR that is open to the outside, and competency-oriented HR as key innovation tasks. LOTTE Academy, which is in charge of talent nurturing and management, has redefined its roles and responsibilities and those of the talent development departments of the Group affiliates in order to promote “strategic HR linked to business strategy” and “capacity enhancement-oriented HR.” Accordingly, LOTTE Academy has changed its role as a Provider of Total HRD Solutions, which involved providing universal training programs across all Group affiliates and areas, including new employee training, position-specific training, executive training, and various job training. Instead, it now focuses on nurturing key talents such as CEO successors and serves as a CoE (Center of Excellence) that advises the Group’s HR activities based on its understanding of business areas. Meanwhile, the talent development department at each Group affiliate is focused on nurturing industry and job experts who will contribute to enhancing the market competitiveness of each company and creating business performance.

PERFORMANCE

Project-based Learning Using Internal Cases

LOTTE Academy is applying and expanding project-based learning based on the Group’s internal issues and other issues throughout the Group training. In order to provide employees with problem-solving experience that allows them to apply the theory and knowledge they have learned to actual cases, LOTTE Academy develops issues related to the business and work methods of each Group affiliate into management cases and then matches each learner with the most appropriate training course.

Creative Interaction



“LOTTE MBA” course is designed for outstanding talent at M-Grade (manager level) and matches them with projects related to business issues, while the “HR Expert” course is offered to outstanding talent in charge of HR and matches trainees with projects related to HR issues in order to provide them with problem-solving experience suited to each learner’s position and job. Meanwhile, the “introductory course for new hires” matches new employees with projects related to the Group’s business concerns, thereby providing them with experience of ideation which allows them to think freely and speak out. Through such project execution-based training, LOTTE Academy plans to continuously identify current issues within the Group and develop them into management cases so that employees can experience the solving of business problems and apply them to their work.

Reorganization of the Promotion Qualification Course

LOTTE Academy has reorganized the “M-Grade promotion qualification course” for employees who are about to be promoted from senior associate to manager, from a method of verifying their qualifications through common training and evaluation of the Group to a method of nurturing talents tailored to each Group affiliate and developing their self-directed capabilities. The reorganized course consists of strengthening the trainee’s business management capabilities and job competencies at the Group level, improving industry and business insights at the Group level, and strengthening the job capabilities of individual employees.

LOTTE’s business management competency and self-leadership courses provide common learning contents that middle managers of LOTTE Group must acquire as basic knowledge through LOTTE Academy. The industry and business insight enhancement program of the Group affiliates is exclusively managed by the talent development departments of each company, focusing on key and new business content specific to each company. The program is designed with content directly linked to the business areas of the Group affiliates, such as industry trends, major products and services, and new businesses, with an aim to cultivate leaders with a macro perspective on the business of their respective companies, tailored to specific business areas. In addition, job competency enhancement activities support employees in participating in internal and external training related to their individual job roles, with the goal of developing job experts.

The reorganized M-Grade promotion qualification course serves to comprehensively evaluate whether each employee has the business and leadership capabilities required by the group, and whether individual employees have made continuous efforts to develop their job capabilities, in order to ensure that the Group, its affiliates, and employees all have balanced competitiveness.



Nurturing and Managing Outstanding Talent

Strengthening the CEO Succession Plan

LOTTE Academy has established a core talent development system with the focus on nurturing CEO candidates who have the qualities of future leaders from the mid- to long-term perspective. It improves the capabilities required for selected key talents to perform their roles in higher-level positions in advance, and supports them in their efforts to grow on their own by experiencing the required roles.

GIANTs (Great Innovators And Next Top leaders) Course

LOTTE Group operates the GIANT's Course for CEO candidates according to the LOTTE Group's CEO succession plan, and the selected CEO candidates participate in an intensive course over two years. On the Intensive Course (A), they will strengthen the overall capabilities for business management, organizational management, and self-management that they must have as a CEO of LOTTE Group, while, on the Intensive Course (B), they will experience and verify the CEO's role in enhancing corporate value.

CEO candidates who participated in the Intensive Course (A) in 2023 visited companies in San Francisco and Silicon Valley, U.S. for eight days and six nights to learn about Silicon Valley's startup ecosystem and discuss business innovation elements. In addition, we carried out a team project to derive solutions to current issues by business area (Retail, Food & Beverage, Chemicals, Hotel) selected by the Group Corporate Strategy & Sustainability Office and the LOTTE Institute of Economy & Business Strategy.

During the Intensive Course (B) we plan to operate in 2024, the participants will experience the role of a CEO and prove their qualifications as a CEO candidate by examining ways to improve corporate value through IR pitch simulation, and by seeking ways to differentiate management strategies by providing opportunities for domestic and overseas "insight trips". To this end, LOTTE Academy supports a variety of special lectures and discussions, including special lectures by former and current CEOs in and outside the group, analysis of economic indicators with economic experts, and understanding of corporate finance.

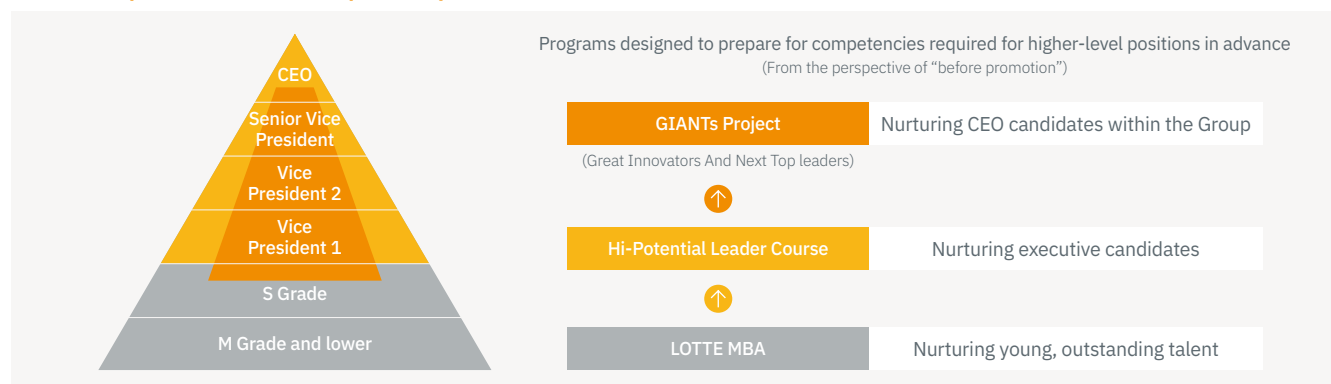
Hi-Potential Leader Course

The Hi-Potential Leader Course targets key S-Grade talents selected by each Group affiliate, that is, candidates for executives. During the course, they develop their management and leadership capabilities and carry out projects so that they can successfully perform their changing roles as business leaders in the future. The management competency element of the course is designed to focus on learning and developing the essential management competencies for managers in the areas of strategy, finance, marketing, and human resources, and to study strategic cases. As for the leader competency element, it is designed to enable our talents to demonstrate effective leadership based on LOTTE Group's leadership model (4S), and the project element is designed to allow them to experience problem solving based on field issues. After the course, each candidate will receive a comprehensive feedback report containing the results of a multi-faceted evaluation of their performance in each element, and the report will be used as a reference for nurturing and selecting the Group's core talent pool.

OUTLOOK

LOTTE Academy and the talent development department of each Group affiliate will strengthen their human resource development (HRD) functions and expertise to go beyond the role of HR staff handling administrative tasks such as recruitment, training, evaluation, and promotion. Instead, they will play as strategic execution partners by providing HRD solutions that contribute to securing the core competencies needed for strategic execution, based on an understanding of the business areas. To this end, we will introduce the Group human capital development index (HRD Index) in 2024, and we will regularly check the Group's human capital readiness based on sustainable and measurable indicators, such as the status of talent development for both the group and group companies, the level of investment in talent development, and the status of HR infrastructure construction. In addition, to support the roles and task performance of HR development staff, we plan to conduct professional training programs and regular exchange meetings to strengthen their capabilities and networks.

LOTTE Group Core Talent Development System



GIANTs Project Intensive Course (A) – Global insight trip, Business team project



Global HR Management

APPROACH

HR Management for Expatriates

LOTTE Group is a global company in name and in reality, with 320 expatriates from 24 Group affiliates dispatched to 26 countries as of the end of December 2023, and about 46,000 local people working in 26 countries. LOTTE Group has established an HR system that motivates employees working in overseas countries so that they can demonstrate their capabilities with pride, and without experiencing any inconvenience in local life.

Status of Expatriates and Local Hires at LOTTE Group



Expatriates

320 persons in

26 countries

Local hires



49,496 persons in

26 countries

* As of the end of December 2023

PERFORMANCE

Group Affiliates Briefing Session to Introduce Compensation System for Expatriates

On February 23, 2023, we held a briefing session for HR team leaders (31 attendees) from 18 Group affiliates operating overseas and listened to their opinions on the expatriate compensation system. In addition, we shared the briefing session materials with the Group affiliates to collect and reflect the opinions of current and former expatriates.

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 24 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.

Global HR Conference

LOTTE Group held the Global HR Conference in August 2023 with the goal of strengthening the management capabilities of its overseas subsidiaries and enhancing their sense of belonging to the local group. As a result of listening to the opinions of the participants after the conference, we derived an opportunity to understand the Group's business status and HR strategy, and many expressed the hope that communication opportunities between the parent company and its overseas subsidiaries would continue to expand. Moving forward, we will not limit the participants to human resources, but will also include management in general, and we will hold a global HR conference every year to strengthen the capabilities of overseas subsidiaries in the mid- to long-term, as well as providing opportunities for regular communication between the parent company and the overseas subsidiaries.

Overview of the Global HR Conference

Schedule August 28 - September 1, 2023 (5 days)

Venue LOTTE World Tower,
LOTTE Academy at Osan Campus

Attendees 31 local HR managers from overseas

Programs

- Day 1: Visit to the LOTTE World Tower Observation Deck and the Shin Kyuk-ho Memorial Hall on the 5th floor to improve the participants' understanding of the Group's history and business
- Days 2-3: Understanding the Group's HR strategy, establishing a management system for overseas subsidiaries, and sharing global HR (GHR) insights
- Day 4: Networking through visits to the parent company of each overseas subsidiary
- Day 5: Experiencing Korean culture

OUTLOOK

In 2024, we plan to expand our communication activities to inform local people of the group's personnel policy and spread its vision. As a part of this initiative, we plan to provide an opportunity to share the group's global business direction and vision with the heads of overseas subsidiaries. In addition, the compensation system for the Group's expatriates is scheduled to be renewed in 2025, so we plan to begin renewing the system in the second half of 2024. Furthermore, we plan to help LOTTE Group employees demonstrate their capabilities and lead a stable life around the world by improving the overseas expatriate system and preparing support measures in consideration of employees who are working abroad and their families as well, with the HR Innovation Division of LOTTE Corporation playing a central role.

Creating a Happy 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.

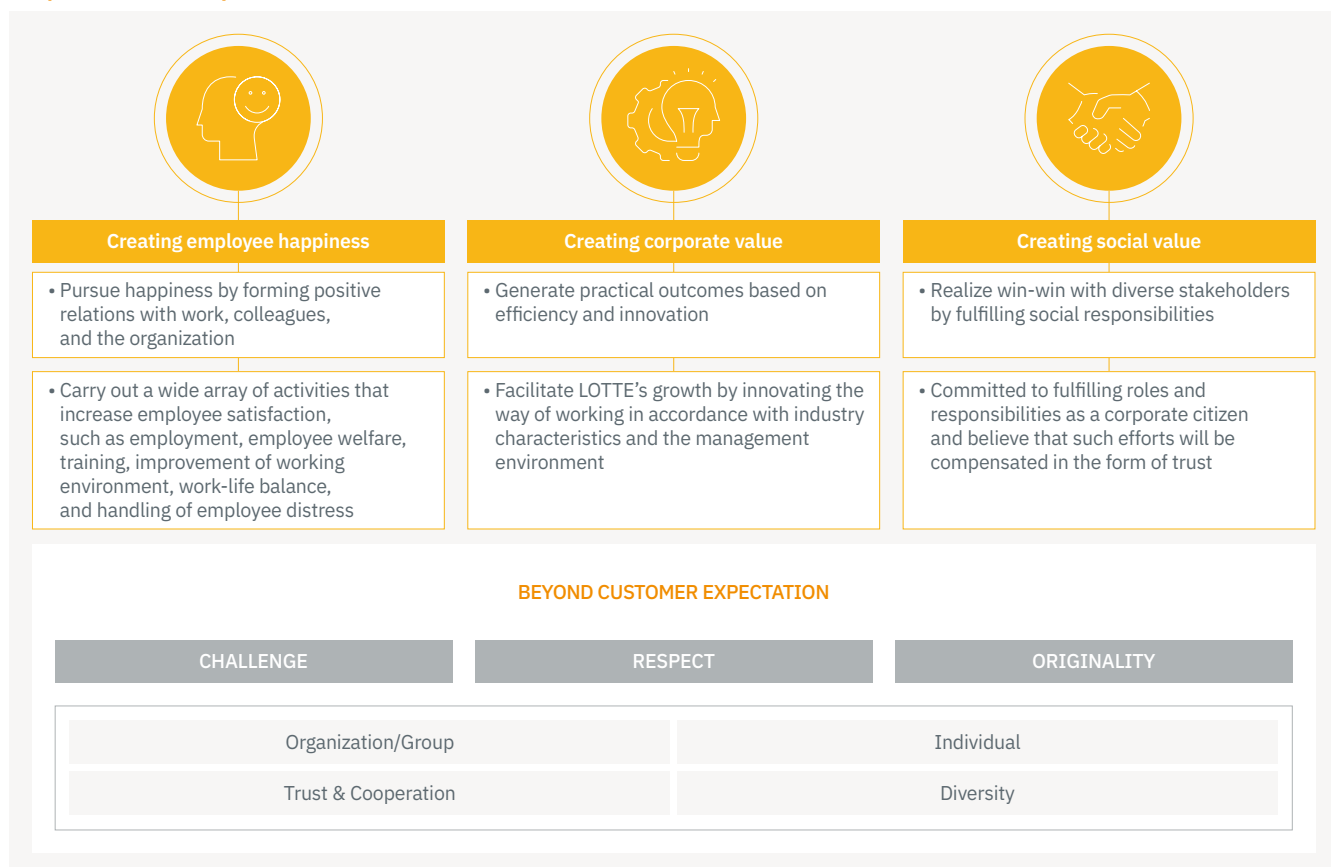
Value Creation Culture Organization

Corporate Culture Committee

In September 2015, the Corporate Culture Committee of LOTTE Group was launched to establish LOTTE’s unique value creation culture. The Corporate Culture Committee, which is composed of 13 internal executives and external experts from various fields such as organization, women, labor relations, discusses various issues related to the organizational culture.

In 2023, we held three regular meetings (March, August, and December) to discuss the direction for establishing an organizational culture that can sustain growth amid a rapidly changing business environment, and performance management that supports the growth of organizations and individuals. In particular, in 2023, we held an on-site meeting at which members of the Corporate Culture Committee and employees in charge of the corporate culture of the Group affiliates discussed organizational culture issues and laid the foundation for a practical change in the corporate culture by listening to the concerns of corporate culture managers and presenting solutions. This is not a one-off activity, and we are expanding the scope of our organizational culture to experience the entire life cycle of employees based on the goals of “flexibility to changes” and “directed and horizontal culture” through efforts to improve the fundamental structure, so that our employees can immerse themselves in the company’s goals.

Corporate Culture System



Organizational Culture TFT

With the goal of “creating a customized organizational culture for each affiliate,” LOTTE Group has established an organizational culture TFT for each Group affiliate to allow the latter to autonomously manage all changes required in the process of introducing innovations to the organizational culture. Following the annual diagnosis of the value creation culture of each Group affiliate, the Organizational Culture TFT analyzes the results, identifies weak points, and establishes and implements improvement plans to supplement them. In 2023, 263 people from all Group affiliates participated in deriving some 170 improvement tasks, with the focus on strengthening internal communication, eliminating and changing inefficient tasks, and improving processes.

Junior Board

All LOTTE Group affiliates utilize the Junior Board as a communication channel connecting field employees with management. The Junior Board consists of junior employees in their 20s and 30s from various departments such as management support, marketing, and production. They engage directly with the CEO to discuss ideas for enhancing aspects of organizational culture, such as innovating work methods and fostering intergenerational communication, resulting in significant shifts in the organizational culture. In 2023, 310 employees participated in a total of 264 activities. In 2024, the Junior Board plans to expand opportunities to participate in the company’s major decision-making as a meeting of junior representatives within the company.

Creating a Happy Organizational Culture

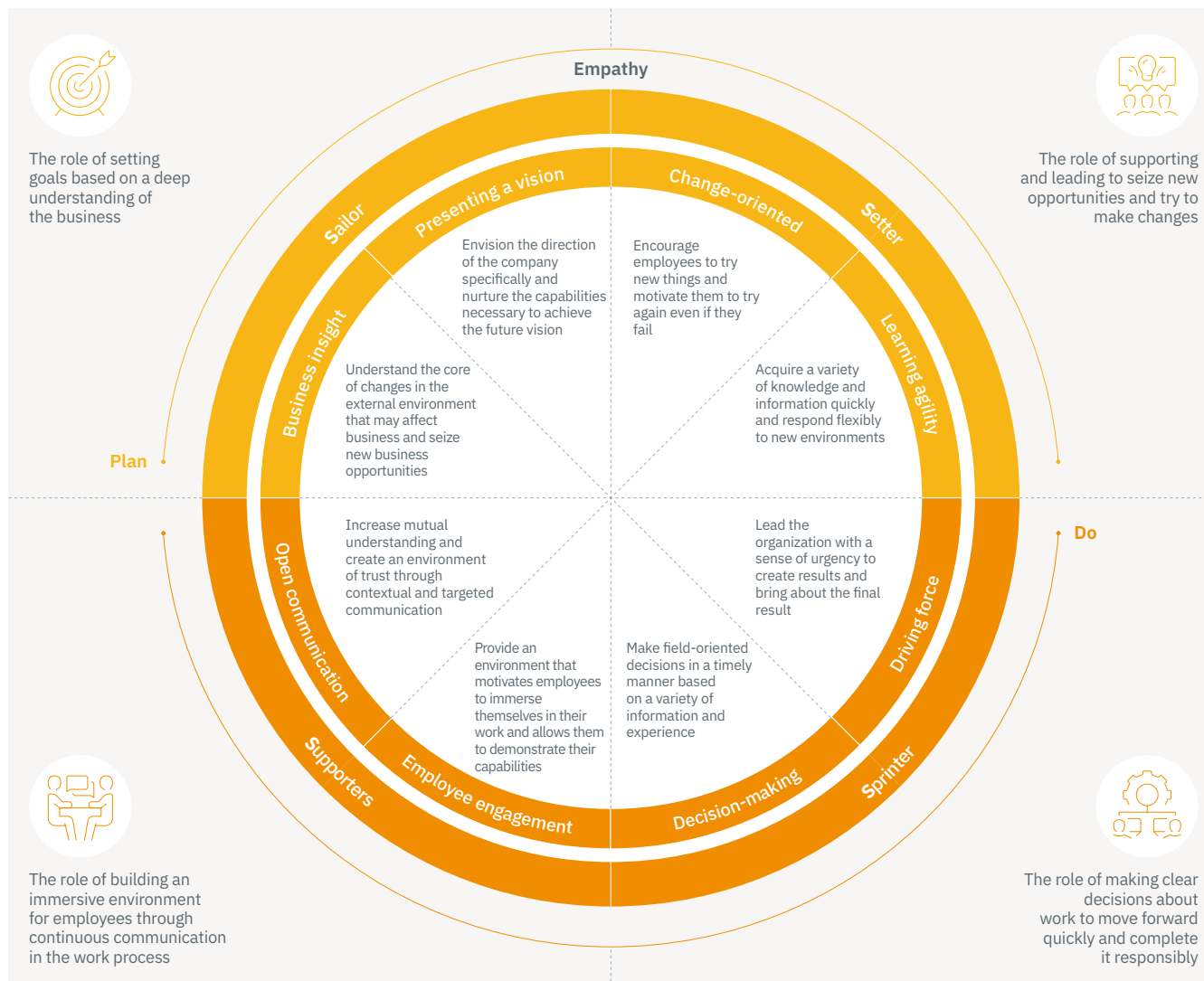
PERFORMANCE

Internalizing 4S Leadership

LOTTE Group strives for a corporate culture characterized by continuous challenge and an organizational ethos focused on achieving optimal results voluntarily. To this end, we promote the “4S (Sailor, Setter, Sprinter, Supporter) leadership” model that motivates each employee to sympathize with organization's goals, discover the meaning of what they do, and lead them to proactively create results.

In order to determine the various roles and capabilities of leaders and internalize 4S leadership in the field, LOTTE Group conducted the “4S Leadership Diagnosis and Feedback – Best Practice Dissemination System.” Following the leadership diagnosis conducted in September 2022, we delivered individual reports to enable leaders to identify their strengths and weaknesses. Based on this feedback, self-learning initiatives were implemented to help them enhance their leadership skills. Additionally, 4S leadership concepts were integrated into courses for all levels within the Group to foster the internalization of effective leadership practices. Additionally, we operate the “Fearless Leader” system to select excellent leaders who actively demonstrate 4S leadership in the field and share their cases. We selected a total of 66 Fearless Leaders in 2023, and produced video contents introducing the 4 leaders selected through voting by the LOTTE Group Junior Board and shared best cases with all Group affiliates through LOTTE GSUL TV in May 2024.

4S Leadership Model





Creating a Happy Organizational Culture

Transforming the Way of Working

“ERRC” Campaign to Improve Work Efficiency

LOTTE Group runs the “ERRC Campaign” to enhance productivity and efficiency by discarding unnecessary tasks and focusing on key tasks in order to raise the work efficiency of employees and innovate the work culture. 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.” This approach has enabled us to actively listen to our employees’ feedback, review work processes, and conduct on-site audits, resulting in improved efficiency, increased productivity, and reduced working hours.

Smart Office and Digital Workplace

LOTTE Group has introduced smart offices and base offices so that its employees can work regardless of location. LOTTE Corporation also operates smart offices, and inside the office, employees can select their preferred seat daily through an autonomous seating system, and outside the office, employees can work by selecting a place where they can most effectively focus on their work.

We also provide an “integrated digital work place” environment to all Group employees so that they can be connected to each other anytime, anywhere, to effectively communicate, collaborate, and perform their work efficiently. By introducing a variety of collaboration tools such as Cisco Webex, a cloud-based video conferencing system, and Microsoft 365, we are providing global standard services to improve the gap in the work environment of each company and focus on operating the Group’s 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 of LOTTE Corporation can autonomously adjust their daily working hours according to their work characteristics and workload without the approval of the head of the department, and are linked to the PC OFF system, which automatically shuts down the PC after the end of the working hours set by individuals so that the selective working hours system can be practically operated. This fosters a self-directed work environment, enabling employees to achieve a better work-life balance.

Sharing Values and Promoting Communication

LOTTE AWARDS

Since its launch in 2021, “LOTTE AWARDS” is held every year to award employees who have led challenges and innovations within LOTTE Group and improved brand value. Awards are presented across six categories – sales and marketing, R&D, production and procurement, business management and enhancement, win-win partnerships, and challenge. Notably, the “challenge” category recognizes initiatives that have attempted innovative ideas despite eventual failure.

In 2023, LOTTE AWARDS received 103 candidate cases, and after three rounds of evaluation by a committee comprising internal and external experts, six teams were selected. The grand prize was awarded to LOTTE Chilsung Beverage, which successfully introduced “Saero,” a new soju product launched for the first time in 16 years, into the market. A total of five teams received the excellent prize, including the launch of Bottle Bunker, LOTTE Mart’s Mega Wine Curation Shop, LOTTE Wellfood’s zero brand preoccupation in the confectionery industry, LOTTE Home Shopping’s Belly Bear marketing, the development of a hydrogen tank in LOTTE Chemical’s Advanced Materials business, and the Lake Seokchon water quality improvement project of LOTTE C&T.

Organizational Culture Portal

The organizational culture portal serves as a communication platform for disseminating best practices within the Group, including activities of the Group affiliates’ Junior Boards and results of Fearless Leader selections. It also facilitates benchmarking among affiliates, and showcases organizational culture initiatives and accomplishments promoted by the Group affiliates, ensuring continuous sharing and accessibility.

LOTTE SSUL TV

To foster horizontal communication within the organization, LOTTE Group launched and has been operating the LOTTE SSUL TV, a YouTube channel dedicated to showcasing the group’s organizational culture, beginning in 2022. In 2023, we produced a total of 42 contents by selecting topics such as the direction of organizational culture improvement, organizational culture activities of Group affiliates, communication by generation, and work methods. In particular, to produce contents targeting the millennials and generation Z, we have selected 10 employee creators in their 20s and 30s working in various jobs and are working to deliver the sincere voices of our employees.



2023 LOTTE AWARDS

Creating a Happy Organizational Culture

Enhancing Employee Satisfaction

Pregnancy and Childbirth Support

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.

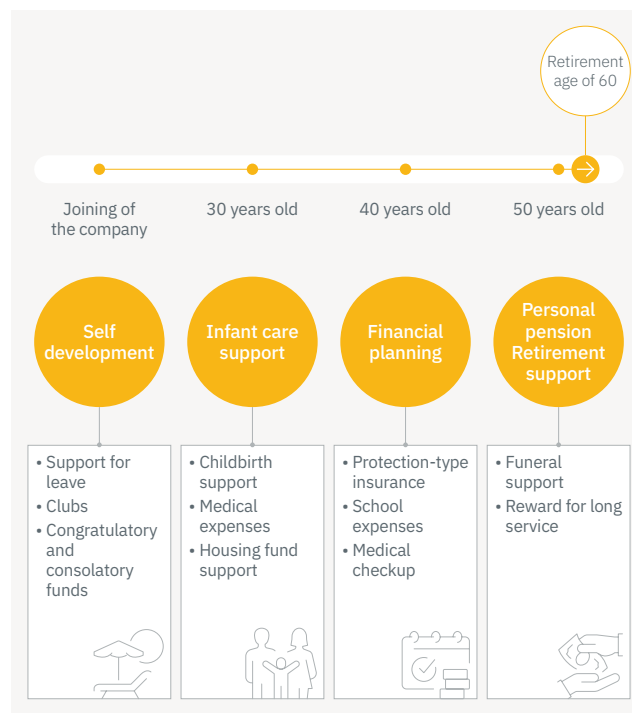
Parental Leave | Fostering female talent requires a working environment where female employees can use their parental leave comfortably. LOTTE Group therefore adopted the automatic parental leave system in 2012 which automatically processes a parental leave after a maternity leave without employees having 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 to 12 months when their child enters elementary school which may give them high levels of stress from balancing work and parenting. We have also expanded the parental leave period to two years, thus facilitating employees' work-family balance.

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.

Lifetime Welfare System of LOTTE Group



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



Creating a Happy Organizational Culture

ASSESSMENT

Diagnosis of Value Creation Culture

LOTTE Group conducts the Diagnosis of Value Creation Culture, a survey on employee satisfaction, every September to identify strengths and areas for improvement in organizational culture. LOTTE Corporation uses the diagnosis of value creation culture as a measure to derive areas requiring improvement and making practical improvements. The 2023 Diagnosis of the Value Creation Culture consisted of a total of 70 questionnaires related to “Creating Employee Happiness, Creating Corporate Value, Creating Social Value” serving as the key to LOTTE Group’s corporate culture. Some 40,000 employees from 57 Group affiliates participated in the survey.

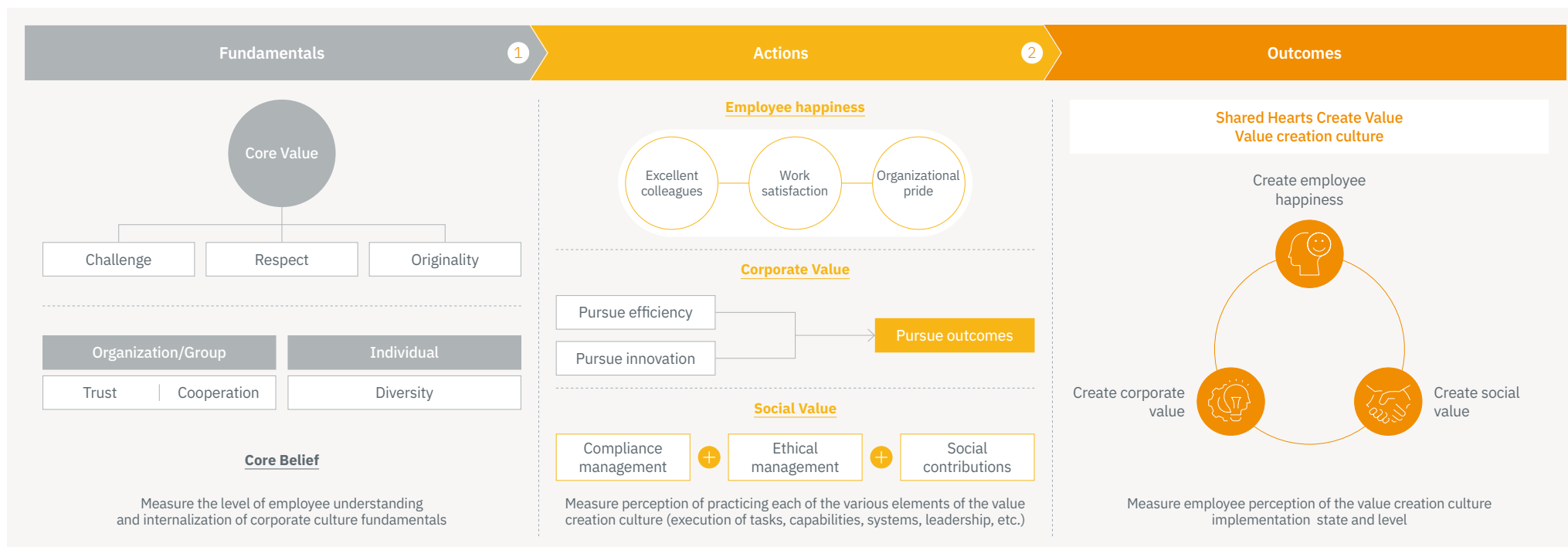
Diagnosis of Leadership

Since 2014, LOTTE Group has conducted an annual online survey-based 'leadership diagnosis' involving approximately 3,000 team leaders and above. For leaders to identify their strengths and weaknesses, after conducting a diagnosis of leadership, we provide individual reports and encourage self-learning so that they can improve their leadership weaknesses based on this. Through this, we diagnose the level of competency that LOTTE Group leaders must have, identify leadership styles and behavioral characteristics, identify differences in perception between themselves and their team members, and provide an opportunity to grow as a leader.

OUTLOOK

LOTTE Corporation intends to focus on reviewing mid- to long-term systems and policies related to organizational culture through benchmarking external companies, researching trends, and deriving implications related to organizational culture, and it also prepares on-site consulting on organizational culture to promote practical changes in organizational culture. We plan to plan and implement customized change programs for each Group affiliate to improve the way we work, organizational unity, trust in leadership, and we plan to identify the perception of employees by regularly diagnosing the effectiveness of the implemented programs and continuously improve them. Furthermore, as part of the renewed value creation culture diagnosis, we are enhancing data analysis to assess the implementation level of organizational culture. We are also upgrading our data analysis system to pinpoint weaknesses within each company. Based on these findings, we will develop diverse programs aimed at identifying improvements and supporting behavioral changes.

Composition of the Value Creation Culture Diagnosis



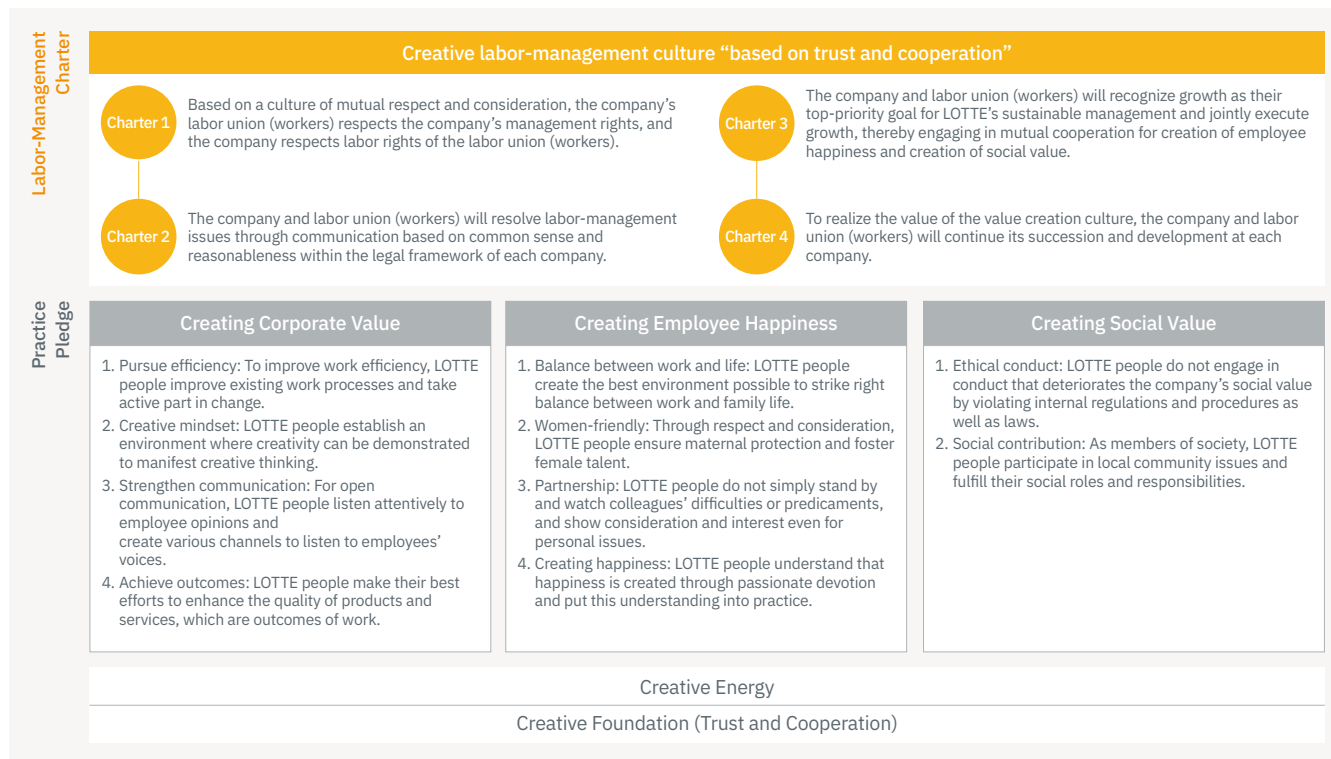
Establishing a Creative Labor-Management Culture

APPROACH

Creative Labor-Management Culture

LOTTE defines a progressive and cooperative labor-management culture as a “creative labor-management culture,” and we are systematically and continuously strengthening a virtuous cycle in which the company achieves sustainable growth through creative activities jointly undertaken by labor and management, which in turn leads to employee happiness. 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.

LOTTE’s Creative Labor-Management Culture System



PERFORMANCE

Labor-Management Council

LOTTE Corporation established the Labor-Management Council in December 2017 and operates it on a regular basis (quarterly) to promote the welfare of workers and promote sound development of the company based on the participation and cooperation of workers and employers. With the Labor-Management Council at the core, labor and management actively respond to the business environment and do their best in their respective positions to achieve goals. Furthermore, we strive to create a foundation of mutual trust through transparent and ethical management while doing our best to practice social responsibility.

OUTLOOK

LOTTE Corporation seeks to further strengthen labor-management relations and enhance the corporate competitiveness by continuously expanding communication between labor and management, centered around the Labor-Management Council. We will do our utmost to promote the common interests of labor and management, such as improving employee welfare and productivity, through participation and cooperation of labor and management.

Composition and Operation of LOTTE Corporation’s Labor-Management Council

Classification	Details
Composition	• 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	• 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

Major Activities and Achievements in 2023 of LOTTE Corporation’s Labor-Management Council

Classification	Content
Improvement of employee cafeteria	Improving employee satisfaction by increasing meal prices, improving the environment, and providing special meals
Improvement of business trip and travel expense regulations	Improving work efficiency by simplifying business trip standards and strengthening support
Improvement of the Heart Talk system	Facilitating the communication channel through which employees can easily and comfortably convey the feelings of gratitude, support, and praise to colleagues
Designating collective annual leave days in 2024	Agreement on a 5-day collective annual leave including traditional Korean holidays and sandwich days

Innovating Business Site Safety Management

APPROACH

Safety Management Innovation

In order to create a workplace where employees can work safely, LOTTE Group announced the “LOTTE Group Safety Management Innovation Measures” in 2021 and is making significant in preventing accidents. Furthermore, in line with the Ministry of Employment and Labor’s roadmap for reducing serious accidents, which includes strengthening risk assessment-centered prevention and strengthening preventive activities by spreading a culture of worker safety awareness, we are implementing “3 steps to reinforce preventive diagnosis of risk factors at business sites” through which aims to reinforce self-preventive activities and expand worker participation in safety culture activities. As a result, we achieved a 15% reduction in the total number of accidents, from 34 in 2021 to 29 in 2023.

LOTTE Group Safety Management Innovation Measures

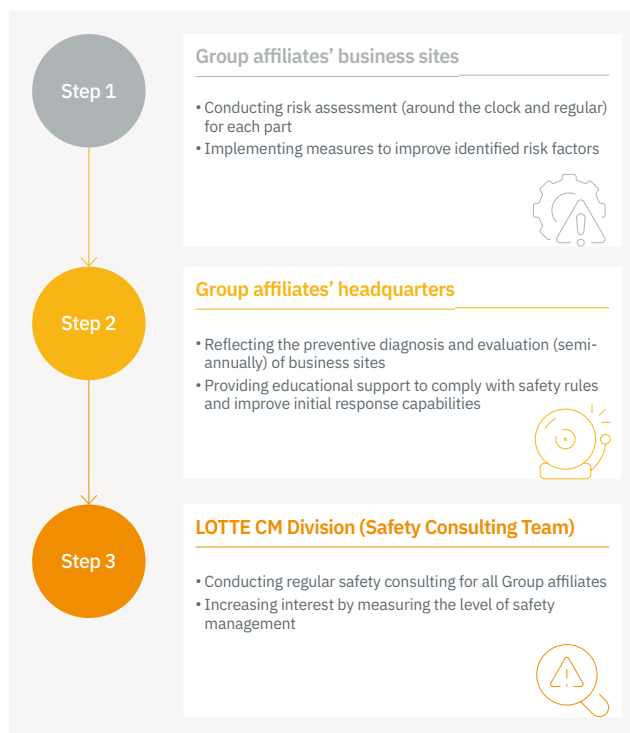


Safety Management Organization

Organization Dedicated to Safety Management

Identifying and enhancing workplace risk factors form the foundation of safety management. LOTTE Group is prioritizing the establishment of a systematic approach aimed at preemptively preventing accidents and mitigating the recurrence of identified risks. In alignment with the LOTTE Group Safety Management Innovation Measures, each Group affiliate has placed its safety management organization under the direct oversight of the CEO and has enhanced safety management systems and manuals.

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



As of 2023, all 39 Group affiliates (operated by concurrent departments from two affiliates, one with a dedicated staff member) are operating dedicated safety management organizations, and 16 of them are further strengthening their dedicated organizations with executive-level organizations. 33 Group affiliates that operate dedicated organizations are striving to prevent safety accidents by investing KRW 695.2 billion, or 0.92% of total sales (KRW 75,052.6 billion) in safety management in 2022.

Composition of the Group Organization Dedicated to Safety Management

Classification	Total	Directly under the CEO		Not directly under the CEO		
		Executive level	Non-executive level	Non-executive level	Concurrent department	Staff in charge
No. of Group affiliates	33	16	9	5	2	1

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.

2023 Safety Management Council Meetings

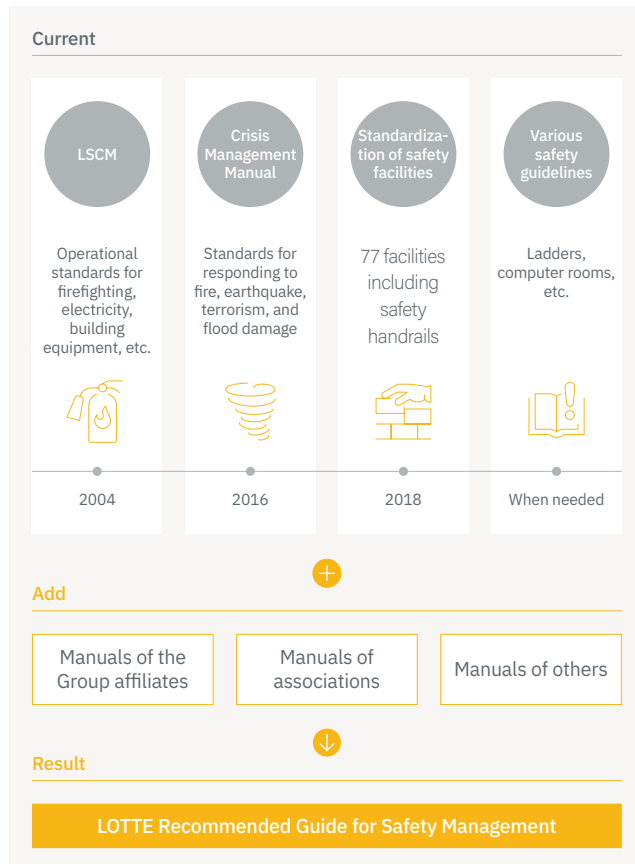
Classification	H1	H2
Date	Feb. 15	Jul. 11
No. of attendees	59	60
Key agenda	<ul style="list-style-type: none"> Making announcement on the result of safety management level measurement Sharing the status of safety accidents within the Group Holding a meeting on safety management issues by business group Listening to opinions from the Group affiliates related to safety consulting 	<ul style="list-style-type: none"> Special lectures by external instructors on the Severe Accident Punishment Act Presentation of best practices for safety management of the Group affiliates Analysis of safety diagnosis and sharing of issues Briefing session and demonstration on the advancement of LOTTE Safety

Innovating Business Site Safety Management

Establishing the Recommended Guide for Safety Management

In April 2022, LOTTE Group produced and distributed the "Recommended Guide for Safety Management," a LOTTE Group safety management standard that adds new safety standards to existing safety manuals and guidelines, in cooperation with the Korea Industrial Safety Association to improve the level of safety and health management.

Composition of the Recommended Guide for Safety Management



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. In 2024, we plan to create a comprehensive LOTTE safety guide by integrating various safety management guides.

Composing Safety Management Guide by Vulnerable Period

We create and disseminate a safety management manual every year that covers updates on special weather alerts for vulnerable periods such as typhoons and cold waves, critical management protocols for business sites during these events, and case studies of relevant accidents occurring during similar periods. Furthermore, in preparation for the occurrence of emergency situations, we have established and updated an emergency contact network and assign individual responsibilities to each worker so that they can respond immediately when an emergency occurs. For storm and flood warnings, including dry weather alerts and typhoons, we provide information on the expected affected areas and anticipated timing to mitigate potential damage.

Sharing Safety Management Information

- Vulnerable Period**: 9 cases, including typhoons and cold waves
 - Real-time weather warning status by date
 - Key management points for each business site by special report
 - Cases of similar accidents during the same period
- Related Laws**: 6 cases, including risk assessments
 - Enactment of safety-related laws and account details related to safety
 - Countermeasure for each detailed content of the law
 - Sharing of best practices of the Group affiliates, etc.
- Safety Accidents**: 29 cases, including group accidents
 - Monthly analysis results of safety accidents within the group
 - Same industry and social issues and accidents
 - Sharing measures to prevent recurrence of various safety accidents

Safety Management Guide and Countermeasures

	Classification	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



“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.

Since its development over six years ago, the system has demonstrated the need for advancements such as adapting to changes in menu preferences and design trends, and the creation of legally mandated documents following revisions to the Serious Accident Punishment Act and the Industrial Safety Act. In response, the LOTTE Safety System was upgraded in 2023. As a result, new menus such as legal document support, risk assessment support, and construction site management have been added, existing menu functions have been improved, the design has been completely renewed, and a smart safety management environment will be provided through the renewed LOTTE Safety operation.

Certification of Safety and Health Management System

LOTTE Group is expanding the acquisition of international standard certification for its safety and health management system to create a safety environment throughout the organization. We have been making continuous efforts to require the application of standard management of safety and health systems throughout the entire process by encouraging new certifications and renewals of the safety and health management system for the Group affiliates, and by providing additional points when measuring the safety management level of the Group affiliates. As a result, as of 2023, 19 Group affiliates have obtained ISO 45001 certification, and one Group affiliate has obtained KOSHA-MS certification.


Major Components of LOTTE Safety

	Safety diagnosis	Share risk factors and improvement outcomes of all Group affiliates, including the holding company's safety diagnosis and internal safety diagnosis
	Safety activities	Business site safety education/training, outcomes of safety events, and sharing of information on major safety management schedule
	Safety Data Room	Notices, Safety Sinmungo, work reports, document collection, etc.
	Work sharing	Sharing of information on the Group safety standardization, work guidelines, manuals, best practices, etc.
	Safety Situation Room	Share information on the situation regarding the occurrence of Group and other company safety accidents as well as accident analysis materials
	Analysis of statistics	Analyze statistics, including those related to safety diagnosis and education/training, and share information on the development of changes

Key Points of LOTTE Safety System Advancement

Development of New Menu

Legal Document Support	3 types related to contracting projects
Risk Assessment Support	4 types of assessment techniques
Construction Site Management	6 types of work applications and training materials



Design Renewal
System screen

Improvement of Existing Menu Functions

Dashboard	Dashboarding key menus
Workplace Management	Supporting equipment history and legal inspection notifications
Statistical Analysis	Providing various data statistical analysis data

ISO 45001 (Occupational Health and Safety Management System) Certification of LOTTE Group



19

companies

LOTTE Engineering & Construction, LOTTE Global Logistics, LOTTE-Nestlé, LOTTE Property & Development, LOTTE Shopping (LOTTE Mart/Super), LOTTE Aluminum, LOTTE Wellfood, LOTTE MCC, LOTTE Innovate, LOTTE INEOS Chemical, LOTTE Fine Chemical, LOTTE R&D Center, LOTTE Cultureworks, LOTTE Chemical, LOTTE Hi-Mart, LOTTE Home Shopping, LOTTE GRS, Canon Korea, HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE Duty Free, LOTTE World)

* As of December 2023

KOSHA-MS (Safety and Health Management System) Certification of LOTTE Group



1

company

LOTTE Engineering & Construction

* As of December 2023

Innovating Business Site Safety Management

PERFORMANCE

Regular Safety Diagnosis Consulting for the Group Affiliates' Business Sites

To prevent occupational accidents at business sites of the Group affiliates, we conduct regular business site safety diagnosis consulting under the oversight of the Safety Consulting Part of LOTTE E&C's CM Division. Additionally, we classify risk factors into seven types, six locations, and three levels of importance to provide 5-year safety diagnosis analysis results to identify vulnerable areas and vulnerable locations in the workplace and support the establishment of countermeasures against similar accidents by sharing accident cases from the Group affiliates and similar industries.

In 2023, we conducted on-site safety diagnosis on 512 business sites of 35 Group affiliates, identified 5,966 risk factors and provided solutions to them. In 2024, we plan to conduct safety diagnosis on 501 business sites of 29 Group affiliates.

Result of the 2023 Regular Business Site Safety Diagnosis Consulting

1. Performance

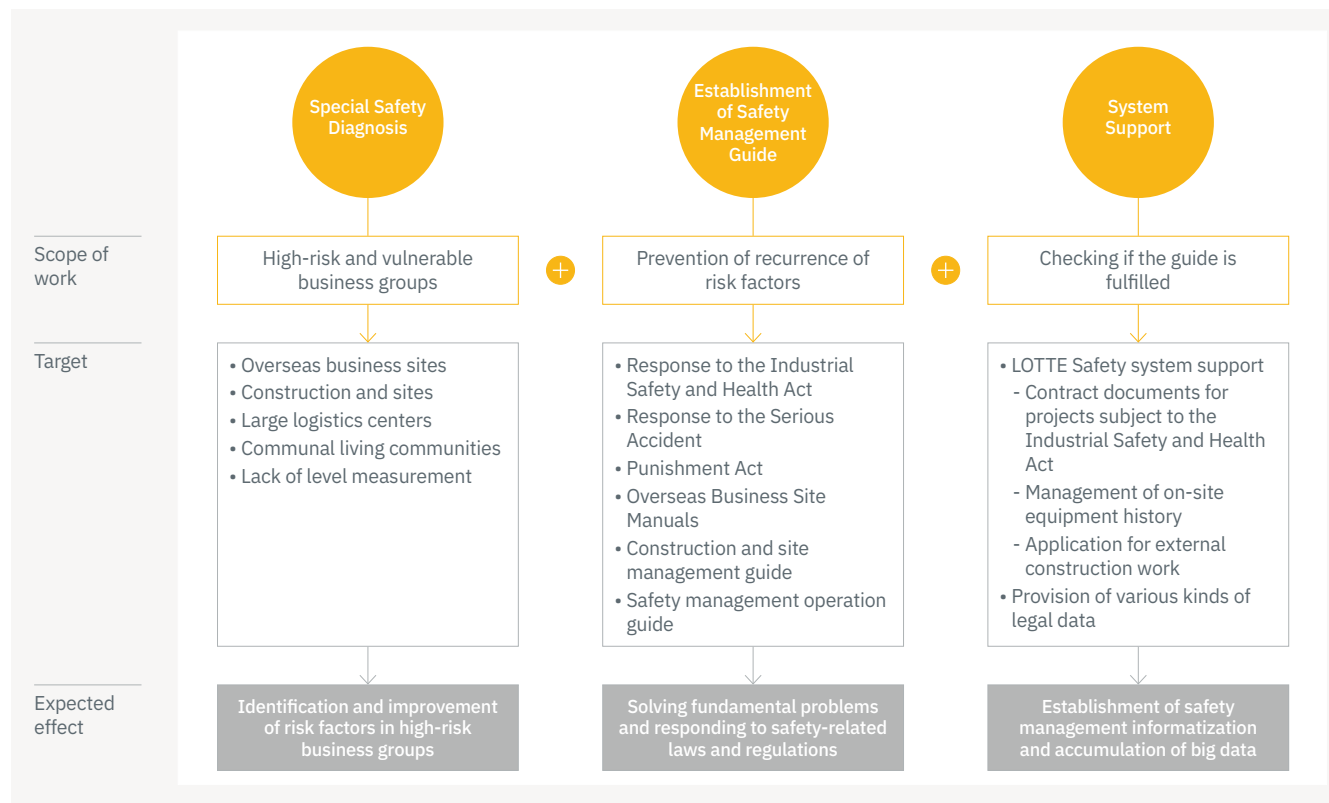
Classification	Unit	Total	Food & Beverage	Retail	Chemicals	Hotel	Others
Group affiliates	Company	29	8	3	6	2	10
Business sites	Site	512	53	262	27	41	129
Total risk factors	Case	5,966	781	2,876	587	648	1,074
Average	Case	11.7	14.7	11.0	21.7	15.8	8.3

2. Diagnostic Analysis Results

- Average number of risk factors compared to the previous year: Increase of 0.6 cases (11.1 cases in 2022 → 11.7 cases in 2023)
- Occurrence status by risk type: Firefighting (21.2%), Safety (20.0%), Electricity (19.1%)
- Occurrence status by location: Auxiliary facilities (24.0%), Business facilities (22.8%), Maintenance (22.5%)

→ [Sharing the safety diagnosis results and analysis data with the Group affiliates](#)

Plans to Strengthen the Group Affiliates' Safety Management Consulting



Innovating Business Site Safety Management

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 events on a regular basis. The results of all safety-related education, training, and events held at the business sites are registered with LOTTE Safety, and the head office approves whether appropriate progress has been made. The progress results are reflected in the measurement of safety management levels to prevent omissions. We also check employee attendance rates for any gaps and share any shortcomings.

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 tips, 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.

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

Training for Construction Workers

Before our partners' construction workers are assigned to construction, we provide compulsory training on initial fire extinguishing 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.

Performance of Regular Education in 2023

Classification	Group affiliates	Business sites	Number of workers	Number of attendees	Attendance rate
Total			153,377	151,720	98.9%
Q1			37,974	37,694	99.3%
Q2	33 companies	505 companies	38,345	38,017	99.1%
Q3			38,517	37,927	98.5%
Q4			38,541	38,082	98.8%



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 of 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 2023, we measured the safety management level at some 500 business sites of 33 Group affiliates, and based on the results of the diagnosis, we will promote improvement activities such as comprehensive safety diagnosis for underperforming Group affiliates and intensive support for underperforming business sites (two safety diagnosis in 2024).

OUTLOOK

In order to establish a sustainable safety management system through more systematic and smarter safety management, LOTTE Group derives similar problems within the group related to large-scale disasters that continuously occur at home and abroad and seeks ways to improve them. Additionally, we are enhancing our accident prevention system and developing response plans in alignment with strengthened safety laws such as the Serious Accident Punishment Act and the Occupational Safety and Health Act. Concurrently, we are intensifying group safety management consulting to enhance implementation oversight.

In 2024, to raise safety awareness at the overseas business sites, we plan to conduct safety diagnosis on nine Group affiliates (159 business sites) in 20 countries to identify risk factors and provide education and training for fire and emergency situations, and safety training for expatriates and heads of local business sites. Furthermore, to foster a "safety first" culture, we intend to promote the significance of safety management monthly through the LOTTE Safety System, using accident cases within the Group and the industry as examples. We aim to broaden avenues for recognizing safety management achievements by operating a safety management award system and offering incentives, thereby enhancing motivation. Additionally, for business sites with high-risk factors and social concerns, we will conduct specialized safety consulting to proactively address risks and resolve issues.

Results of the 2023 Safety Management Level Measurement

• **Period & Targets:** Jan. 1, 2022 to Dec. 31, 2023 for some 500 business sites of 33 Group affiliates

• Measurement Indicators and Scores

Target	Evaluation of the Group Affiliates' HQ (30%)				Evaluation of the Group Affiliates' Business Sites (70%)					Note
Item	Dedicated organization	Safety activities	Accident rate	Addition/deduction	Safety assessment	Level of interest	Safety manager	Safety activities	Addition/deduction	Total
Scoring	20 points	60 points	20 points	±10 points	50 points	10 points	10 points	30 points	±10 points	200 points

• Rating Criteria

Classification		Level S	Level A	Level B	Level C	Note
HQ + Business sites	Evaluation score	90 points or more	80-89 points	70-79 points	Less than 70 points	Absolute grading
	Risk level	Excellent	Average	Attention	Caution	

• Measurement Results

- Announcement of the comprehensive opinion and results of the measurement of the Group affiliates (individual notice to relevant Group affiliate)
- Intensive support for B and C grade business sites when conducting safety consulting in the following year (increase in the number and duration of input)

Building a Sustainable Supply Chain

APPROACH

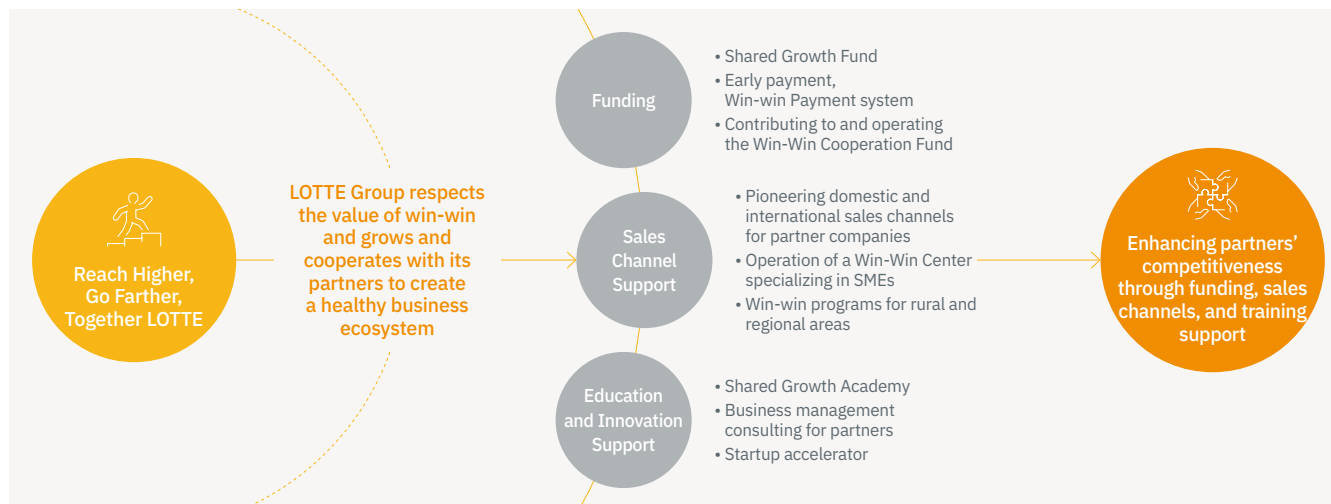
Direction for Shared Growth with Partner Companies

LOTTE Group respects the value of coexistence, strives to create a healthy business ecosystem, and grows together with its partners based on mutual trust. In addition, we are operating a practical and sincere partner cooperation support system, taking co-prosperity with our partners as the driving force for sustainable management, while also expanding the scope of our support to include small business owners and rural communities.

Code of Conduct for LOTTE Group Partner Companies

Based on the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, OECD guidelines for multinational corporations, UN Convention on the Rights of the Child, International Labor Organization (ILO) Core Conventions, and the Responsible Business Alliance (RBA) Code of Conduct, LOTTE Group enacted and announced the Code of Conduct for partner companies, which consists of requests for six aspects, including 'environmental protection, respect for human rights, safety management, quality management, compliance and ethical management, and management system' required by LOTTE Group in June 2022. LOTTE Group hopes that all its partners will comply with the standards and participate in LOTTE's ESG management.

LOTTE Group's Win-Win Growth System



PERFORMANCE

Support Programs for Partner Companies


LOTTE Group is striving to improve the competitiveness of partner companies by providing funding, sales channels, training, and innovation support activities. As part of our financial support activities, we manage the Shared Growth fund worth KRW 881 billion and provide loans at preferential interest rates to 1,392 partner companies every year. Additionally, we help smooth fund management through early payment of transaction value worth approximately KRW 700 billion every holiday when partner companies' demand for funds is concentrated. LOTTE has introduced a win-win settlement system across all Group affiliates for the first time among large corporations in Korea, ensuring that transaction payments are made in cash equivalents. We also have signed the "Voluntary Agreement to Alleviate Polarization" with the National Commission for Corporate Partnership, amounting to KRW 2,346.3 billion over the past six years.

In order to support securing domestic and overseas sales channels for partner companies, we are operating specialized win-win distribution stores for small and medium-sized enterprises, and the Group affiliates in the Retail and Food & Beverage HQs are collaborating to hold the "LOTTE-Korea Brand Expo" to support overseas sales channels for excellent small and medium-sized enterprises (SMEs) in Korea.

Moreover, in terms of training and innovation support, we operate a Shared Growth Academy to support training for partner companies and are helping to spread ESG management for small and medium-sized partners by developing ESG support projects for partner companies. Additionally, we provide consulting on the use of big data to improve sales, and are also operating a startup accelerator program.

As a result of continuous efforts to implement shared growth and win-win cooperation programs, LOTTE Group's grade in the Win-Win Index Evaluation conducted by the National Commission for Corporate Partnership has been improving every year, and in 2023 LOTTE Chemical and LOTTE Innovate received the "Excellent" grade. Moreover, LOTTE GRS won a prize in the win-win council operation category at the 2023 Korea Shared Growth Awards hosted by National Commission for Corporate Partnership, and LOTTE e-commerce and LOTTE Department Store won a presidential commendation and a ministerial commendation, respectively, at the 2023 Government Awards for Shared Growth between Large, Medium, and Small Enterprises. Moving forward, LOTTE Group will continue to strive to promote shared growth by developing practical and diverse win-win cooperation programs with partner companies.

Voluntary Agreement to Alleviate Polarization



Signed the agreement amounting to

KRW 2,346.3 billion

(10 Group affiliates³⁾, cumulative from 2018 to 2023)

³⁾ LOTTE Shopping (LOTTE Department Store, LOTTE Mart/Super), LOTTE Aluminum, LOTTE Wellfood, LOTTE Innovate, LOTTE Chemical, LOTTE Hi-Mart, LOTTE Home Shopping, LOTTE GRS, Korea Seven, HOTEL LOTTE (LOTTE Duty Free)

Building a Sustainable Supply Chain

Shared Growth Fund

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

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 Korea Foundation for Cooperation of Large & Small Business, Rural Affairs (KOFCA). The win-win payment system allows large companies to issue bonds with no right of recourse so that our partner companies can carry out early liquidation of payment for delivered goods at the same discount rate offered to large companies. We currently pay 100% of credit payment through the win-win payment system.

Early Payments to Partners

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

Win-Win and Community Contribution through the Win-Win Cooperation Fund

LOTTE Corporation makes efforts not only for shared growth with its partner companies but also for win-win growth with the local community. In 2021, we contributed KRW 15 billion to KOFCA, creating a fund for win-win growth investment and a fund for mutual growth in rural areas. Utilizing these funds, we support domestic and international market expansion for SMEs, provide welfare benefits for employees of partner companies, and operate various mutual growth programs for the development of local communities and rural areas.

Education and Innovation Support

LOTTE Group supports education programs that are equivalent to our own employee education courses and provides effective management support consulting considering the needs of our partner companies to strengthen the job capabilities of our partners' employees.

Performance of Shared Growth Fund in 2023

Fund size

KRW **881.0** billion

Fund execution

KRW **703.0** billion
to **1,392** partner companies



LOTTE Group Performance of Early Payments to Partners

Classification	Unit	2023 Lunar New Year	2023 Chuseok	2024 Lunar New Year
Target	Company	About 14,000	About 11,000	About 14,000
Amount	KRW billion	About 700	About 590	About 880

Operation Status of KOFCA Funds (cumulative from 2021 to 2023)

Key Projects	Targets	Executed Amount
Support for overseas expansion of SMEs	300 companies	KRW 1.9 billion
Supported for overseas expansion of startups	34 companies	KRW 1.7 billion
Disaster recovery support project for rural areas	About 3,500 households	KRW 1.6 billion

Building a Sustainable Supply Chain

Support for Overseas Expansion of Partner Companies

In collaboration with the Ministry of SMEs and Startups, LOTTE Group organizes the “LOTTE-KOREA BRAND EXPO” to help outstanding domestic SMEs, ventures, and startups expand overseas market. This Expo represents one of the largest overseas market expansion support programs in Korea and is supported by LOTTE Corporation and the Group affiliates (LOTTE Department Store, LOTTE Mart/Super, LOTTE Hi-Mart, LOTTE Home Shopping, Korea Seven of Retail HQ; and LOTTE Wellfood and LOTTE GRS of Food & Beverage HQ). It aims to facilitate the expansion of sales channels for companies encountering challenges in overseas markets. The participating companies are composed of excellent domestic small and medium-sized enterprises, ventures, and startups in areas such as food, beauty, and clothing that overseas consumers are interested highly, and are conducting export consultations for local overseas buyers and Korean Wave culture events to promote Korean Wave cultural contents. Going forward, LOTTE Group plans to expand its sales channel development win-win support project centered around the Retail HQ of the Group to Food & Beverage and Chemical HQs and will continue to expand support projects for partner companies to enter overseas markets tailored to the characteristics of each business group.

Support for Partner Companies' Employee Benefit

In order to promote shared growth and win-win culture between large companies and SMEs, LOTTE Group invites employees of its partner companies and provides them with the opportunity to watch performances at the LOTTE Concert Hall Orchestra. At the event, which was held to express gratitude for the hard work of employees of partner companies and provide a place for exchange to communicate with each other, executives from LOTTE Corporation and major Group affiliates also attended and expressed their gratitude to employees of partner companies. Various events were also held for employees of partner companies who attended the concert, such as “Thanks to Photo Zone” and “Welcome Catering Zone” which were set up at the entrance of LOTTE Concert Hall to welcome employees of partner companies. After the concert, souvenirs composed of products from LOTTE Group affiliates were given to the attendees. At the 2024 event, the Chairman of the National Commission for Corporate Partnership attended and participated in the “win-win growth ceremony,” wishing for the continued partnership between LOTTE and its partner companies. LOTTE Group intends to enhance communication with partner companies by regularly hosting cultural performances at its distinctive cultural venues, such as the LOTTE Concert Hall.

Achievements of LOTTE-Korea Brand Expo

Successful completion of export consultations worth of KRW 234 billion for a total of 300 SMEs in Berlin, Germany and New York, U.S. in 2022 and Sydney, Australia and Jakarta, Indonesia in 2023

Classification	Unit	Germany	U.S.	Australia	Indonesia
SME	Company	50	100	100	50
Consultation amount	KRW billion	40	72	82	40
No. of consultations	Cases	230	500	600	400



LOTTE Shared Growth Concert

- **Venue:** LOTTE Concert Hall
- **Attendees**
 - 2023: Invited 1,080 people from 212 small and medium-sized partner companies in service such as cleaning and safety
 - 2024: Expanded the scope of attendees to include partner companies in purchases and products, and invited 1,300 people from 326 companies
- **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



Establishment of Sustainable Supply Chain by the Group Affiliates

Participating in the ESG support project for partner companies hosted by NCCP

While the significance of ESG management is increasing, SMEs often face challenges in implementing their own ESG management systems due to limited capital and resources. Therefore, since 2019, five Group affiliates including LOTTE Chemical and LOTTE Department Store have been participating in the “ESG Support Project for Partner Companies,” a flagship initiative of the National Commission for Corporate Partnership (NCCP), aimed at helping partner companies establish ESG management systems. After signing an agreement with the NCCP, each Group affiliate contributes a win-win cooperation fund to promote ESG support projects and submits an action plan with its partner companies. Afterwards, based on the NCCP’s ESG standard guidelines for SMEs, we develop customized ESG indicators for each industry and company, provide ESG training and ESG capability diagnosis for employees of partner companies, conduct on-site due diligence in conjunction with experts, and implement ESG management consulting and evaluation.

LOTTE Group has participated in this project since 2019, leading to significant growth for its partner companies. Five Group affiliates have transferred ESG management know-how to 253 partner companies, of which 124 companies received the “Outstanding ESG SME Confirmation” from NCCP.

This Confirmation is issued to partner companies with excellent compliance with ESG evaluation indicators, and SMEs that receive the Confirmation can receive preferential interest rates from four banks (Shinhan Bank, IBK Industrial Bank of Korea, Kookmin Bank, and BNK Gyeongnam Bank). Additional benefits are provided, including preferential participation in the Korea Trade-Investment Promotion Agency (KOTRA) export support project and incentives for environmental and energy technology support from the Korea Institute of Energy Research. Moreover, benefits such as support for market development programs run by LOTTE Group, preferential fund interest rates, and additional points in regular evaluations of partner companies are also provided. These efforts have been recognized externally, and three cases of cooperation between LOTTE Group affiliates and partner companies were included in the Collection of Best Practices for Partner ESG Support Projects published NCCP in April 2023.

Under the belief that securing partner companies that meet ESG standards will also increase LOTTE’s global competitiveness, LOTTE Group plans to more actively promote activities to strengthen the ESG capabilities of SMEs based on the ESG management system support data obtained through the ESG support project for partner companies.

Performance of participation in the ESG Support Project for Partner Companies of NCCP



The Group affiliates participated

5 companies

LOTTE Shopping (LOTTE Department Store, LOTTE Mart/Super), LOTTE Innovate, LOTTE Chemical, LOTTE Hi-Mart, HOTEL LOTTE (LOTTE Duty Free)

Partner companies received support

253 companies

(cumulative from 2019 to 2023)



124 companies

Issued the Outstanding ESG SME Confirmation



Key support activities



Development of ESG indicators customized for each industry and company

ESG training and ESG competency diagnosis for employees of partner companies

On-site due diligence in connection with experts

ESG management consulting and evaluation





Facilitating the Startup Ecosystem

APPROACH

Goals of Fostering Startups

In order to lead innovation that is beneficial to everyone, LOTTE Group supports the growth and innovation of startups dreaming of new values. In 2016, LOTTE Group established LOTTE Ventures with the goal of creating social value, which is to foster startups, and open innovation that discovers new businesses, and carried out the "L-CAMP" program to discover startups and support their growth, and to develop startups that have innovative ideas. Through L-CAMP, startups increase their corporate value, and LOTTE Group builds a virtuous cycle in which it invests in more companies with the generated results, contributing to the healthy growth of the startup ecosystem and the sustainable growth of our economy.

PERFORMANCE

Startup Discovery and Growth Support Program

L-CAMP

LOTTE Ventures have both CVC¹⁾ and accelerator²⁾ functions to discover and foster startups with a longer-term perspective and broader thinking, and even make direct investments. Accordingly, those companies that participate in the L-CAMP, which are selected through open recruitment every year, can receive continuous and comprehensive support not only at the start-up stage but also at the growth stage. Those companies that participate in the L-CAMP can receive initial investment (KRW 50 million to KRW 300 million) and office space support, networking opportunities between senior and junior companies through office hours, lectures by finance, human resources, and marketing experts, and hold a Demo Day to attract follow-up investment.

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.

From 2016 to 2023, we have supported 6,238 startups through L-CAMP, selected a total of 186 startups. 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. In 2024, we plan to focus on fostering companies in very early-stage and build a startup business growth model based on collaboration with the Group affiliates.

Achievements of L-Camp Operation

* As of December 2023 (cumulative)



Calls for participation

15 times in total

No. of startups applied

6,238 companies

No. of selected startups

186 companies

Value of invested companies

KRW **2,065.2** billion
(2.76-fold value increase compared to the time of investment)

Achievements of L-Camp Operation in 2023



11th L-CAMP and 5th Busan Division

352 companies applied and **12** companies were selected
(competition rate of 29:1)

3rd Food Changers

71 companies applied and **4** companies were selected
(competition rate of 12:1)



L-CAMP

Facilitating the Startup Ecosystem

L-Camp – Global Accelerator Program

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 can interact with major local venture capitalists and famous Korean startup CEOs, which will be an opportunity to secure new investment opportunities and get business know-how. With the launch of the 1st L-CAMP Japan in 2023, we supported the KSC (Korea Startup Center) project in Vietnam, and in March 2024, operated the 3rd L-CAMP Silicon Valley program.

KSC (Korea Startup Center) Support Project in Vietnam

• Purpose of Support

- Adaptation to the local startup ecosystem and operation of an initial settlement support program for the excellent domestic startups to successfully enter the Vietnamese market
- Operation of programs in collaboration with local venture capital (VSV Capital) and the Group affiliates doing business in Vietnam

• Targets: 15 companies in total

• Period: June - October 2023

• Program Contents

- Domestic programs: 1:1 mentoring with employees who have experience working at LOTTE Group's Vietnam branch office, legal consulting by a law firm
- Local programs: Office hours, networking party, on-site visits, investor meeting, demo day



In the first half of 2024, we plan to create the LOTTE Vietnam Open Innovation Fund (the first foreign fund) worth approximately KRW 3.5 billion with the Group affiliates such as LOTTE Ventures in Vietnam, LOTTE Shopping, Hotel LOTTE, and LOTTE Engineering & Construction, and will use the funds to invest in promising startups in Vietnam and promote open innovation between startups and the Group affiliates.

3rd L-CAMP Silicon Valley

• Purpose of Support

- Formation of a global startup ecosystem network to support the initial entry of excellent domestic startups into the U.S. market, and promotion of a program to strengthen local business capabilities

• Period: March 10 - March 15, 2024

• Place: San Francisco and San Jose, U.S.

• Targets

- Recruitment and selection of supporting companies (November - December 2023, a total of 126 companies applied)
- 8 companies in total (selected mainly from startups related to the Group's major business portfolio such as AI, healthcare, and retail tech)

• Program Contents

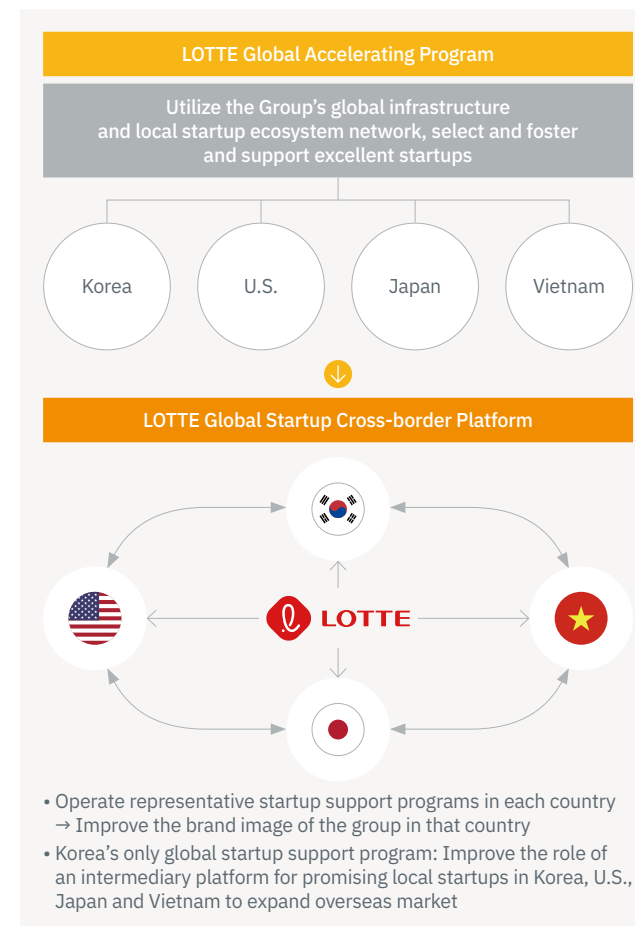
- Provide opportunities for IR pitching and support for local venture capital and tech companies to attract follow-up investments
- Conduct networking and local expansion training sessions by Korean start-up entrepreneurs and local support organizations
- Local market research and a tour of the U.S. startup ecosystem



OUTLOOK

We aim to strengthen investments in startups that can immediately collaborate through the creation of a project fund linked with our group companies and strategic investments. In addition, we will establish a global network (including U.S., Vietnam, Japan, etc.), as a way to discover and invest in local startups and perform cross-border roles to secure new growth engines for LOTTE Group.

Establishment of LOTTE Global Startup Cross-border Platform



SPECIAL CASE

L-CAMP

Launch of the 1st L-CAMP Japan

In October 2023, LOTTE Ventures launched the "1st 2023 L-CAMP Japan" that supports Korean startups wishing to enter the Japanese market, in partnership with LOTTE Holdings and Busan Center for Creative Economy & Innovation. L-CAMP Japan is the first project in which LOTTE in Korea and Japan collaborate to foster startups, and from the selection stage, LOTTE Holdings which have local business capabilities and networks and venture capital in Japan participated to find startups with potential to be recognized in the Japanese market.

As a core program, we held an investment and collaboration briefing session for First CVC officials, which has a network of over 250 corporate venture capitals (CVCs) in Japan. Executives and high-level investment managers from large Japanese companies, including Softbank, Mizuho Bank, NTT Docomo, Tokyo Stock Exchange, and Asahi Kasei, attended the briefing session to enable practical business review, and held a networking session for informal exchange. Additionally, five affiliates of LOTTE Holdings (LOTTE Ventures Japan, LOTTE City Hotel, LOTTE Co., Ltd., Chiba Lotte Marines) participated in the event and had startup pitching sessions as well as one-on-one business meetings.

Going forward, LOTTE Ventures will continue to pursue venture capital investment attraction and collaboration with Japanese startup support organizations in cooperation with the affiliates of LOTTE Holdings, and review the operation of additional programs in connection with LOTTE Ventures Japan.



1st L-CAMP JAPAN in 2023

- **Purpose:** Help Korean startups to enter Japan
- **Partner organizations:** LOTTE Ventures, LOTTE Ventures Japan, LOTTE Co., Ltd., Busan Center for Creative Economy & Innovation
- **Targets:** 11 startups selected through document and face-to-face screening (approximately 10:1 competition rate)
- **Program Contents:** Promotion of open innovation through the network of the affiliates of LOTTE Holdings

Local Programs in Japan

LOTTE Day (October 11th)

- 22 people from 5 affiliates of LOTTE Holdings (LOTTE Ventures Japan, LOTTE City Hotel, LOTTE Co., Ltd., Chiba Lotte Marines) attended
- Introducing the Japanese startup ecosystem, pitching startups to LOTTE Group affiliates in Japan, and conducting 1:1 investment and business consultations

CVC DAY (October 12th)

- Approximately 120 Japanese investors and CVC officials attended
- Sharing Japanese industry trends (panel discussion), pitching and networking for Japanese investment companies and CVCs



1. LOTTE Day
2. CVC Day

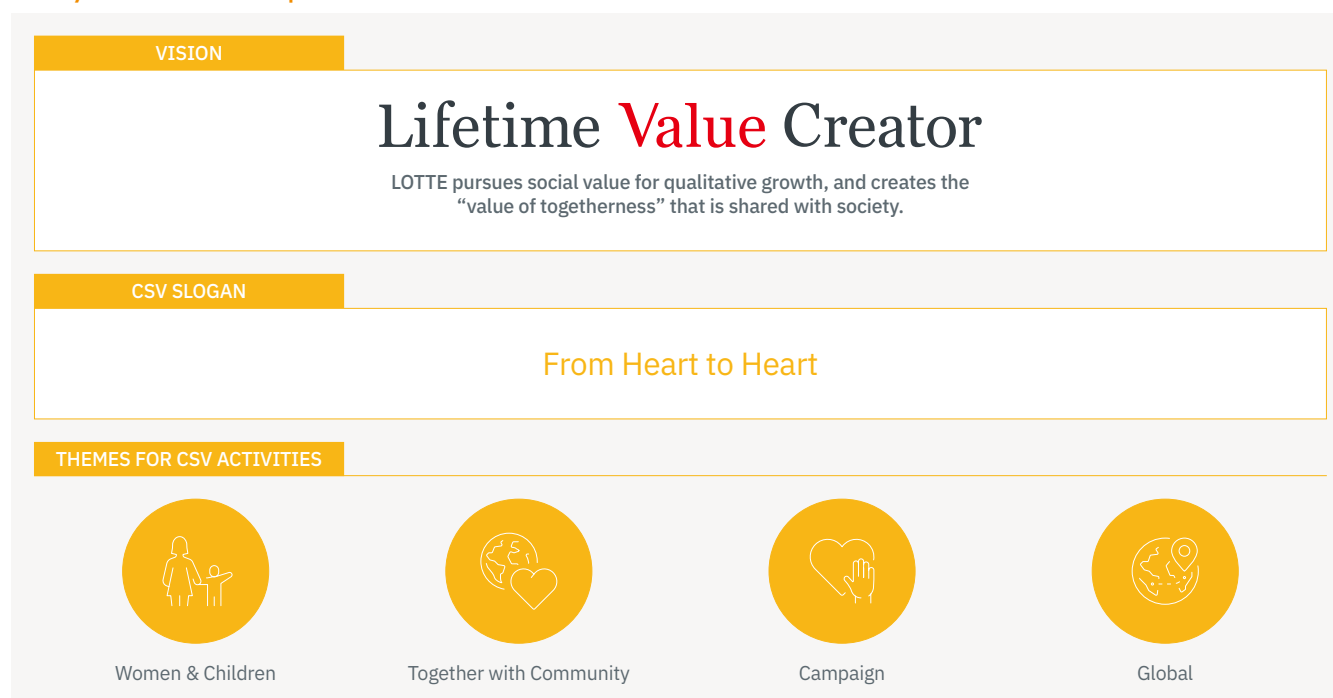
Local Community Development

APPROACH

CSV Direction

LOTTE Group aims to pursue social values for qualitative growth through CSV activities and to realize the vision “Lifetime Value Creator,” which shares the values created in the process with society. Centered on the slogan “Heart to the Heart,” which expresses the ripples of empathy created when LOTTE Group’s heart touches the hearts of members of society, the main themes were established in three areas – women and children, love for the country, and community. To make our society a more prosperous world, we have established social infrastructure and carried out various sharing activities for the underprivileged and are promoting more systematic and practical support projects that utilize the capabilities and resources of Retail, Food & Beverage and Chemicals HQ and HOTEL LOTTE and other business groups of LOTTE Group.

CSV System of LOTTE Group



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 the 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 the Group affiliates and reviews the transparency of donation activities with the affiliates.

PERFORMANCE

In 2023, LOTTE Group advanced its flagship CSV programs, including Mom’s Happiness Dream Attic, Mom’s Happiness Playground, and Youth Library. The Mom’s Happiness Dream Attic project involved renovating local children’s centers and expanding health promotion activities to enhance children’s well-being, along with cultural experiences for emotional support. Through the Mom’s Happiness Playground project, we established a new indoor playground to provide children with a safe play environment free from external pollutants like fine dust. Additionally, LOTTE Group collaborated with various affiliates, including LOTTE C&T, to successfully improve water quality of Lake Seokchon, contributing to local community development. Moving forward, we aim to expand integrated programs that leverage synergies through collaborative efforts with the Group affiliates.

Women & Children Mind Heat 37°C Campaign

Since 2016, LOTTE Group has been leading the spread of sharing culture by conducting the “Mind Heat 37°C Campaign” that allows customers to participate directly. This campaign, which aims to add 0.5°C of warm heart to 36.5°C of the normal body temperature, is a fundraising project jointly run by LOTTE Corporation, LOTTE Scholarship Foundation, and Salvation Army to provide winter heating costs to families of underprivileged children. In 2023, we presented specially produced Love Benny goods to sponsors who participated in the fundraising to encourage participation in donation, and the donations collected were spent on improving heating facilities in a total of 253 local children’s centers and underprivileged homes across the country and supporting heating costs for 150 places.

Diagnosis/Treatment Support for Infant Development Disorder

LOTTE Group is promoting the “infant development diagnosis project” for infants who may miss the timing of treatment due to circumstances where it is difficult to regularly diagnose their developmental status. LOTTE Corporation provides support for outpatient and inpatient treatments through its network of affiliated facilities, including those of the Korea Social Welfare Association and the Bobath Children’s Hospital within the LOTTE Medical Foundation. The Bobath Children’s Clinic specializes in developmental treatments. In cases where smooth treatment is difficult due to the distance from the residential area of infants, the treatment is carried out in conjunction with each local developmental treatment center. Since 2019, when the project was launched, we have raised a fund of KRW 200 million every year to support the developmental diagnosis and early treatment of a total of 368 children (cumulative figure) by 2023.



Local Community Development

Together with Community

Youth Library and Proud Army Family Awards Sponsorship

The “Youth Library,” which has been in operation since 2016, is a project to provide reading and rest spaces in front-line units with poor environments, and has created study cafes, etc., reflecting the needs of Army, Air Force, and Navy soldiers and the characteristics of military units. We opened 7 new locations in 2023. The Youth Library is a container-type library, consisting of Cafe Zone, a multi-purpose space where soldiers can chat together or enjoy refreshments; Reading Zone, where they can engage in self-development such as personal study; Healing Zone, where they can sit comfortably and listen to music or relax; and other spaces with various concepts tailored to the needs of young soldiers. The newly inaugurated Youth Libraries are equipped with amenities for reading, studying, watching videos, and counseling activities. Additionally, existing Youth Libraries have been refurbished to provide a comfortable environment for soldiers.

Starting with the sponsorship of the “Proud Army Family Awards” hosted by the Army Headquarters in 2021, we promised to support the families of soldiers and civilian employees who devote themselves to the country once a year and have sponsored prize money and prizes.

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.

Establishment of the
Youth Library



83 locations

(cumulative from 2016 to 2023)



Youth Library

Local Community Disaster Relief Project

LOTTE Group has established an emergency relief cooperation system with related departments such as the Korea Disaster Relief Association and Korea Foundation for Cooperation of Large & Small Business, Rural Affairs (KOFCA), and is quickly supporting damage recovery activities in the local community in the event of a national disaster. In 2023, we provided support for damage recovery by securing disaster relief funds and preparing relief kits for disaster situations such as the Türkiye earthquake, Gangneung wildfire, and heavy rain across the country.

OUTLOOK

We plan to promote CSV activities for each life cycle encompassing all generations, from infants to the elderly, focusing on the representative social contribution brand “Mom’s Happiness” project. Additionally, we will continue to discover new businesses that reflect social issues such as low birth rate and aging, contributing to a richer life for humanity.

Direction of CSV Project in 2024

- Goal: Promote social contribution activities by life cycle encompassing all generations, focusing on the representative social contribution brand “Mom’s Happiness” project
- Plan: Promote major projects by life cycle



LOTTE Group's Representative CSV Activities

VALUE for ESG – Volunteer activity by young people who share value

VALUE is an abbreviation for “Value Creators in Universities” and “VALUE for ESG” is a LOTTE Group’s college student volunteer group launched to discuss and solve community issues with young people from an ESG perspective. Since its launch in 2022, it has selected participating college students every year and conducted social contribution activities on various topics such as environmental protection, good consumption, and support for the vulnerable with its partner organization, the Impact Business Association.

In 2023, 119 teams of college students applied during the 1-month recruitment period in September, and 20 teams were chosen through careful evaluation. On November 4, we held an inauguration ceremony for the selected teams, marking the beginning of “VALUE for ESG” activities. At the launch ceremony, starting with the introduction of the program and the participants’ pledge to participate, there were special lecture by an environmental expert, a mentoring session, and an ESG quiz event, to further clarify the plan for volunteer activities.

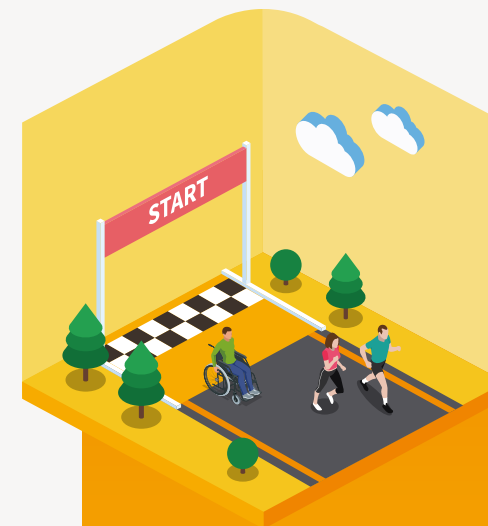


Based on the ideas presented by 84 VALUE volunteers, we planned various activities that fit the purpose of the program, and from December 2023 to February 2024, we conducted activities such as making supplies for abandoned dogs through upcycling of waste clothing, making picture books for children from multicultural families, and campaigning to improve awareness of the visually impaired. Furthermore, in February 2024, we engaged in activities to participate in the ESG program of the Group affiliates. This included visiting the “Saero” factory of LOTTE Chilsung Beverage in Gangneung to observe the product manufacturing process and attend a lecture on waste plastic recycling. Additionally, we collaborated with employees of LOTTE Chilsung Beverage to assemble feminine care kits for underprivileged individuals.



2023 Super Blue Marathon – For people with and without disabilities together

The 2023 Super Blue Marathon was held at the Peace Square in Sangam Peace Park on September 17, 2023. About 8,000 people, including LOTTE Group employees, the disabled and their families, participated in the Super Blue Marathon, which started in 2015 and celebrated its 8th anniversary in 2023. Before the start of the competition, Sean, a singer, who is a public relations ambassador for the Super Blue Marathon and is famous for his consistent good deeds, ran the “Sunshine Running Class” and conducted running training with people with the disabled, and Sun-ah Kang, who is developmentally disabled artist, created the logo and poster for the competition and received a positive response from participants. The competition was run with a 5km course, a 10km course, and a half course, including the Super Blue Course where disabled and non-disabled people run together. LOTTE Group will continue to host the Super Blue Marathon annually to provide opportunities for the disabled and non-disabled to run together, overcoming prejudice, thereby taking the lead in improving awareness about people with disabilities.



1. VALUE for ESG
2. Super Blue Marathon

LOTTE Group's Representative CSV Activities

Mom's Happiness – Playground and Dream Attic projects

In order to resolve inequality in children's play environment and educational environment, we have been conducting "Mom's Happiness Playground" and "Mom's Happiness Dream Attic" projects since 2017. Mom's Happiness Playground is a project to build eco-friendly playgrounds in which children and their guardians participate from the design stage of the playground, and a total of 24 playgrounds were built across the country from 2017 to 2022. In 2023, we built 4 new Mom's Happiness Playgrounds, including an indoor playground, and promoted the development of indoor play contents so that children can play actively.

Mom's Happiness Dream Attic is a project to improve the environment of local children's centers where children play and learn, and it will be built with a library made of eco-friendly wood and a digital learning space.

From 2017 to 2022, a total of 81 Attics were built across the country, and six additional Attics were opened in 2023. For children who want to have their own space, we provide Dream Attic Library that applies the concept of an attic; Dream Attic Movie Theater where projectors and screens are installed to watch movies and use it as an education room; and Digital Learning Room that supports PCs essential for learning, helping children have dreams and hopes in a bright and pleasant environment.

In 2023, in addition to improving the environment, we conducted emotional support and health promotion programs for approximately 1,300 children and guardians who participated in the Mom's Happiness Dream Attic project. We provided education and healthy diets that can improve children's immunity, and operated mini sports events and cultural experience programs to provide fun times for children and their guardians.

Establishment of the Mom's Happiness Playground



28

locations

(cumulative from 2017 to 2023)

Establishment of the Mom's Happiness Dream Attic



87

locations

(cumulative from 2017 to 2023)



1



2

1. Mom's Happiness Playground

2. Mom's Happiness Dream Attic
Cultural Experience



Please refer to the "Mom's Happiness Playground Databook" to find more about the performance of the Mom's Happiness project



GOVERNANCE

A sound and transparent governance structure based on trust relationships with stakeholders is the foundation for achieving sustainable growth. LOTTE Corporation established an independent and transparent governance structure centered on the BOD and is continuously improving it to enhance its corporate value.



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WHY IT MATTERS

When promoting responsible management based on sound governance, companies can achieve better management performance and gain trust from a wide range of stakeholders. Therefore, companies are striving to establish advanced governance and enhance corporate value through a transparent decision-making structure, strengthening board independence and expertise, and shareholder-friendly policies. In addition, they identify potential risks through risk management and prevent and control risks through compliance to design a predictable future from a long-term perspective and secure business stability. Moreover, to prevent loss of corporate reputation and financial losses due to non-compliance, they have established a compliance response system based on the internal control system and are continuously promoting activities to internalize ethical management.

LOTTE Corporation has an independent and transparent governance structure centered on the BOD and is focusing on enhancing corporate value by steadily promoting the advancement of its governance structure. In 2023, we implemented the "LOTTE Group Guidelines on BOD Expertise and Diversity" to bolster the professionalism and diversity of our board. In March 2024, the Board adopted a resolution to establish an external director appointment system, enhancing independent decision-making and oversight functions. We also integrated a company-wide risk management role into the Executive Committee under the BOD to better address shifts in the business landscape. This strengthened oversight over non-financial risks during strategic reviews and major financial decisions, ensuring robust corporate stability and sustainability. Furthermore, we are actively mitigating risks associated with unethical corporate conduct and fulfilling our corporate social responsibilities by fostering a culture of transparency and fairness rooted in compliance and ethical management principles.

Key Activities & Achievements In 2023

Senior independent director system

Decided to introduce the system at the BOD meeting in March 2024 with the goal of further strengthening independent decision-making and monitoring functions, and transparent BOD operations



Guidelines on BOD Expertise and Diversity

Established the LOTTE Group Guidelines on BOD Expertise and Diversity with approval from the BOD in December 2023, aimed at enhancing BOD expertise and diversity, and distributed it to the Group affiliates



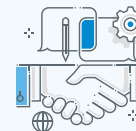
Internal Control of Financial Reporting (ICFR) audit

Evaluate the operation status of the ICFR management system and report the results to the AGM, BOD, and Audit Committee annually



Operation of a council dedicated to the ICFR management system

Formed a council and subdivided its operations to ensure systematic management of each intermediate holding company and its subsidiaries within the Group and the direct subsidiaries of the holding company (listed companies within the Group, major subsidiaries)



ISO 37301 certification for compliance management system

Have introduced and operate a compliance management system to promote compliance and ethical management that meets global standards, and as of January 2024, 11 Group affiliates, including LOTTE Corporation, have obtained the certification





Establishing a Sound Corporate Governance

APPROACH

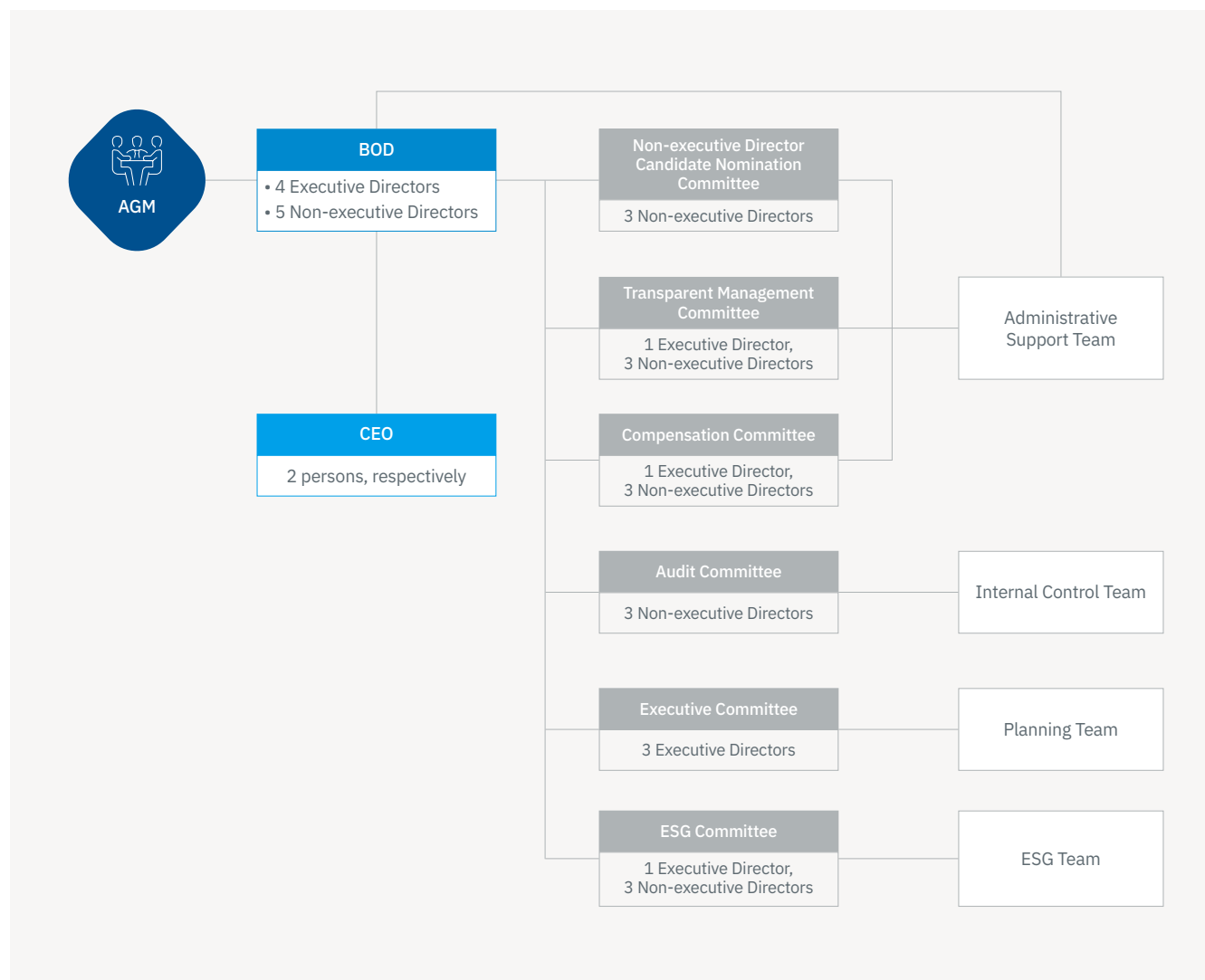
Composition of the BOD

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, which enables 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 2024, five of the nine directors were non-executive directors, accounting for approximately 55.6% of the total number of directors.

To ensure independence and fairness in the process of recommending and appointing candidates for outside directors, we are operating the Non-executive Director Candidate Nomination Committee which is entirely composed of outside directors. The Committee identifies candidates who meet the qualifications outlined in applicable laws and internal regulations. It assesses factors such as the independence of the company and its major shareholders, as well as the expertise necessary for a global company. Based on these criteria, the committee recommends director candidates who align with the interests of shareholders and the company. Additionally, LOTTE Corporation adopted the "senior independent director system" through a board resolution in March 2024, aimed at enhancing independent decision-making and audit capabilities within the BOD.

Organization of the BOD



Establishing a Sound Corporate Governance

BOD Composition

Classification	Name	Gender	Major Career	Position and Committee Activity	Date of Appointment – Date of Termination (Current Term)	BOD Attendance Rate in 2023
Executive Directors	Dong-Bin Shin	Male	<ul style="list-style-type: none"> (Current) Vice Chairman, The Federation of Korean Industries (Current) Vice Chairman, Korea-Japan Economic Association (Current) Member, CGF Board (Current) Member, Asia Business Council 	• CEO	Mar. 28, 2024 - Mar. 28, 2026 (2 years)	80%
	Dong-Woo Lee	Male	<ul style="list-style-type: none"> (Current) CEO & Vice Chairman, LOTTE Corporation (Former) CEO, LOTTE Hi-Mart (Former) CEO, LOTTE World 	<ul style="list-style-type: none"> • CEO • Executive Committee 	Mar. 31, 2023 - Mar. 31, 2025 (2 years)	100%
	Jung uk Goh	Male	<ul style="list-style-type: none"> (Current) Head of Financial Innovation Office & President, LOTTE Corporation (Former) CEO, LOTTE Capital (Former) Head of Sales 2nd Division, LOTTE Capital 	<ul style="list-style-type: none"> • Transparent Management Committee • Executive Committee • Compensation Committee 	Mar. 28, 2024 - Mar. 28, 2026 (2 years)	100%
	Jun-Hyung RHO	Male	<ul style="list-style-type: none"> (Current) Head of ESG Management Innovation Office & Vice President, LOTTE Corporation (Former) CEO, LOTTE Innovate (Former) Head of DT Business Division, LOTTE Innovate 	<ul style="list-style-type: none"> • ESG Committee • Executive Committee 	Mar. 28, 2024 - Mar. 28, 2026 (2 years)	N/A
Non-executive Directors	Chang-Soo Kim	Male	<ul style="list-style-type: none"> (Former) President & Professor of Business Administration, Chung-Ang University (Former) President, Korea University Sports Council (Former) President, Korea Accounting Information Society 	<ul style="list-style-type: none"> • Senior Independent Director • 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, Korea Trade-Investment Promotion Agency (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. 28, 2024 - Mar. 28, 2026 (2 years)	100%
	Kyung-Chun Lee	Male	<ul style="list-style-type: none"> (Current) Managing Partner, ClassHankyl Law Firm (Former) Director, Seoul Bankruptcy Court (Former) Chief Judge, Seoul High Court 	<ul style="list-style-type: none"> • Transparent Management Committee • Compensation Committee • ESG Committee 	Mar. 28, 2024 - Mar. 28, 2026 (2 years)	90%
	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 Kookmin Bank (Gangdong/ North) 	<ul style="list-style-type: none"> • Transparent Management Committee • Compensation Committee • Audit Committee 	Mar. 28, 2024 - Mar. 28, 2026 (2 years)	100%
	Nam-Gyoo Park	Male	<ul style="list-style-type: none"> (Current) Professor of Business Administration, Seoul National University (Former) Associate Dean of the College of Business Administration, Seoul National University (Former) President, the Korean Creativity Society 	<ul style="list-style-type: none"> • ESG Committee • Non-executive Director Candidate Nomination Committee • Audit Committee 	Mar. 28, 2024 - Mar. 28, 2026 (2 years)	90%

* As of the end of March 2024

 Corporate Governance Charter

Independence of the BOD

Director candidates, to be appointed at the AGM, are selected by the BOD (executive directors) and the Non-executive Director Candidate Nomination 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. In March 2024, LOTTE Corporation introduced the “senior independent director system” following a resolution of the BOD. Through this, we expect that independent decision-making and monitoring functions will be further strengthened within the BOD.

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
Nam-gyoo Park	Non-executive Director	Korean Air	Non-executive Director

* As of the end of March 2024

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

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 Nomination 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.

Moreover, in March 2022, we amended the Articles of Incorporation with the approval of the AGM to include provisions ensuring that the composition of the BOD does not favor any specific gender. Subsequently, in December 2023, following approval by the BOD, we introduced the LOTTE Group Guidelines on BOD Expertise and Diversity, and distributed to the Group affiliates. In addition, by introducing the Board Skills Matrix (BSM) from 2024, we externally disclose the information on the competence of the BOD, thereby actively communicating with investors and enhancing the understanding and trust in the composition of the BOD.

Leadership Management



Core Industry



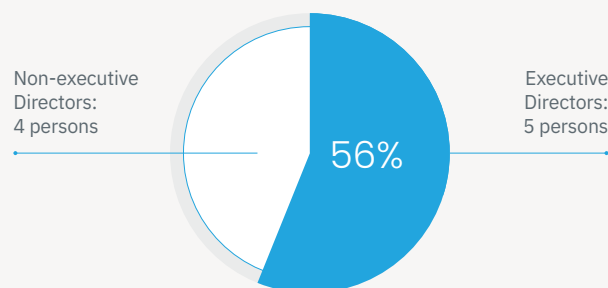
Global



Finance & Accounting



Ratio of Non-executive Directors



ESG Strategy



M&A



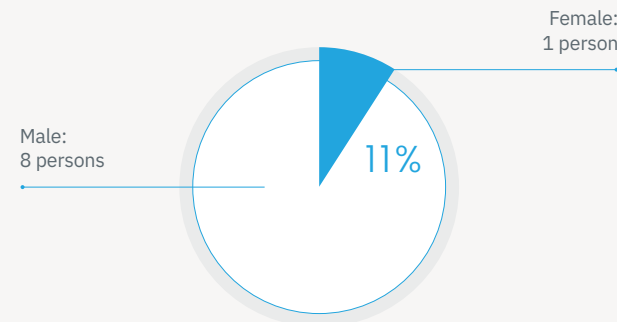
Branding & Marketing



Legal & Public Policy Response



Gender Diversity



LOTTE Group Guidelines on BOD Expertise and Diversity

Establishing a Sound Corporate Governance

BOD Committees

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

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)
Non-executive Director Candidate Nomination Committee	Pyung-Oh Kwon	Nam-Gyoo Park, Chang-Soo Kim	<ul style="list-style-type: none"> Verify and recommend candidates for non-executive directors who do not fall under any legal disqualifications and align with the interests of shareholders and the company through a fair and transparent process
Executive Committee	Dong-Woo Lee	Jung uk Goh, Jun-Hyung RHO	<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, Jun-Hyung RHO	<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 the end of March 2024

PERFORMANCE

BOD Operation

LOTTE Corporation has established the BOD 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 Performance in 2023

Classification	Details		
No. of meetings held	10		
Agenda items	24 resolution matters, 7 report matters		

Classification	Overall Average	Executive Director	Non-executive Director
BOD attendance rate	94%	92%	96%

Establishing a Sound Corporate Governance

Details on BOD Meetings in 2023

No.	Date	Agenda		Approval	Attendance/ Capacity
		Classification	Details		
1	02.16	Resolution	1. Approval of the 56th financial statements	Approved	8/8
			2. Approval of the 56th business report	Approved	
3. Amendment of the regulations of the BOD and Committees	Approved				
4. Introduction of the compliance program	Approved				
5. Donations to LOTTE Foundation for Arts in 2023	Approved				
		Report	1. Report on the operation status of the ICFR management system in 2021	-	
2	03.16	Resolution	1. Changes in shareholder's agreement of LOTTE Global Logistics among LOTTE Corporation, HOTEL LOTTE and investor	Approved	7/8
			2. Delegation to the Executive Committee regarding payment guarantee	Approved	
			3. Convening an AGM and deciding on the purpose of the meeting	Approved	
		Report	1. Report on the operation status of the ICFR management system	-	
3	03.31	Resolution	1. Progress of the contract for the use of the facilities on the 113th floor of LOTTE World Tower	Approved	8/9
			2. Participation in the paid-in capital increase of LOTTE BIOLOGICS	Approved	
			3. Appointment of the CEO	Approved	
			4. Appointment of members of the committee	Approved	
		No. 4-1 Appointment of members of the Executive Committee	Approved		
No. 4-2 Appointment of a member of the Non-executive Director Candidate Nomination Committee	Rejected				
		Report	-	-	
4	05.25	Resolution	1. Revision of the regulations of the Audit Committee	Approved	9/9
			2. Appointment of members of the ESG Committee	Approved	
			3. Introduction of ISO 37301 compliance management system	Approved	
		Report	1. Report on the activities of the Compliance Officer	-	

No.	Date	Agenda		Approval	Attendance/ Capacity
		Classification	Details		
5	07.27	Resolution	1. Amendment of regulations of the Executive Committee	Approved	9/9
			2. Sale of real estate	Approved	
		Report	1. Payment guarantee for LOTTERIA in Vietnam	-	
6	08.24	Resolution	1. Approval of the management review of ISO 37301 compliance management system	Approved	8/9
			Report	-	
7	09.25	Resolution	1. Donations	Approved	9/9
			Report	-	
8	10.26	Resolution	1. Participation in the paid-in capital increase of LOTTE Healthcare	Approved	9/9
			Report	-	
9	12.06	Resolution	-	Approved	7/9
			Report	1. 2024 regular report on executive personnel changes	
10	12.12	Resolution	1. Re-appointment of the Compliance Officer	Approved	8/8
			2. Establishment of the LOTTE Group Guidelines on BOD Expertise and Diversity	Approved	
			3. Approval of major internal transactions between affiliates	Approved	
			4. Delegation of the authority to issue bonds to the CEO	Approved	
		Report	1. Payment guarantee for LOTTERIA in Vietnam	-	
			2. Report on the business plan for 2024	-	

2023 Committee Meetings under the BOD

Audit Committee	Transparent Management Committee	Compensation Committee	Non-executive Director Candidate Nomination Committee	ESG Committee	Executive Committee
8	3	3	1	4	3

Please refer to the 57th Business Report to find more information about the major agenda items of the Committees under the BOD of LOTTE Corporation

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, they 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 2023

Date	Provider of Education	Participants	Main Contents
02.16	Our company	All	Important matters related to BOD activities and company management
06.27	Samil PwC	All	Review of corporate governance: Ensuring compliance in deals
08.24	Company	All	Important matters related to BOD activities and company management
09.25	Company	All	Important matters related to BOD activities and company management
10.26	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 2024, 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 the end of December 2023

Shareholder Composition and Ownership

Institutions and individuals

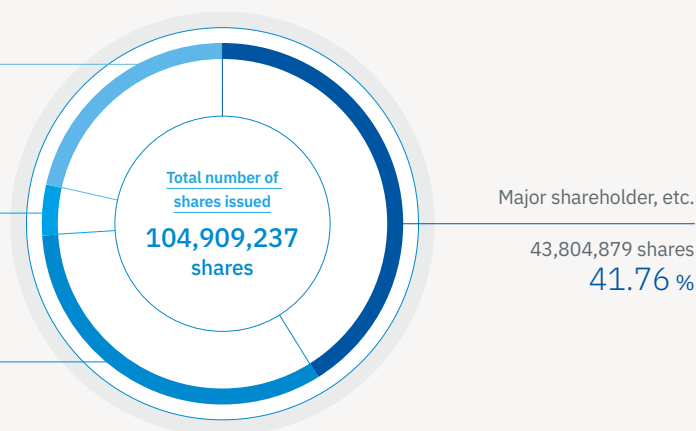
22,852,514 shares
21.78 %

Foreigners

4,147,907 shares
3.95 %

Treasury stock

34,103,937 shares
32.51 %

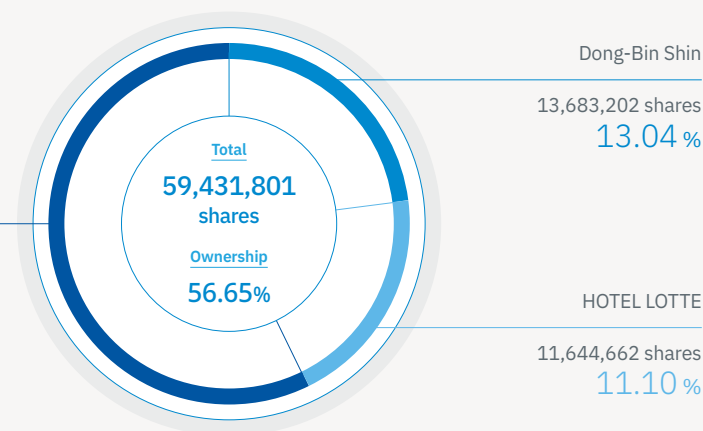


* As of the end of December 2023, Based on common share

Shareholder Ownership (10% or more)

LOTTE Corporation

34,103,937 shares
32.51 %





Enhancing Shareholder Value

PERFORMANCE

Protection of Shareholder Rights and Interests

LOTTE Corporation has introduced and operated a system to encourage participation in general shareholders' meetings and enhance the exercise of voting rights, and actively reflects the opinions of shareholders 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.

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

LOTTE Corporation posts the earning announcement data on its IR website every quarter after submitting the audit report. In addition, after the earning announcement, we conduct IR activities through non-deal roadshows (NDRs), face-to-face meetings, video meetings, and conference calls for major domestic and foreign institutional investors.

OUTLOOK

Moving forward, LOTTE Corporation will closely review and manage the Group's business portfolio from a mid- to long-term perspective aimed at not only enhancing the fundamental competitiveness of existing businesses, but also establishing new businesses stably, thereby enhancing its corporate value. In addition, as part of our shareholder-friendly policy, we will strive to maximize shareholder value by continuously expanding dividends according to the management performance.

2023 Dividend Information (common share / preferred share)



Cash dividend per share

KRW **1,500** / KRW **1,550**

Total cash dividend

KRW **107.3** billion
(KRW 106.2 billion / KRW 1.1 billion)



Cash dividend yield

5.3% / **4.2%**



[IR Archive on the IR Section of LOTTE Corporation's Website](#)

Integrated Risk Management

APPROACH

Risk Management Process

LOTTE Corporation is strengthening the role of the Executive Committee under the BOD to effectively respond to the constantly changing internal and external business environment. Regarding the company-wide risk management function, the Executive Committee not only evaluates current significant management and financial risks but also oversees critical non-financial risks affecting the company comprehensively. This includes areas such as disasters, industrial safety, environmental concerns, information security, and ethical management practices.

Risk management is carried out in a way that the field department classifies detailed risk factors on its own and identifies and evaluates risks through close cooperation with related departments. In this process, considering the importance and impact of the risks, it may be submitted to the Executive Committee as a separate agenda, and necessary measures will be taken through in-depth discussion by management. Separately, to identify and respond to risks in advance, we introduced the ISO 37301 Compliance Management System and strengthened preventive measures against risks. Through this systematic risk management, LOTTE Corporation prepares for future uncertainties and pursues sustainable growth.

Company-wide Risk Management Process



Strengthening Internal Controls

APPROACH

Internal Monitoring System

OTTE 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. The 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; access to assets and documents; ranking of authority to use; and internal verification processes such as independent and regular measurement, comparison, and adjustment.

Audit findings are immediately reported to the relevant department heads and management. Measures are taken according to the audit guidelines and follow-up management is carried out at appropriate times. 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. There were no audit findings in 2023.

Key Functions of LOTTE Corporation' Internal Monitoring System and Operation Status in 2023

Classification	Key Functions	Operating Status
BOD	Supervision of directors' performance of duties and resolution of important business operations of the company, etc.	10 times in total
Audit Committee	Investigation of the company's business and assets, audit of the performance of directors' duties, etc.	8 times in total
Internal Audit Department	Conducting an audit of the company's business and property conditions	Management Audit Office (25 persons)
Internal Control Team	Performing job support and commissioned duties as an auxiliary organization of the Audit Committee	4 persons
Compliance Officer	Inspection of compliance with internal control standards by employees	Compliance Management Office (19 persons)

ICFR Management

Operation of ICFR

The Internal Control of Financial Reporting (ICFR) management system is a system introduced to prepare and disclose reliable accounting information, and under the Act on External Audit of Stock Companies, all listed companies of LOTTE Group and unlisted companies with assets of KRW 100 billion or more are obligated to operate the ICFR management system. In particular, the level of certification of the ICFR management system of listed company is raised to audit depending on the size of assets based on separate financial statements.

LOTTE Corporation has set in place an ICFR management system in compliance with the Act (Article 8 of the Act on External Audit of Stock Companies), established the Internal Control Team directly under the Audit Committee to oversee the operation and assessment of this system as well as the support for the Audit Committee. The Team also independently performs tasks such as risk analysis, evaluation and reporting of the current status of internal controls, management of ICFR regulations, inspection of operational conditions, employee training, and change management.

Fiscal Year Subject to Audit for the ICFR Management System of Listed Companies

Asset size at the end of the previous year	Fiscal year subject to audit	
	Based on Separate Financial Statements	Based on Consolidated Financial Statements
More than KRW 2 trillion	2019	2023
KRW 0.5 trillion to KRW 2 trillion	2020	2029

Preparation of ICFR Management System Audit based on the Consolidated Financial Statements

In preparation for the ICFR management system audit based on consolidated financial statements starting from 2023, LOTTE Corporation obtained the ISAE 3000 and ISAE 3402 attestation from an external auditor (Samil PwC) in 2022 in its efforts to establish and operate an effective internal control system based on consolidated financial statements.

An Attestation of ICFR for Consolidated Financial Reporting

LOTTE Corporation has established and operates the Confinas System, a consolidated accounting system, to support the Group's consolidated settlement. With the implementation of the audit of the ICFR management system based on the consolidated financial statements, internal control certification for the Confinas System, our major IT system related to the preparation of consolidated financial statements, is required. LOTTE Corporation therefore obtained an attestation from an external auditor (Samil PwC) for the adequacy of the design and the effectiveness of the operation of internal controls over the consolidated accounting system in 2023, following 2022, and confirmed that it is appropriate. This ISAE 3402 attestation reporting confirms that LOTTE Corporation ensures the consolidated accounting system is appropriately designed and effectively operated, offering reasonable assurance to stakeholders.

Certifications Obtained for the ICFR 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



Strengthening Internal Controls

ASSESSMENT

ICFR Audit

LOTTE Corporation evaluates the operational status of its ICFR management system every year and reports 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, the company's auditors evaluate the operational status of the ICFR management system and report the results to the BOD each fiscal year.

Based on the concept and framework of the ICFR management system design and operation in 2023, 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. The external auditor (Samil PwC) also presented an unqualified opinion.

Reporting Status of Results of the Assessment of the ICFR Management System in 2023

Date	Reporter	Listeners	Contents
February 14, 2024	CEO	BOD, Audit Committee	Report on the operation status of separate and consolidated ICFR management systems in 2023
March 13, 2024	Audit Committee	BOD	Report on the evaluation of the operation status of separate and consolidated ICFR management systems in 2023
March 28, 2024	CEO	Shareholders	Report on the operation status of separate and consolidated ICFR management systems in 2023

* The evaluation of the operation status of the Audit Committee was conducted at the 3rd Audit Committee meeting held on March 12, 2024

OUTLOOK

Monitoring and Consulting of the Funding Process of the Group Affiliates

As social issues regarding the internal control of funds, such as various large-scale embezzlement incidents, have emerged, LOTTE Corporation is conducting control activities to prevent fraud at domestic and overseas group affiliates. We visit group affiliates at least once a month to check whether there is anything that needs to be supplemented in the design of internal control of the fund process and provide consulting on the direction for improvement. In the first half of 2023, we conducted internal control monitoring and consulting on the newly established major subsidiaries, LOTTE BIOLOGICS and LOTTE Healthcare, together with major departments of LOTTE Corporation. In the second half of the year, we visited the Group affiliates that have entered Vietnam to inspect internal control of fund processes and to provide consulting on areas that need to be improved. Additionally, we added a new item to check the performance level of internal control related to funds to the evaluation of compliance indicators of LOTTE Group for each Group affiliate to autonomously check and improve the control design for internal control of major funds.

As a result of the inspection of the Group affiliates in 2023, no significant deficiencies or non-compliance were found in the fund flow or internal control process that could lead to suspicion of fraud. Moreover, we conducted detailed improvement activities for thorough management according to the conditions of each company, such as precisely setting the authority on the IT system that fits the work authority of each department or person in charge.

LOTTE Corporation aims to support the proper operation of the internal control system throughout the group beyond carrying out the duty to operate the ICFR management system required by the Act on External Audit of Stock Companies. To this end, we plan to carry out various activities such as strengthening the internal control system of the group affiliates, developing risk management programs, improving general information technology control, developing domestic and overseas training programs, and continuous monitoring.

Results of the Evaluation of the Operation Status of the ICFR Management System

Fiscal year	Scope of evaluation	Result by the company	Result by the Audit Committee	Result by an external auditor
57th (2023)	Consolidated	Unqualified	Unqualified	Unqualified
	Separate	Unqualified	Unqualified	Unqualified
56th (2022)	Separate	Unqualified	Unqualified	Unqualified
55th (2021)	Separate	Unqualified	Unqualified	Unqualified

SPECIAL CASE

ICFR Management System

Operation of a council of dedicated teams to the ICFR management system

For the effective operation of the ICFR management system, LOTTE Group has been operating a council of dedicated teams to the ICFR management system with the participation of major Group affiliates since 2019. As the pivot of the Group's ICFR management system, the council discusses the direction of the establishment and operation of the system, shares issues with each affiliate to derive improvement measures, in pursuit of continuous improvement of the system. LOTTE Corporation's Internal Control Team is in charge of the operation and management of the council.

The council is composed of various ICFR management organizations and personnel within the Group, and there is no limit to the number of attendees, so various stakeholders, including managers and practitioners, can participate freely. Participants can play various roles, including presenting opinions on various agendas, sharing useful information, and participating in decision-making on the direction of system operation. If necessary, personnel in charge of non-listed company also participate in the council of listed companies to share operational issues and discuss solutions with the organizations dedicated to the listed companies to learn know-how and promote open communication.

In 2023, the council was reorganized to include a committee specifically for listed companies within the Group to meet quarterly, and another committee for significant subsidiaries evaluated and reported under the consolidated scoping guideline, meeting monthly. This subdivision allows for detailed management oversight of each intermediate control consolidated group within the Group and the consolidated group of the holding company. In addition, we held the LOTTE Group ICFR dedicated team Workshop in 2023 in which ICFR dedicated teams and personnel in charge from the 20 Group affiliates participated, and enhanced the expertise and strengthened the network between organizations through lectures by accounting firms and workshops by divisional groups.

Going forward, we will continue to strive to ensure that LOTTE Group's ICFR management system is operated effectively by sharing and utilizing the rich experience and expertise of the Group affiliates through active operation of the council.



Composition of the Council

Classification	Key Members
LOTTE Corporation Internal Control Team	4 people (1 managing director, 1 senior manager, 2 managers)
LOTTE Group Listed Company Council	LOTTE Rental ICFR Team, LOTTE Shopping ICFR Team, LOTTE Energy Materials ICFR Management Part, LOTTE Wellfood Internal Control Team, LOTTE Innovate ICFR Management Team, LOTTE Fine Chemical ICFR Management Team, LOTTE Chilsung Beverage Internal Control Team, LOTTE Chemical Internal Control Team, LOTTE Hi-Mart Internal Control Team
LOTTE Corporation Consolidated Group Council	Daehong Communications Compliance Management Team, LOTTE Members Finance Team ¹⁾ , LOTTE Wellfood Internal Control Team, LOTTE Chilsung Beverage Internal Control Team, LOTTE GRS ICFR Team, Personnel in charge of ICFR management in Korea Seven and LOTTE Innovate
Others	Department, organizations and personnel dedicated to ICFR management of the Group affiliates in Korea and overseas (LOTTE Global Logistics ICFR Management Part, HOTEL LOTTE Corporate ICFR Team, etc.)

¹⁾ The team of LOTTE Members is composed of one dedicated person and Anse Accounting Corporation, a PA (Private Accountant)

Activities of the Council in 2023

Classification	Operation	Key Activities
LOTTE Group Listed Company Council	4 times	<ul style="list-style-type: none"> Discuss annual operation plan for 2023, conduct evaluation and discuss system operation issues, share excellent operation cases of each company, and discuss mid- to long-term internal control strategies and goals, etc.
LOTTE Corporation Consolidated Group Council	8 times	<ul style="list-style-type: none"> Training by an accounting firm: Understanding of the audit of the consolidated ICFR management system, Advanced course of information technology general control (ITGC), Advanced course of process level control (PLC) Conduct workshops and panel discussions for each divisional group
LOTTE Group ICFR dedicated team Workshop	Once	<ul style="list-style-type: none"> Conduct workshops and panel discussions for each divisional group

Compliance Adherence

APPROACH

Administrative Compliance Charter

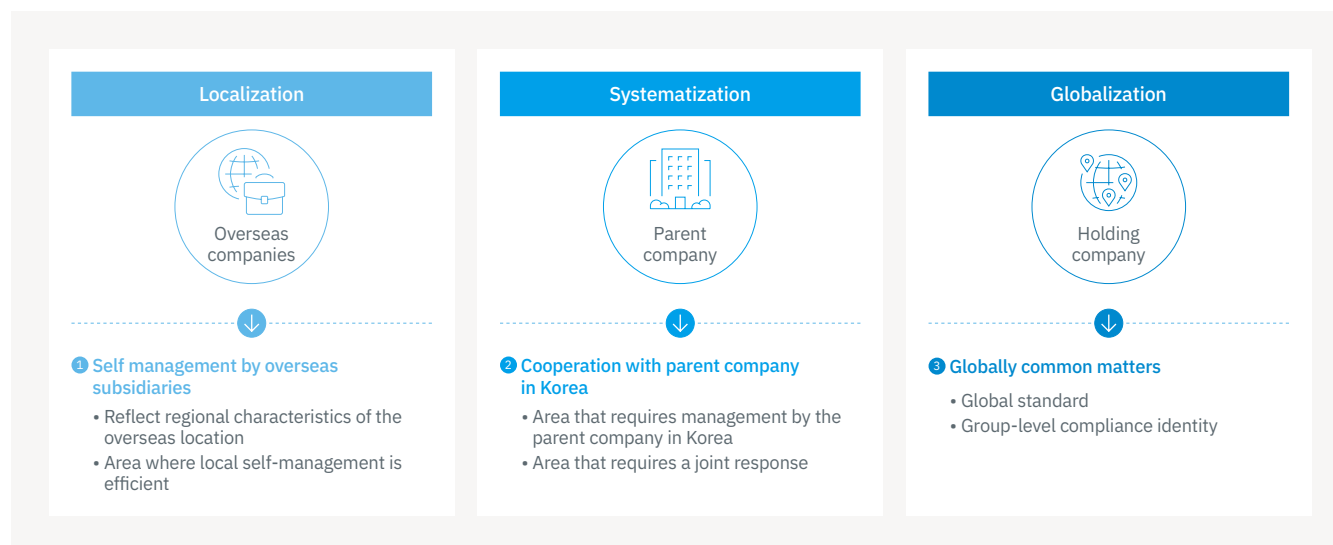
Enacted in 2017, the LOTTE Group Administrative Compliance Charter contains provisions regarding the obligations and responsibilities of employees and the company in terms of compliance management. In accordance with the Charter, LOTTE Group regularly conducts compliance education for all employees and 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.

The Administrative Compliance Charter is available on our website.

Global Compliance Management System

LOTTE Corporation is responsible for establishing the compliance management system of LOTTE Group and disseminating it to affiliates around the world, and the group affiliates are applying and practicing compliance management principles of LOTTE Group. Starting in 2024, we plan to support the establishment of a compliance risk management system for major overseas subsidiaries with the parent company in Korea.

Global Compliance Management System



Compliance Committee

In December 2017, LOTTE Group established the LOTTE Compliance Committee, which is comprised of external experts and heads of departments related to LOTTE Corporation, as an organization directly under the CEO, to play a role in establishing compliance policies at the group level and check compliance activities of group affiliates. The Committee holds regular meetings every quarter to deliberate and decide on the introduction of the compliance policies of LOTTE Group and establishment of compliance guidelines, and details of its activities are disclosed on its website.

Global Compliance Work Guidelines

LOTTE Corporation established and distributed the Global Compliance Work Guidelines for the Group affiliates and overseas subsidiaries to effectively carry out all compliance-related tasks. The Group affiliates have established the main contents of the Guidelines as internal regulations and ensure that all and employees comply with them.

The Guidelines encompass the establishment and operation of a dedicated organization, identification of compliance risk areas, implementation of a compliance program, execution of compliance training and monitoring, development of employee pledges, reporting mechanisms, investigation and enforcement of compliance breaches, provision of incentives for compliance, and comprehensive reporting on related activities.

Composition of the Compliance Committee

Chairperson	In-bok Lee, Former Supreme Court Justice
Internal Members	Jung uk Goh, Head of Financial Innovation Division, LOTTE Corporation Eun-jae Park, Head of Legal & Compliance Division, LOTTE Corporation Doo-Hwan Park, Head of HR 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

* As of the end of April 2024

Operating Status of the Compliance Committee in 2023

No.	Date	Agenda Items
18	03.14	<ul style="list-style-type: none"> • Information on precautions for internal transactions of group affiliates • Revision of compliance evaluation index for the Group affiliates
19	06.23	<ul style="list-style-type: none"> • Information on the first precautions in preparation for the implementation of the subcontract price adjustment system • Introduction of ISO 37301 compliance management system
20	09.22	<ul style="list-style-type: none"> • Information on the second precautions in preparation for the implementation of the subcontract price adjustment system • Acquired ISO 37301 compliance management system certification
21	12.11	<ul style="list-style-type: none"> • Establishment of guidelines for the expertise and diversity of the BOD • Compliance monitoring results of the Group affiliates

More information about activities of the Compliance Committee is available on our website.



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

LOTTE Corporation operates a variety of in-depth training programs considering the business characteristics of each Group affiliate, positions and ranks of employees subject to training, work relevance, and major regulatory issues. We also help the Group affiliates strengthen their fair trade capabilities and enhance the expertise of the department in charge. As part of a comprehensive training initiative, workshops and specialized training sessions were organized for team leaders of fair-trade departments across the Group affiliates, focusing on franchisees and subcontractors. Relevant training sessions were also conducted for staff at operational levels of the Group affiliates to ensure accurate compliance with the subcontract price adjustment system effective from October 2023.

Fair Trade Training in 2023

Month	Course Name	Topic	Target
03	Workshop for compliance team leaders	Share key policies and trends related to the Group's compliance management	25 Group affiliates
05	Fair trade training by business type: Franchise Business Act	In-depth learning of franchise business regulatory trends and communication between the Group affiliates	5 Group affiliates
06	Fair trade training by business type: Subcontracting Act	In-depth learning of subcontracting regulatory trends, communication between group affiliates, and main contents and precautions of the delivery payment linkage system	55 Group affiliates
08	Workshop for compliance team leaders	Share key policies and trends related to the Group's compliance management	25 Group affiliates
12	Workshop for compliance team leaders	Share key policies and trends related to the Group's compliance management	27 Group affiliates

Activities to Internalize CP at the Group Affiliates

In order to prevent risks related to fair trade in advance and further create a transparent corporate culture for LOTTE Group, LOTTE Corporation is making various efforts to disseminate compliance program (CP) within the Group. Since the establishment of LOTTE Corporation, as a result of policy support for the introduction of CP by major group affiliates as part of the fair trade risk proactive management policy, major Group affiliates have introduced and operated CP.

LOTTE Corporation received CP consulting from Fair Competition Federation from July to November 2022 to introduce CP and operate it efficiently. Following consultation outcomes, the LOTTE Compliance Committee finalized the “matters regarding operation of CP at the holding company” in December 2022, which was subsequently approved by the LOTTE Corporation’s BOD in February 2023. Additionally, to mitigate risks associated with subcontracting transactions stemming from outsourcing, LOTTE Corporation introduced a new “subcontracting transaction compliance procedure” function on its Compliance Portal in 2023. Going forward, LOTTE Corporation, as the representative company of LOTTE Group, plans to diagnose risks from the perspective of fair trade in its business and systematically operate CP as a preemptive prevention measure.

Efforts to Eradicate Unfair Trade Practices

In order to strengthen the fair trade capabilities of the Group affiliates and improve work level procedures, LOTTE Corporation has established and distributed compliance guidelines¹⁾ that present trends in key fair trade issues and efficient standard management procedures since 2022. This has enabled us to support proactive risk management to prevent unfair trade practices by the Group affiliates. Specifically, we developed and distributed a Q&A document based on common inquiries gathered from the Group affiliates in advance, alongside comprehensive training materials regarding the new regulation, the subcontract price adjustment system. Moving forward, we will make continuous efforts to communicate and support policies so that we can prevent risks related to fair trade at the Group affiliates and establish control procedures for key risks.

Monitoring of Internal Monitoring Activities Within the Group Affiliates

LOTTE Corporation gathers and oversees compliance efforts across major Group affiliates on a regular basis. Following a regular monitoring assessment in September 2023, it was found that 25 out of 30 Group affiliates, or 83%, achieved a high score of 90 points or more. This indicates that most Group affiliates are actively implementing and revising compliance regulations, introducing fair trade-related systems, conducting compliance training, monitoring activities, and maintaining reporting systems. LOTTE Corporation communicates detailed monitoring results and suggestions for improvement to the Group affiliates, enabling them to initiate their own enhancement initiatives. Moving forward, LOTTE Corporation will continue to monitor progress and provide support for ongoing improvement efforts.

Compliance Forum

Following 2022, LOTTE Corporation invited 277 personnel in charge of compliance from the Group affiliates and held the 2023 LOTTE Group Compliance Forum on November 7 in 2023. At the Forum, special lectures by Eun-jae Park, Head of Legal & Compliance Division at LOTTE Corporation, and Keon Bok Lee, Senior Solution Specialist Manager of Microsoft, and presentations on best practices of the Group affiliates were held, along with in-depth discussions through topic discussions on contract risk management measures and on-site communication measures for risk management.

¹⁾ Status of distribution of compliance guidelines in 2023: Prohibition of unfair support activities (April 2023), precautions on the subcontract price adjustment system (June 2023), 2nd precautions on subcontract price adjustment system and Q&A (September, 2023)

Compliance Adherence

ASSESSMENT

Assessment of Compliance Level

In accordance with the LOTTE Personnel Code of Conduct, LOTTE Group has been conducting an annual survey since 2015 to assess compliance levels among employees of the Group affiliates. In 2023, we conducted a survey on all of 42,200 employees of LOTTE Group, and 67.8% (28,620 people) responded. The overall score of 2023 assessment was 90.8 points, up 0.5 points from 90.3 points in 2022. Regarding the items of trust and cultural settlement with employees and shareholders, which scored relatively low among the diagnostic items, we will continue to strive to ensure mutual respect among members, provide fair opportunities and treatment, enhance shareholder value, and establish a culture of practicing ethical management.

Assessment of Fair Trade Capabilities of the Group Affiliates

LOTTE Corporation regularly collects and evaluates the compliance capabilities and activities of major Group affiliates, and the fair trade sector is included in the compliance sector in the evaluations. The evaluation of the compliance sector is conducted through compliance awareness, training, inspection and monitoring, and inspection and monitoring of institutional and system items. At the 2023 compliance assessment, 25 Group affiliates, or 83% of the 30 target affiliates received a high score of 90 points or more, and LOTTE Corporation replied to the Group affiliates with detailed results and improvements so that they can carry out their own improvement activities.

OUTLOOK

LOTTE Corporation plans to support the establishment of a compliance risk management system for major overseas subsidiaries in collaboration with the domestic parent company from 2024. The primary areas of focus include contract management for overseas subsidiaries, development of internal control and compliance protocols, and implementation of monitoring procedures for subsidiary management by the domestic parent company. We are committed to supporting these efforts to establish a solid foundation for global sustainability management.

SPECIAL CASE

LOTTE Corporation obtained the ISO 37301 certification for compliance management system

LOTTE Corporation introduced a compliance management system in May 2023 to promote compliance and ethical management that meets global standards. Upon implementing the compliance management system, we established a compliance policy and appointed Eun-jae Park, Head of Legal & Compliance Division, as the Compliance Officer. In July, we conducted a comprehensive analysis of company-wide compliance risks and set risk control objectives. Subsequently, in August, we underwent an ISO 37301 certification audit, an international standard for compliance management systems, and successfully obtained certification from the Korea Management Certification Board in September. We announced these achievements internally and externally through a certification declaration ceremony held on September 15.

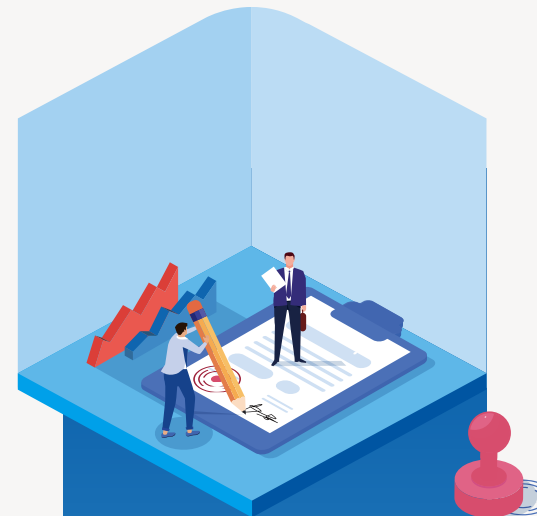
LOTTE Corporation seeks to create a sound corporate culture that complies with laws and regulations and maintains trust with stakeholders on the back of the ISO 37301 compliance management system. In 2024, we will strive to ensure effective operation that exceeds ISO 37301 registrar requirements by establishing a more secure compliance system for risk identification, risk assessment, risk control, monitoring, supplementation, and improvement in each department.

ISO 37301 Compliance Management Systems Certification of LOTTE Group

11 companies

LOTTE Global Logistics, LOTTE Shopping (LOTTE Department Store, LOTTE Mart/Super, LOTTE e-commerce), LOTTE Wellfood, LOTTE GRS, LOTTE Corporation, LOTTE Chilsung Beverage, LOTTE Cultureworks, LOTTE Chemical, LOTTE Home Shopping, Korea Seven, HOTEL LOTTE (LOTTE Hotels&Resorts, LOTTE Duty Free)

* As of January 1, 2024



More information about the Compliance Management System of LOTTE Corporation is available on our website.



Internalizing Ethical Management

APPROACH

LOTTE Personnel Code of Conduct

The LOTTE Personnel Code of Conduct, a principle of ethical behavior that all employees must comply with, includes various domestic and foreign laws and social and ethical requirements, including the prohibition of bullying, sexual harassment and discrimination in the workplace, the prohibition of unfair trade practices against partner companies, the prohibition of corruption and improper solicitation, the prohibition of insider trading, and honest marketing. LOTTE Corporation makes the LOTTE Personnel Code of Conduct public by posting it on the Group's website, and provides training on the Code to employees of the Group affiliates every year.

The LOTTE Personnel Code of Conduct is available on our website.

Global Anti-Corruption Guidelines

LOTTE Corporation has established the Global Anti-Corruption Guidelines which guides international standards and specifies LOTTE Personnel Code of Conduct to ensure that all employees of the company, Group affiliates in Korea, and overseas subsidiaries comply with each country's anti-corruption laws and regulations, thereby building a transparent and sound corporate culture. The Global Anti-Corruption Guidelines consist of compliance with anti-corruption laws, prohibition of bribery, reporting and measures to take in case of violation. LOTTE Corporation distributed the Guidelines to all Group affiliates and asked them to use the Guidelines by revising or changing them appropriately according to the circumstances, such as laws and regulations of the country concerned. We disclose the Korean and English versions of the Guidelines on the Group's website.

The Global Anti-Corruption Guideline is available on our website.

ABMS Certification

LOTTE Group goes beyond complying with anti-corruption laws and operates the ISO 37001 anti-bribery management system (ABMS) to promote ethical management that meets global standards. We strive to help more Group affiliates obtain the ABMS certification by giving additional points in evaluation to the Group affiliates when they obtain certification and supporting the certification audit. As of December 2023, 11 Group affiliates – LOTTE Engineering & Construction, LOTTE Global Logistics, LOTTE Rental, LOTTE Shopping, LOTTE Energy Materials, LOTTE Chilsung Beverage, LOTTE Cultureworks, LOTTE Hi-Mart, LOTTE Home Shopping, Korea Seven, HOTEL LOTTE (LOTTE Hotel&Resort, LOTTE Duty Free) – have introduced and are operating the ISO 37001.

PERFORMANCE

Compliance Training

Since 2020, LOTTE Group has made it mandatory for all Group affiliates to train LOTTE Personnel Code of Conduct. In 2023, the training plan was organized to explain the overall contents of the Code and focus on recent issues such as information protection, workplace harassment, and a safe working environment.

Code of Conduct Campaign

In its New Year's address in 2023, LOTTE Corporation conveyed its intention to achieve sustainable growth through reasonable and transparent management that fulfills its responsibilities to the environment and society to all LOTTE employees. Through this, we once again emphasized the value of trust with various stakeholders, which is the core of LOTTE Personnel Code of Conduct

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.

Workplace Ethics Sharing Activities of the Group

Classification	2021	2022	2023
Ethical Management Team Meeting per HQ	4 times, 144 persons (online)	3 times, 81 persons (online)	4 times, 136 persons

Written Pledge on Compliance

Each year, employees at LOTTE Corporation pledge their commitment to law compliance, including adherence to anti-corruption laws and the prohibition of offering money, valuables, or entertainment in contravention of regulations. In 2023, all employees participated in reaffirming their commitment through the law compliance pledge. In 2024, the pledge was revised to the Code Compliance Pledge, which includes the content that we will comply with all norms such as laws and regulations applicable to business performance in accordance with the ISO 37301, and the pledge is being signed.

Code of Conduct Training in 2023



Completion rate and number of employees of the Group affiliates

97%

40,299 persons



Internalizing Ethical Management

OUTLOOK

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 ICFR management regulations, sexual harassment, bribery, workplace bullying, and other actions that go against social responsibilities.

Stakeholders can freely access Sinmungo through LOTTE Corporation’s website in Korean and English, and can report by name or anonymously. Additionally, it can be reported via email or postal mail, and it operates a whistleblower protection program so that anyone can consult and report with confidence. In 2023, a total of 595 cases were received through Sinmungo, and all of them were processed according to internal procedures.

In January 2024, LOTTE Corporation developed a risk analysis table by identifying and analyzing 134 related risks that may occur based on the LOTTE Personnel Code of Conduct, and distributed the data to the Group affiliates to use it for self-risk identification, analysis, and control. Accordingly, we expect that practical measures will be prepared to comply with the LOTTE Personnel Code of Conduct. We plan to regularly check the results of risk management of the Group affiliates, including the above control measures, and support them for improvement.

Status and Types of the Sinmungo Reporting

	Classification	2021	2022	2023
Important matters	Corruption	14	47	48
	Partner complaints	41	61	9
	Safety	1	0	
	Quality	0	2	1
	Sexual harassment	4	10	
	Unfair recruitment	4	3	6
	Workplace harassment	12	24	24
	Personnel complaints, etc. ¹⁾	-	11	1
	Sub total	76	158	89
Simple matters	Customer complaints	61	77	158
	Compliment, suggestions, etc.	146	134	348
	Sub total	207	211	506
Total		283	369	595

¹⁾ New item in 2022



 Reporting unfair and illegal acts

Enhancing Information Security

APPROACH

Information Security Principles

As the work environment becomes automated and digital, the importance of information protection is increasingly being emphasized. In response, LOTTE Group has established and operated systematic information protection governance to preemptively respond to information security threats, transparently disclosed related information, and raised the level of information security. LOTTE Group has enacted the Group Information Protection Policy and applied it to its works to secure system stability from cyber threats such as hacking and ransomware, to protect users' personal information, and to strictly comply with information protection-related laws and regulations. This policy forms the foundation for creating the Group Information Protection Principles, which incorporate the most current laws, relevant systems, global and internal environmental changes, advancements in IT technology, and shifts in business models. Through this framework, group affiliates can proactively address a wide range of security risks effectively.

LOTTE Corporation has established and implemented comprehensive information protection regulations across all areas of security management, including management, physical, technical, and personal information, based on the principles of protecting the company's core information and personal information. These regulations specify the basic principles of security and specific compliance requirements for each area and are posted on the company intranet so that all employees can easily access and be aware of them. Additionally, in order to meet the strengthening compliance requirements, LOTTE Corporation keeps its security policy up to date by continuously reviewing the latest laws, related systems, and changes in the internal and external environment, preparing amendments reflecting these, and reflecting them in the information protection regulations after approval by the CEO.

Group Information Security Principles

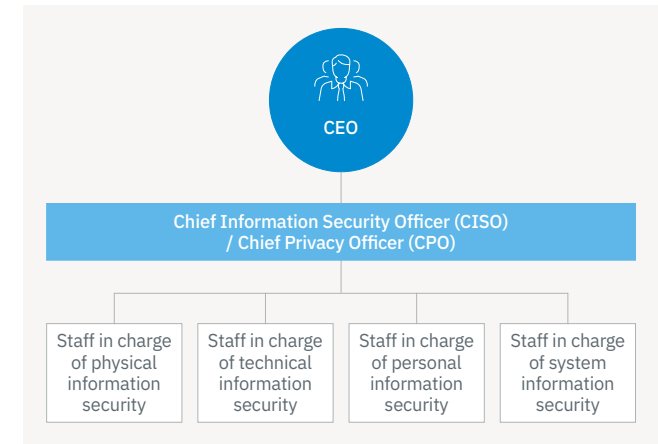
- We shall consider information security in achieving management goals
- Our employees shall be responsible for abiding by the responsibilities and obligations stipulated in the Group Information Security Regulations and relevant laws
- Our employees shall be responsible for abiding by the responsibilities and obligations stipulated in the Group Information Security Regulations and relevant laws

Information Security Organization

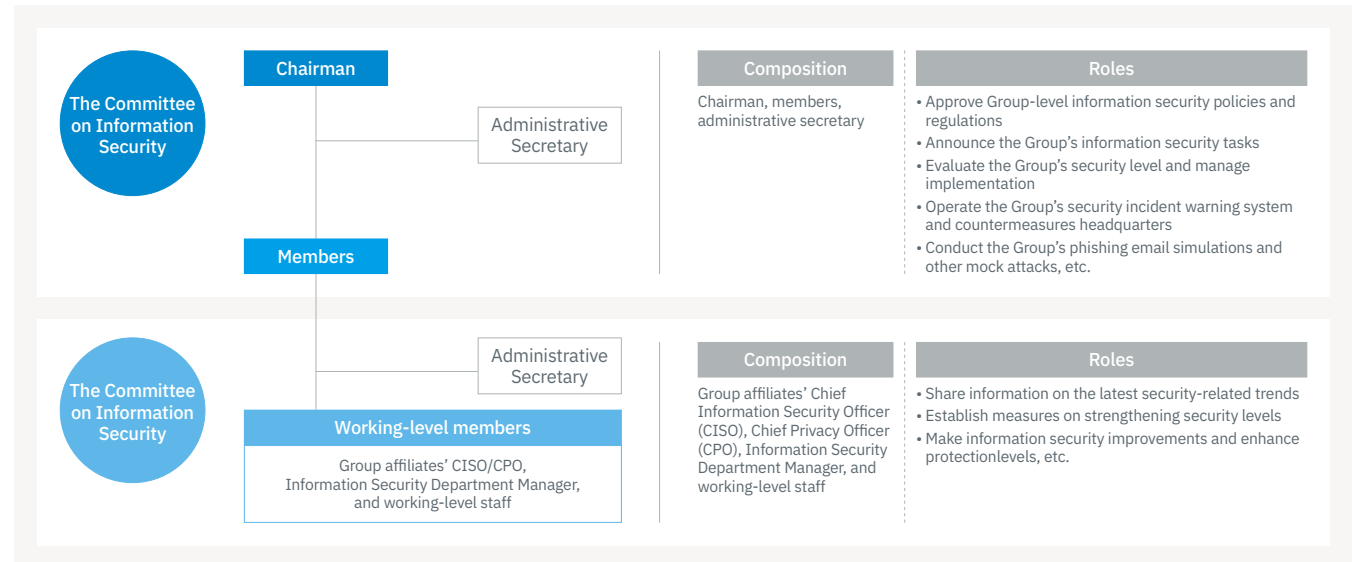
To strengthen its information protection strategy and operation, LOTTE Group established an information protection system that fits LOTTE's environment and culture, centered around the Committee on Information Security, chaired by the CEO of LOTTE Corporation, and the Committee on Information Security. Based on the organization, we discuss and operate information protection policies and major security status and issues.

LOTTE Corporation has designated a Chief Information Security Officer (CISO) and a Chief Privacy Officer (CPO) to oversee and manage the company's information security and personal data protection efforts. In tandem with this, we have established an information protection team to prevent data breaches and proactively address compliance issues related to information protection. 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 operate the Council as 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



Information Security Organization Chart of LOTTE Group



Enhancing Information Security

Information Security Management System

To protect information assets, LOTTE Corporation has established and operates security solutions such as vaccines, document encryption, media control, and network and server access control, as well as a network and email APT (advanced persistent threat) defense system to block the inflow of malicious code. Furthermore, we operate a security control system at all times to identify and respond to external cyber attacks, and take necessary measures through immediate analysis and investigation of infringement attacks when abnormal signs are detected. We also conduct security verification, including mock hacking and checks for infrastructure vulnerabilities, before service launch for newly developed and updated systems.

Information security management system (ISMS) certification

As LOTTE Corporation became a company that should be certified for information security management system (ISMS) in 2023, it has thoroughly evaluated and improved its own security policies and work processes. We complied with security standards in various areas such as information protection, system operation stability, network security, and external intrusion response, and as a result, we obtained the ISMS certification in November 2023.

Information Security System Certifications for the Group Affiliates

Classification	Group affiliates	Note
Information Security Management System (ISMS)	9 companies	LOTTE Corporation, LOTTE Shopping (LOTTE Department Store, LOTTE Mart/Super, LOTTE e-commerce), LOTTE Hi-Mart, HOTEL LOTTE (LOTTE Hotels&Resorts), LOTTE Innovate, LOTTE Cultureworks, LOTTE Rental, LOTTE Global Logistics, FRL Korea
Information & Personal Information Management System (ISMS-P ¹⁾)	10 companies	LOTTE Chilsung Beverage, LOTTE Members, LOTTE Home Shopping, HOTEL LOTTE (LOTTE Duty Free, LOTTE World) LOTTE Engineering & Construction, LOTTE Capital, Canon Korea, LOTTE Green Car, LOTTE GRS, Korea Seven
Information Security Management Systems ISO 27001 ²⁾	5 companies	LOTTE Chemical, LOTTE Fine Chemical, LOTTE Innovate, HOTEL LOTTE (LOTTE Duty Free), Canon Korea

¹⁾ Information security certification system in Korea

²⁾ International information security standard certification

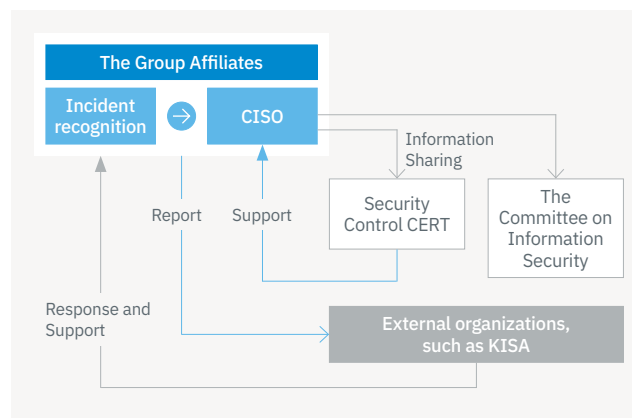
Security Incident Prevention System

When a security incident occurs, the Group affiliates immediately report the incident through the Group information protection portal system, and in response, the Security Control CERT (Computer Emergency Response Team) Team, which is in charge of professional security control service at LOTTE Innovate. The Team conducts a rapid analysis of the received incident to identify the circumstance and cause of the incident, and actively supports the Group affiliate's response to the infringement incident. Moreover, to prevent similar incidents from recurring, we are strengthening the security posture of the entire Group by carefully organizing the path and cause of the incident and the response measures taken, and quickly sharing the information with all Group affiliates.

Disaster Recovery Response System

LOTTE Corporation has implemented a systematic disaster recovery system to ensure the stable operation of critical systems and prepare for potential risks stemming from disasters or catastrophes. This system includes assessing damage potential for each system and analyzing impacts on operations to effectively manage and mitigate risks. By conducting quarterly trainings to verify the effectiveness of the disaster recovery system on a regular basis, we continue to strengthen our ability to respond to emergency situations. We reflect improvements identified through these exercises immediately, continuously improving the resilience of the system.

Security Incident Response System of the Group



PERFORMANCE

Proactive Inspection of and Response to Information Security Risks

In response to the recent trend of increasing cyber attacks through malicious e-mails disguised as work-related e-mails, LOTTE Corporation periodically conducts e-mail mock virus training on a quarterly basis to strengthen employees' security awareness and raise their readiness against cyber threats. We strive to prevent security incidents and improve security awareness among employees by providing customized security training to employees at risk of infection identified through this training.

In addition, we are conducting annual mock hacking and infrastructure vulnerability checks to continuously secure the reliability of the information system and strengthen security. Through these systematic security checks, we continuously strengthen the company's information protection system by proactively identifying potential risk factors and taking active improvement measures.

Enhancement of Information Security Awareness

Information Security Training
LOTTE Group runs various training programs to strengthen employees' information protection awareness and improve their expertise. We operate CISO information protection courses, information security expert courses, trainings for personal information handlers, and personal information protection and information security courses.

LOTTE Corporation is actively implementing campaigns, trainings, and security inspection activities to raise security awareness of the executives and employees. We provide annual information protection training as a legally required training to strengthen employee security awareness, and provide personnel in charge of information protection with training courses that reflect the latest laws and group policies to strengthen their professional capabilities.

Employee Trainings on Data Protection and Personal Information Security

Classification	Unit	2021	2022	2023
Employee	Training hours	1	1	1
	No. of trainees	141	297	310

Enhancing Information Security



ASSESSMENT

Information Security Status Disclosure


LOTTE Corporation was designated as a company subject for mandatory information protection disclosure in 2023, and conducted mandatory disclosure following voluntary disclosure in 2022. We have contributed to improving corporate trust and strengthening ESG management by faithfully responding to information protection disclosures, strengthening information protection, and transparently disclosing related activities.

Information Security Disclosure in 2023

Classification	Investment	No. of persons
Information technology	KRW 13,689,818,137	36.8
Information security	KRW 1,740,484,794	4.9
Ratio of information security	12.7%	13.3%

Activities

- Diagnosis of system vulnerability diagnosis and mock hacking
- Diagnosis of IT project vulnerability and security review
- Mock virus training periodically (quarterly)
- Information Protection Day (Monday)
- Checking the status of personal information
- Conducting information security training for employees
- Conducting training for personal information handlers
- Checking office security (quarterly)
- Organization and operation of the Information Protection Working Committee
- Establishment of annual plan for information protection
- Inspection and improvement of information protection status
- Inspection of personal information trustee
- Signing up for personal information protection liability insurance

 More information about the LOTTE Corporation's information security disclosure in 2023 is available at the Comprehensive Information Security Disclosure Portal of Korea Internet & Security Agency

Diagnosis of the Group's Information Security Level

In order to improve the level of information security management and establish a systematic management structure, LOTTE Group conducts a comprehensive diagnosis in four areas, including annual management, physical, technical, and personal information, led by the Committee on Information Security. We manage the improvements identified through this diagnosis systematically and monitor implementation. In addition to the regular diagnosis conducted at the Group level, LOTTE Corporation implements its own evaluation every year to continue to strengthen its information protection management system. The takes identified in this process are resolved through active improvement activities as a way to improve our information protection capabilities.

Operation of Information Security Index

In order to continue to improve the level of information protection and provide stable services, LOTTE Group operates information protection index consisting of information protection activities such as investment, inspection, and training in information protection, and the establishment of a security system. Accordingly, LOTTE Corporation monitors the operational status of the Group's information protection by integrating information protection index into its ESG KPIs. Since 2023, we have been analyzing and evaluating this to continuously improve the level of information security.

Inspection of Personal Information Management System

For systematic personal information management, LOTTE Corporation develops and implements an internal management plan. The internal management plan for personal information plan includes overall measures related to the protection of personal information, including procedures for encryption, collection, storage, and destruction of personal information. Additionally, by clarifying the standards for ensuring safety, we have systematized the analysis of abnormal signs in processing records such as information access, inquiry, and modification for the personal information processing system, and have the personnel in charge of personal information processing for each system reports the inspection results to the personal information manager every month through automation of control and inspection of unauthorized access.

We also periodically check personal information consignees to ensure that personal information of customers and employees is safely protected. Through written and on-site inspections, we check that the personal information management standards of the consignees are managed at the same level as LOTTE Corporation. Through these efforts, we continue to strengthen the reliability of personal information protection.

OUTLOOK

The emergence of advanced IT technologies, such as artificial intelligence (AI) and cloud computing, not only promotes digital innovation but also increases cyber risks such as personal information infringement, deepfakes, and manipulated contents, threatening the sustainable management of companies. LOTTE Corporation actively responds to internal and external security threats to safely protect the company's important information assets and personal information, and will continue to strengthen the information protection system to raise the group's information protection level and provide a high level of reliability to customers.

Leakage of Personal Information



Zero

(2020-2023)



ESG FACTBOOK

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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.

Company Overview



Company Name

LOTTE Corporation



CEOs

Dong-Bin Shin
Dong-Woo Lee



Establishment Date

March 24, 1967
(spin-off to be newly launched on
October 1, 2017)



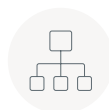
Address of Headquarters

300, Olympic-ro, Songpa-gu,
Seoul 05551, Korea



Major Business

Management consulting, etc.



Entities Subject to Consolidation

88 companies



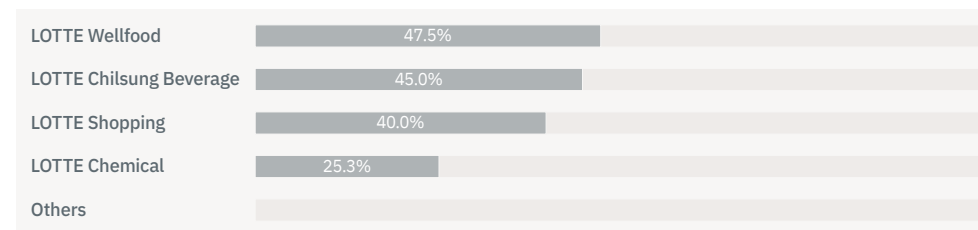
Global Network

31 countries

(U.S., Vietnam, Indonesia, India etc.)

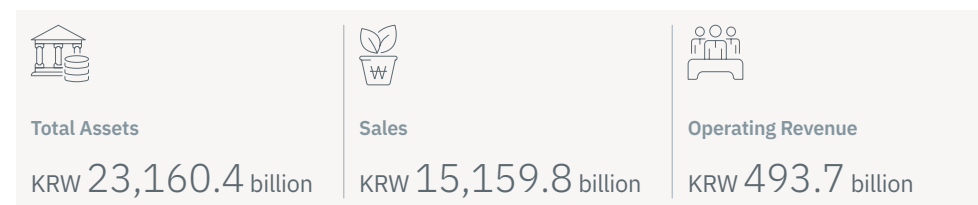
¹⁾ LOTTE Confectionery underwent a spin-off to be newly launched as LOTTE Confectionery Co., Ltd., while the name of the company remaining from the spin-off was changed to LOTTE Corporation Co., Ltd., and the investment business units of LOTTE Shopping, LOTTE Chilsung Beverage and LOTTE Foods were merged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

Ownership Structure



* As of December 31, 2023; and based on common share (excluding preferred share)

2023 Financial Performance



Creation and Distribution of Economic Value

LOTTE Corporation created economic value of KRW 15,159.8 billion in 2023 and distributed KRW 10,982.5 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 2023

(Unit: KRW)

Shareholders and Investors	Dividends and interest expenses	443,476,317,475
Government	Tax (by country)	210,256,331,145
Employees	Remuneration and employee benefits	2,094,208,111,108
Local Communities	Investments in local communities (donations, social contribution expenses)	17,008,199,683
Others	Procurement cost of raw materials and services	8,217,545,937,207

LOTTE at a Glance

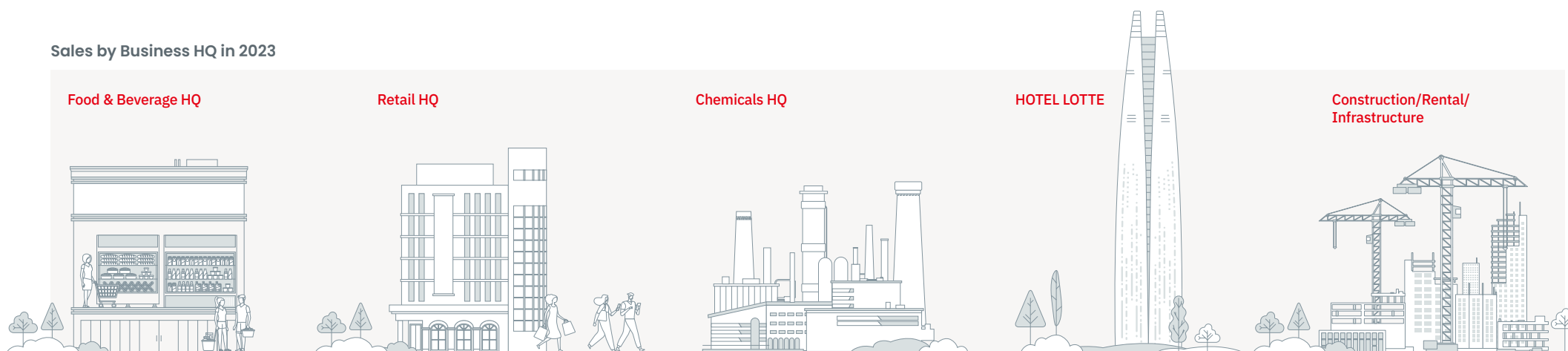
LOTTE GROUP

The history of LOTTE Group began with the establishment of LOTTE Confectionery in 1967. Since then, LOTTE Group has grown into a leading global company representing South Korea by expanding its business into various industries such as food, retail, chemicals, hotels, construction, rental, and infrastructure.

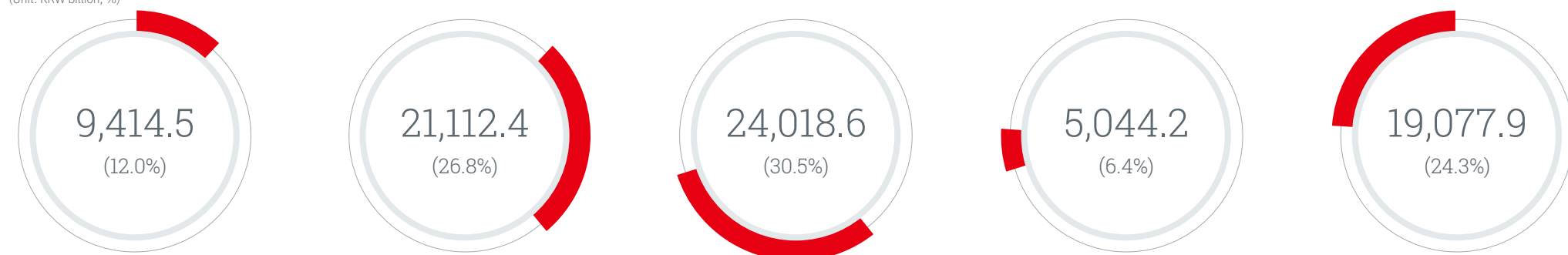
In November 2021, LOTTE Group shifted from a BU system to an HQ system based on the internal and external consensus on the reinforcement of authority and responsibility of the CEOs of the Group affiliates. The HQ system classifies the Group affiliates into a core group and a subsidiary group from the perspective of

the domination-subordination relationship of the shareholding structure and the inherent, common nature of different businesses. It also features that the general representative of the core Group affiliate is responsible for the vision, strategy, etc., of the industry group, including the affiliated business units and subsidiaries of the relevant HQ. As each Group affiliate's responsible management has been strengthened, LOTTE Corporation can focus more 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, thereby setting directions for the new growth of LOTTE Group.

Sales by Business HQ in 2023



(Unit: KRW billion, %)



Total 78,667.6 (100%)

LOTTE Business Portfolio

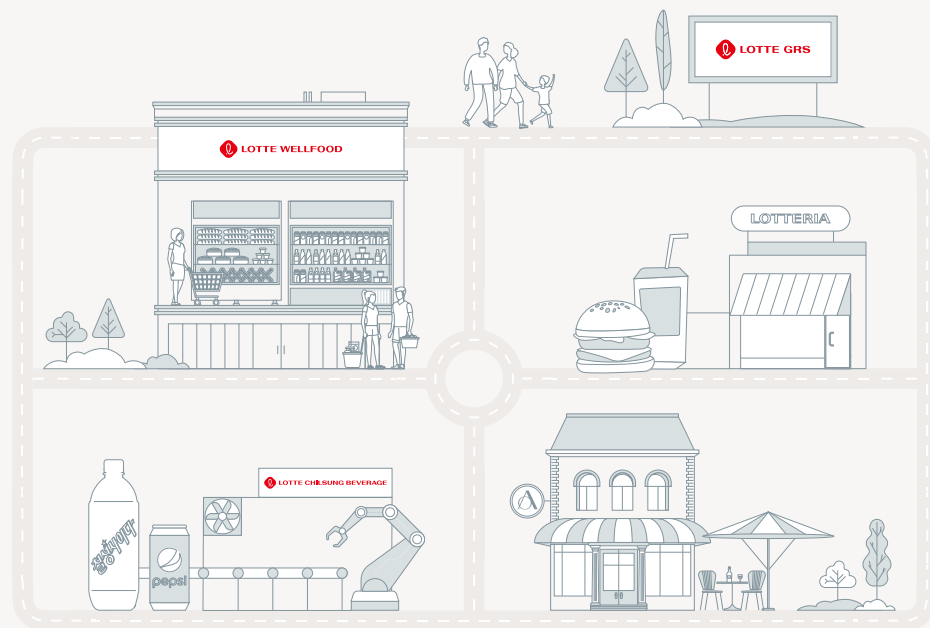
FOOD & BEVERAGE **RETAIL** CHEMICALS HOTEL CONSTRUCTION/RENTAL/INFRASTRUCTURE

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 demonstrate exceptional technology, quality, and marketing capabilities, leading the food industry. We 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 with sales of KRW 4 trillion.

MAJOR GROUP AFFILIATES

LOTTE Wellfood, LOTTE Chilsung Beverage, LOTTE GRS

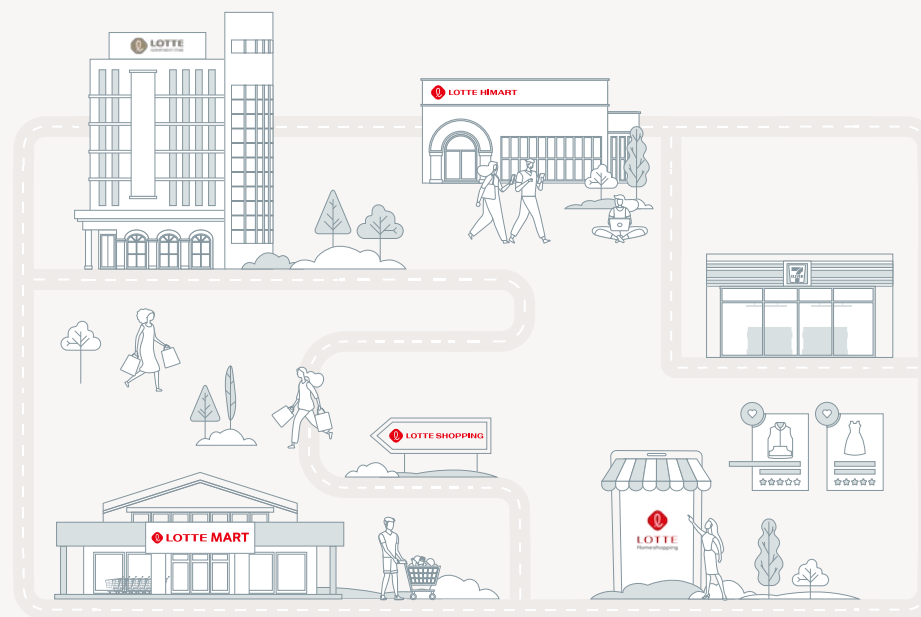


RETAIL

LOTTE Retail HQ has continuously evolved to lead the evolution of the retail industry since the 1970s, and today, our retail business is embracing a new goal to become “the customers’ first shopping destination.” To this end, we provide customers with a differentiated experience and new enjoyment through services and content that span both online and offline. Starting from the end of 2023, we have been strengthening our grocery business through collaboration with Ocado of UK, based on the establishment of a state-of-the-art logistics center. In September 2023, we also opened LOTTE Mall in Hanoi, Vietnam, achieving a milestone of 4.2 million visitors in just five months. In this way, LOTTE Retail HQ is actively expanding its global business, particularly in the Asian region, and growing into a global retail company.

MAJOR GROUP AFFILIATES

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



* Click the company name to visit its corporate website

LOTTE Business Portfolio

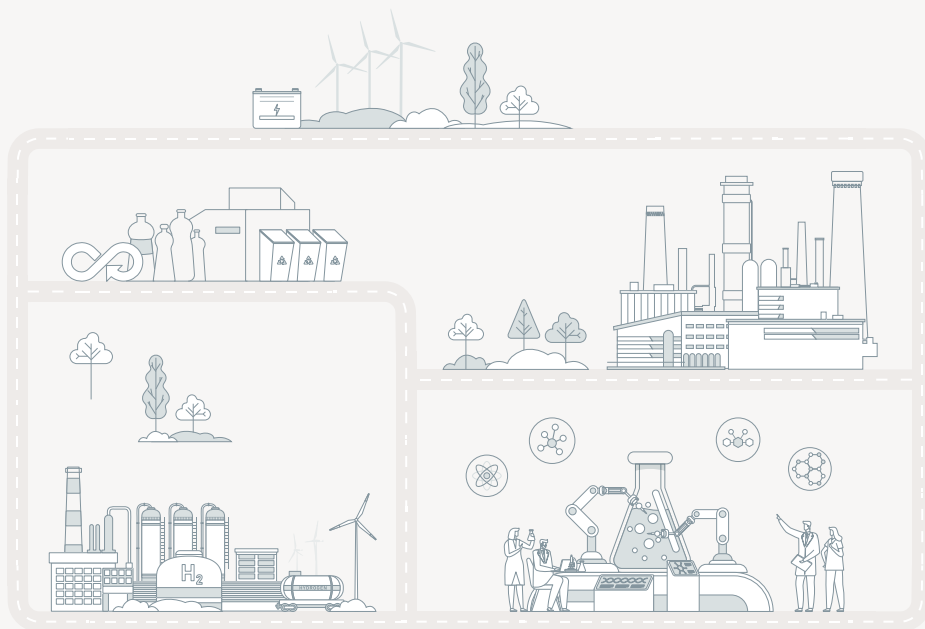
FOOD & BEVERAGE RETAIL **CHEMICALS** **HOTEL** CONSTRUCTION/RENTAL/INFRASTRUCTURE

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 Group affiliates of the Chemicals HQ supply a wide range of chemical products used in various aspects of daily life, from basic raw materials to high-value specialty items. In April 2023, we acquired LOTTE Energy Materials, the leading company in copper foil for secondary batteries, and our chemical business has established production and sales bases in key countries worldwide, exporting products to over 120 countries. With such efforts, LOTTE Chemicals HQ is acquiring the capabilities and reputation of a top-tier global chemical company.

MAJOR GROUP AFFILIATES

LOTTE Aluminum, LOTTE Energy Materials, LOTTE MCC, LOTTE Fine Chemical, LOTTE Chemical, LC Titan

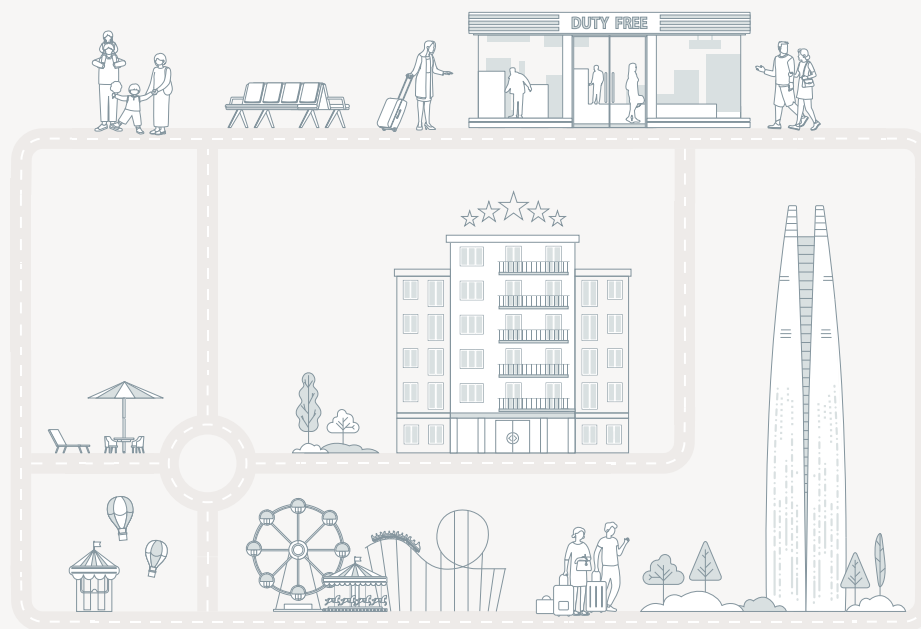


HOTEL

HOTEL LOTTE has been at the forefront of the development of the domestic tourism and culture industry, 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, U.S., Europe, Oceania, and other regions. LOTTE World Adventure, a popular destination among numerous tourists annually, and Seoul Sky Observatory, located at the highest point of LOTTE Tower, the tallest building in the country (123 floors, 555 meters), are both recognized for their exceptional capabilities in their respective fields. While maintaining its top market share in the domestic hotel industry, our hotel business actively expands its overseas businesses to evolve into a global tourism company that creates new tourism culture.

MAJOR GROUP AFFILIATES

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



*Click the company name to visit its corporate website

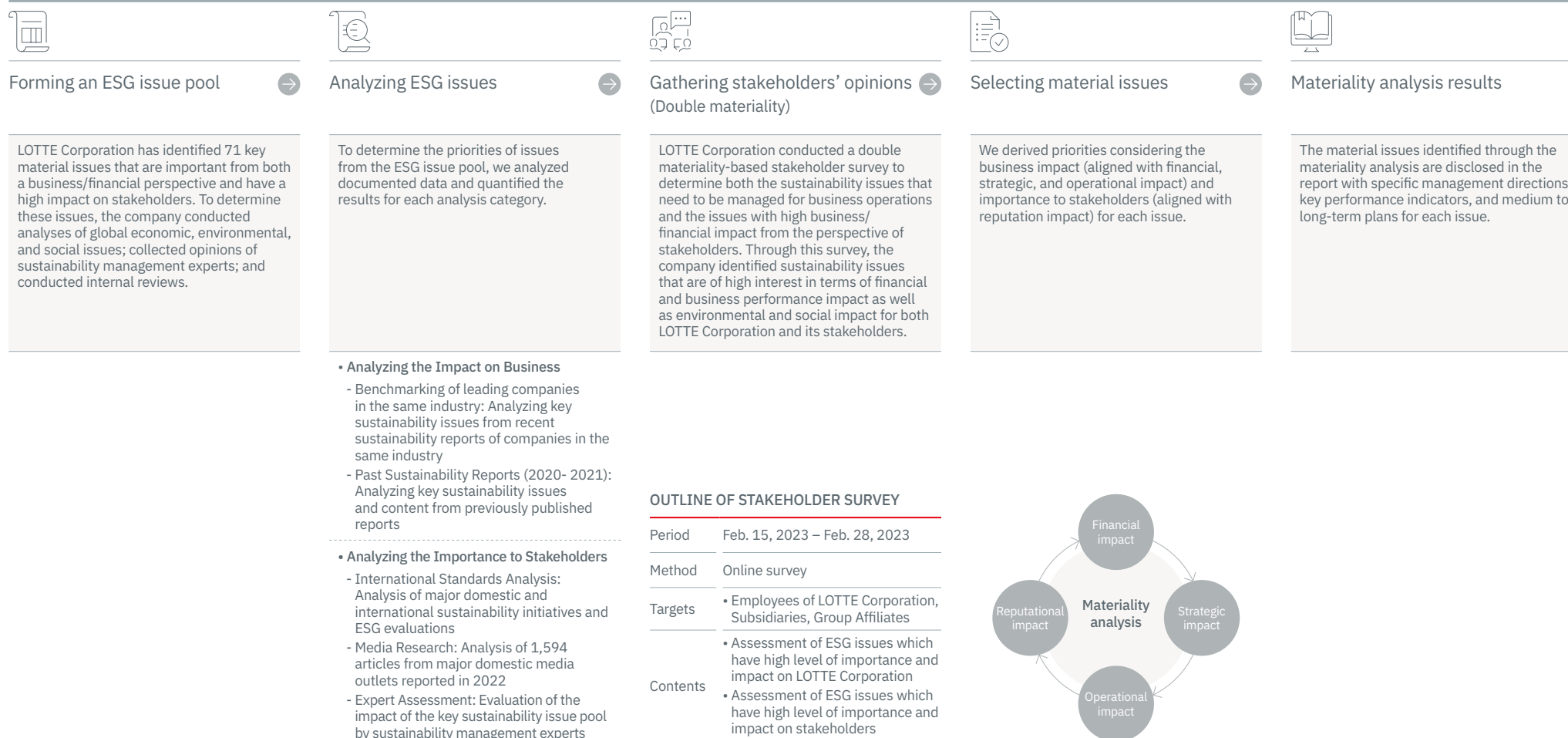


Double Materiality Analysis

Materiality Analysis Process

LOTTE Corporation identifies ESG risks and opportunities through materiality analysis and ensures their integration into strategic planning. Instead of conducting annual materiality analyses, we implement these assessments biennially, allowing sufficient time to develop and implement strategic plans. The 2023 materiality analysis highlighted critical issues such as economic value creation, enhancement of employee diversity, expansion of carbon neutrality and renewable energy, protection of human rights, and the establishment of governance for climate change response. These issues reflect stakeholder demands for enhanced business sustainability through new ESG-related ventures and a transition toward a more flexible, inclusive corporate culture. LOTTE Corporation has conscientiously integrated this content into its business strategies and has strived to address stakeholder demands through the special report section of this sustainability report.

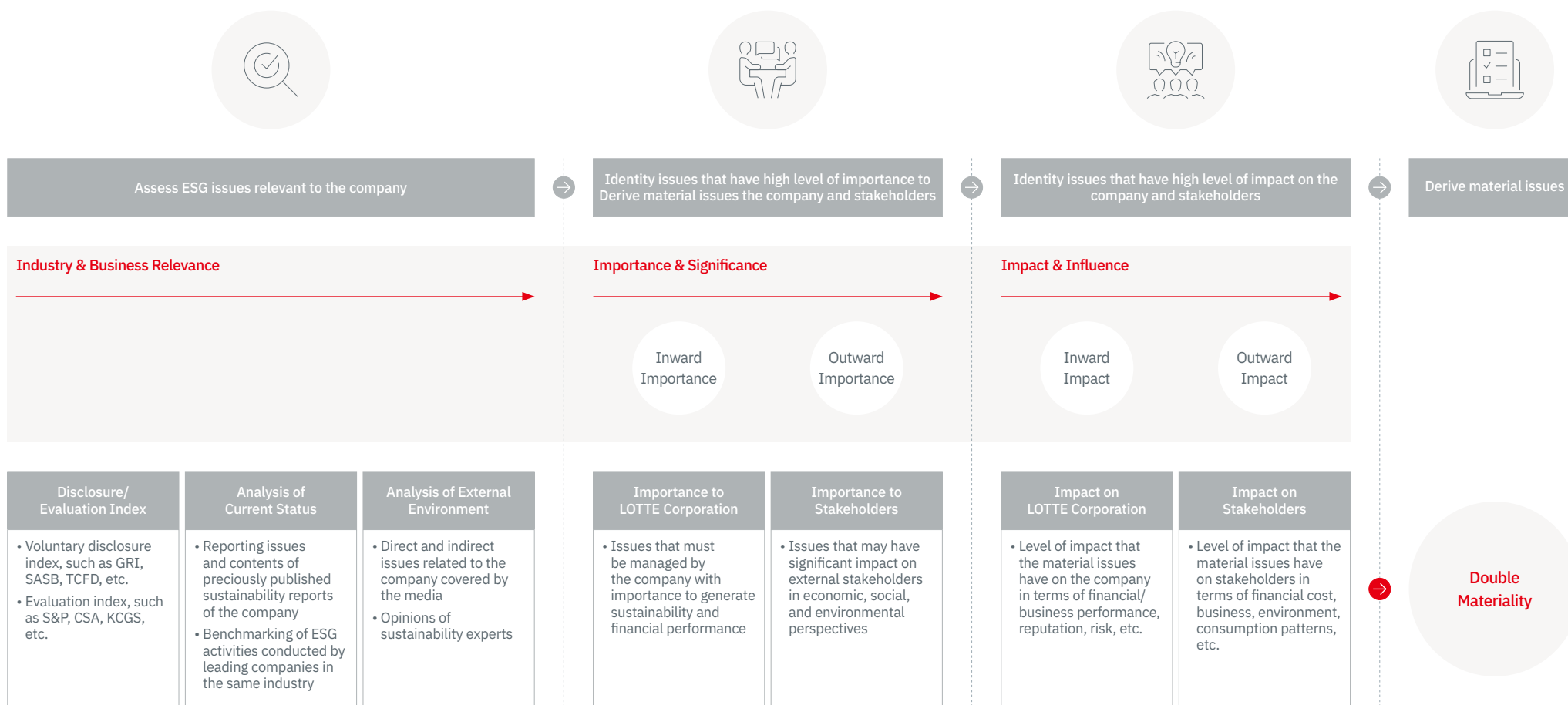
Selection of Key Issues Based on Double Materiality



Double Materiality Analysis

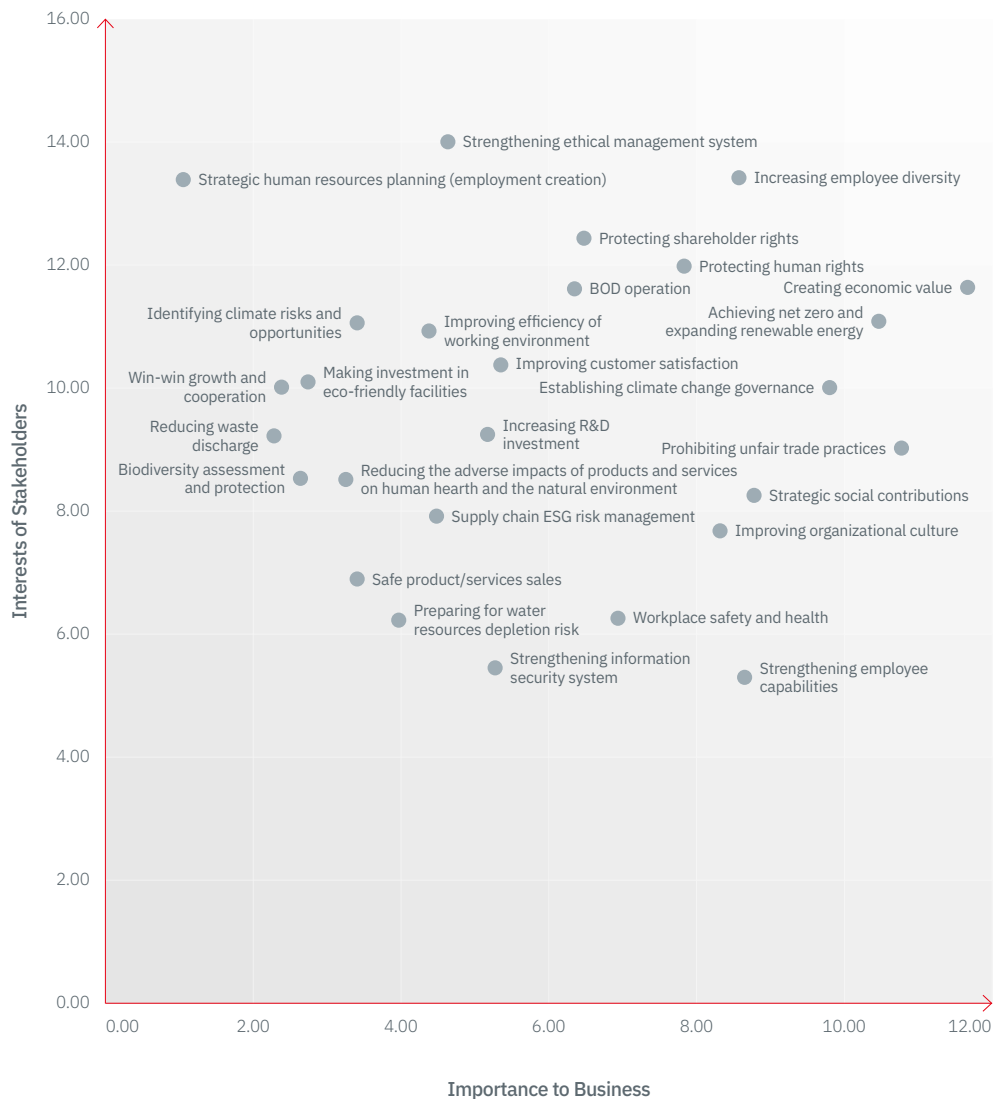
Double materiality methodology which we used to select material topics and develop reporting content is as follows.

Double Materiality Methodology



Double Materiality Analysis

Results of Materiality Analysis



No.	Classification	Topic	Page
1	Economic	Creating economic value	S16-19, Report p.41-43
2	Social	Increasing employee diversity	S04-08, Report p.24
3	Environmental	Achieving net zero and expanding renewable energy	S09-15, Report p.10
4	Social	Protecting human rights	S04-08
5	Environmental	Establishing climate change governance	S11, 13, Report p.11-12, 53
6	Economic	Prohibiting unfair trade practices	Report p.61-63
7	Economic	Protecting shareholder rights	Report p.56
8	Economic	Strengthening ethical management system	Report p.64-65
9	Economic	BOD operation	Report p.50-54
10	Social	Strategic social contributions	Report p.44-47
11	Social	Improving organizational culture	Report p.25-29
12	Social	Improving customer satisfaction	-
13	Social	Strategic human resources planning (employment creation)	Report p.19-21
14	Environmental	Improving efficiency of working environment	Report p.11-12
15	Economic	Increasing R&D investment	S12, 17-19 Report p.13, 16
16	Social	Strengthening employee capabilities	Report p.22-23
17	Environmental	Identifying climate risks and opportunities	S10-15
18	Environmental	Making investment in eco-friendly facilities	S12, 15, Report p.12
19	Social	Supply chain ESG risk management	Report p.37, 40
20	Social	Win-win growth and cooperation	Report p.37-40



Double Materiality Analysis

Management of Material Issues

Material Issues	Impact	Issue Management Direction	Mid to Long-term Goals and Implementation Status	Page
Creating economic value (GRI 201-1, GRI 201-2, GRI 201-3)	<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: Bio & 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"> Bio & 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 Lunched the premium senior residence brand VL (Vitality & Liberty) by integrating LOTTE's life care expertise Mobility <ul style="list-style-type: none"> Secured the capacity to produce approximately 20,000 EV chargers with the completion of the new EVSIS factory in Cheongju LOTTE Innovate is focusing on securing technological capabilities related to transportation infrastructure. Sustainability <ul style="list-style-type: none"> Completed a business portfolio for the four key materials of lithium-ion batteries – cathode materials, anode materials, separators, electrolyte organic solvents – through the acquisition of LOTTE Energy Materials Established joint ventures with leading domestic and international hydrogen companies (LOTTE SK Eneroot, LOTTE-Air Liquide Ener'Hy) to accelerate hydrogen business New Life Platform <ul style="list-style-type: none"> Launched the hyper-realistic metaverse platform "CALIVERSE" at CES 2024 Promoting new content businesses utilizing LOTTE's diverse asset 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 Completed the establishment of Silicon Valley branch in the U.S., and ran the 1st L-Camp Japan program 	S16-19, Report p.41-43
Increasing employee diversity (GRI 2-9, GRI 2-10, GRI 405-1)	<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 2023, the percentage of women executives reached 7.8%. LOTTE Corporation operates the "Women Leadership Mentoring Program" to enhance the leadership capabilities of female employees. 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 2023, LOTTE Group achieved a rate of 3.20%, 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"> Hosted the Global HR Conference in 2023 to promote LOTTE Group's HR policies and to provide support for local hiring and talent development Plan to hold the Global Leaders Forum (overseas branch managers forum) in 2024 Number of local hires as of 2023 stood at 46,000. Supported economic independence of persons with disability by increasing the employment rate of persons with disability in 2023 and operating standard workplaces for persons with disability 	S04-08, Report p.24



Double Materiality Analysis

Management of Material Issues







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 at 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 and completed the update in 2024 Aim to reduce 4.49 million tons compared to the BAU by 2030 Aim to reduce 8.93 million tons compared to the BAU by 2040 (Food & Beverage, Retail HQs, and HOTEL LOTTE will achieve net zero) Aim to reduce 12.9 million tons compared to the BAU by 2050 (All including Chemicals 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 a solar power capacity of 6.9MW (Reduced about 1,080 tCO₂eq in 2023) As of 2023, the scale of solar power generation facilities of the Group affiliates is 25.37MW, capable of producing 23,445MWh of electricity annually 	S09-15, Report p.10
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. 	S04-08
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 strengthens the management of increasing transition/physical risks due to climate change, and analyzes the resulting business opportunities 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 Eco-friendly Management Task Force Team 	S11, 13, Report p.11-12, 53



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 	<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 • Compliance Officer Sharing Meeting • Compliance Forum 	<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

ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Company Information					
Legal name	-				LOTTE Corporation
Nature of ownership and legal form	-				Sustainability Report (Company Overview)
Countries of operation	-				Sustainability Report (Company Overview)
Report Overview					
Disclosure of ESG information	-				Disclosure of Corporate Governance Report (2019-) Disclosure of Sustainability Report (2021-) Disclosure of environmental data (2022-)
Entities included in its sustainability reporting	-				Sustainability Report (About This Report)
Differences between the list of entities included in its financial reporting and the list included in its sustainability reporting	-				Sustainability Report (About This Report)
Reporting period and frequency	-				Sustainability Report (About This Report)
Reporting period for financial reporting and, if it does not align with the period for sustainability reporting, explain the reason for this	-				If any information presented in previous reports has been revised or rewritten, explanations are provided in the form of footnotes
Restatements of information made from previous reporting periods and explain	-				If any information presented in previous reports has been revised or rewritten, explanations are provided in the form of footnotes
Publication date of the report	-				June 30, 2024
Contact point	-				esg@lotte.net
Use of performance indicators based on standards or frameworks equivalent to those for sustainability reporting are use	-				Sustainability Report (Index)
External assurance of sustainability reports	-				Sustainability Report (Third-party Assurance)
Disclosure of recent individual E, S, G ratings and integrated ESG evaluation ratings on the website	-				Disclosure of KCGS EST evaluation results lotte.co.kr
Disclosure of audit reports or business reports in English	-				Audit Report: English disclosure will be conducted starting from the 2023 Audit Report (March 20, 2024), and will continue in the future. Business Report: No English disclosure has been conducted, but it will be reviewed in the future.
Designation as an unfaithful disclosure corporation and violation of disclosure obligations (last 3 years)	Case	0	0	0	Non applicable
Cumulative number of sustainability reports published	times	2	3	4	4 times (2021-)



ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Stakeholder Engagement					
Description by scope of activities, supply chain, and other business relationships	-				
Categories and identification of stakeholders	-				Sustainability Report (Stakeholder)
Purpose of stakeholder engagement	-				
Guarantee of stakeholder engagement	-				

ESG Facts & Figures



	Unit	2021	2022	2023	Note (Calculation formula)
ESG Management					
Existence of a statement related to the sustainable development strategy	-				Announcement of LOTTE Group ESG Statement (Jul. 2021)
Identification of actual and potential ESG-related impacts (positive/negative) across business activities and relationships	-				Sustainability Report (Materiality Analysis)
List of material issues (including changes from the previous reporting period) and disclosure of material issues	-				Sustainability Report (Materiality Analysis)
Explanation of the determination of material issues and the reasons	-				Sustainability Report (Materiality Analysis)
Process and methodology for analyzing material issues	-				Sustainability Report (Materiality Analysis)
Identification of stakeholders or experts who provided input in the material issues determination process	-				Sustainability Report (Materiality Analysis)
Policies or commitments regarding material issues	-				Sustainability Report (Materiality Analysis)
Whether and how key concerns are communicated to the highest governance body (BOD)	-				Sustainability Report (Materiality Analysis)
Existence of an ESG committee within the BOD	-				Sustainability Report (Materiality Analysis)
Existence of a dedicated sustainability department or organization directly under the CEO	-				Have been operating ESG Team under ESG Management Innovation Office since June 2021
The process and frequency by which the BOD is informed about climate-related issues	-				Sustainability Report (ESG Committee)
The process and frequency by which the BOD is informed about the impact of the company's business activities on the economy, environment, and people	-				Sustainability Report (ESG Committee)
Whether the BOD considers climate-related issues when reviewing and overseeing the organization's business activities.	-				Sustainability Report (ESG Committee)
How the BOD monitors climate-related goals and their implementation status	-				Sustainability Report (ESG Committee)
The process for informing management about climate-related issues	-				Sustainability Report (ESG Committee)
How the management monitors climate-related issues	-				Sustainability Report (ESG Committee)
The scope and description of major environmental management issues (such as climate change, water, etc.) discussed by the BOD	-				Sustainability Report (ESG Committee)
Whether the BOD reviews and approves ESG materiality	-				Sustainability Report (ESG Committee)
No. of ESG Committees held	Time	1	5	4	

ESG Facts & Figures



	Unit	2021	2022	2023	Note (Calculation formula)
Environmental Management					
Establishment of climate change response strategy	-				Sustainability Report (Net-Zero)
Description of the organization's process for identifying, assessing, and responding to climate-related risk	-				Sustainability Report (Net-Zero)
Description of the decision-making process for determining the materiality and prioritization of climate-related risks	-				Sustainability Report (Net-Zero)
Fines related to environmental or ecological issues due to non-compliance with environmental laws and regulations (for the past 3 years)	KRW	0	0	0	
Non-monetary sanctions related to environmental or ecological issues due to non-compliance with environmental laws and regulations (for the past 3 years)	Case	0	0	0	
Disclosure of environmental law violation	-	0	0	0	
Disclosure of environmental law violation – cases raised through dispute resolution mechanisms	Case	0	0	0	
Significant impacts of the company's business activities, products, and services on biodiversity (description of the nature of direct/indirect biological impacts)	-				Signing of an agreement for the water quality improvement of Lake Seokchon (6 Group affiliates including LOTTE Corporation participated, May 15, 2023) - Implementation and monitoring of water quality improvement project (Water quality improvement: Class 3 → Class 2)
Total NOx emissions (current year)	Ton	0	0	0	
Total Sox emissions (current year)	Ton	0	0	0	
Total VOC (volatile organic compounds) emissions (current year)	Ton	0	0	0	
Total HAP (hazardous air pollutant) emissions (current year)	Ton	0	0	0	Non applicable (as a pure holding company, we do not possess any environmental facilities)
Total POP (persistent organic pollutants) emissions (current year)	Ton	0	0	0	
Total PM (particulate matter) emissions (current year)	Ton	0	0	0	
Emissions of other major air pollutants	Ton	0	0	0	

ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Internal energy intensity of the organization (denominator unit for measurement according to organizational characteristics)	TJ/KRW trillion	0.51	1.03	1.23	
Types of energy included in the internal energy intensity of the organization	-				Electricity, LNG, gasoline
Total internal electricity consumption – Electricity	TJ	2.04	9.57	13.72	Source: Bill (LOTTE Property & Development)
Total internal electricity consumption – Heat (LNG and vehicle fuel (gasoline))	TJ	3.00	4.96	4.95	Source: Bill (LOTTE Property & Development)
Disclosure of Scope 1 and 2 GHG emissions intensity for each corresponding year	tCO ₂ eq/ KRW trillion	29.84	54.94	64.29	
Report of GHG included in the calculation of Scope 1 and 2 GHG emissions intensity for each corresponding year	-				CO ₂ , CH ₄ , N ₂ O
Direct GHG (Scope 1) emissions (Last 3 Years)	tCO ₂ eq	198.54	317.36	318.03	Source: Bill (LOTTE Property & Development)
Indirect GHG (Scope 2) emissions (Last 3 Years)	tCO ₂ eq	97.58	457.99	656.60	Source: Bill (LOTTE Property & Development)
Total water withdrawal for all business sites (Last 3 years)	Ton	1,068.00	7,483.00	9,937.00	Source: Bill (LOTTE Property & Development)
Water Withdrawal (consumption) by source: Surface water (Last 3 years)	Ton	740.00	2,980.00	4,396.98	Source: Bill (LOTTE Property & Development)
Water withdrawal by source: Gray Water and groundwater (Last 3 years)	Ton	328.00	4,503.00	5,540.47	Source: Bill (LOTTE Property & Development)
Water discharge by source (Last 3 years)	Ton	1,068.00	7,483.00	9,937.00	Source: Bill (LOTTE Property & Development)
Water consumption (Last 3 years)	Ton	1,068.00	7,483.00	9,937.00	Source: Bill (LOTTE Property & Development)
Total waste generation (Last 3 years)	M/T (metric ton)	6.01	32.03	42.24	Source: Bill (LOTTE Property & Development)
Total amount of hazardous waste recovered: Recycling (b)	M/T (metric ton)	3.46	25.24	42.24	Source: Bill (LOTTE Property & Development)
Total amount of hazardous waste disposed: incineration (Excluding energy recovery) (b) (Last 3 years)	M/T (metric ton)	2.30	6.11	0.00	Source: Bill (LOTTE Property & Development)
Total amount of hazardous waste disposed: Landfill (c) (Last 3 years)	M/T (metric ton)	0.26	0.68	0.00	Source: Bill (LOTTE Property & Development)
Total amount of hazardous waste disposed: Other disposal operations (d) (Last 3 years)	M/T (metric ton)	0	0	0	

Error correction of the unit in the 2022 Sustainability Report (tCO₂ → tCO₂eq)

ESG Facts & Figures



	Unit	2021	2022	2023	Note (Calculation formula)
Employee Status					
Data collection methodology for employees and workers and assumptions	-				Based on all employees of LOTTE Corporation, the number of employees is calculated based on the end-of-period figures * Excluding registered executives, dispatches to the Group affiliates, and contract workers (consistent with the numbers in the Business Report)
Total number of employees	Person	193	294	310	
Total number of employees by gender – Male	Person	147	205	217	
Total number of employees by gender – Female	Person	46	89	93	
Percentage of male employees out of the total number of employees	%	76	70	70	
Percentage of female employees out of the total number of employees	%	24	30	30	
Number of employees by age – Under 30 years old	Person	11	23	16	Based on international age criteria
Number of employees by age – 30 to 50 years old	Person	162	246	257	Based on international age criteria
Number of employees by age – Over 50 years old	Person	20	25	37	Based on international age criteria
Employee ratio by age – Under 30 years old	%	6	8	5	Based on international age criteria
Employee ratio by age – 30 to 50 years old	%	84	84	83	Based on international age criteria
Employee ratio by age – Over 50 years old	%	10	9	12	Based on international age criteria
Total number of employees – Male: Regular employees	Person	144	196	209	
Total number of employees – Female: Regular employees	Person	44	85	93	
Total number of employees – Male: Contract employees	Person	3	9	8	
Total number of employees – Female: Contract employees	Person	2	4	0	
Total number of employees – Female: Non-regular workers	Person	0	0	0	
Total number of employees – Male: Non-regular workers	Person	0	0	0	
Total number of employees – Male: Full-time employees	Person	147	205	217	
Total number of employees – Female: Full-time employees	Person	46	89	93	

ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Total number of employees – Male: Part-time employees	Person	0	0	0	
Total number of employees – Female: Part-time employees	Person	0	0	0	
Employees (a)	Person	193	294	310	
Workers who are not employees (b)	Person	0	20	26	* Includes dispatched and contract/temporary workers from the Group affiliates * Until 2021, the number of workers who are not employees was not managed, but it has been managed since 2022
New Hires and Turnover					
(All) Number of new hires	Person	73	155	46	Including regular and contract employees, experienced hires, and transferees from the Group affiliates
(Male) Number of new hires	Person	50	97	31	
(Female) Number of new hires	Person	23	58	15	
(Under 30 years old) Number of new hires	Person	5	24	3	Based on international age criteria
(30 to 50 years old) Number of new hires	Person	63	124	38	Based on international age criteria
(Over 50 years old) Number of new hires	Person	5	7	5	Based on international age criteria
Average tenure of employees	Year	10.2	10	10.3	Average tenure of associates, senior associates, managers, and senior managers. Including tenure at the previous Group affiliate before transfer. Excluding contract employees.
(All) Turnover rate	%	17	18	12	Including transfer among the Group affiliates, Number of employee turnover / Number of employees at the year-end
(All) Voluntary turnover rate	%	17	18	12	Including transfer among the Group affiliates, Number of employee turnover / Number of employees at the year-end
(All) Involuntary turnover rate	%	0	0	0	
(Male) Turnover rate	%	69	72	63	
(Female) Turnover rate	%	31	28	37	

ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
(All) Number of employee who left	Person	32	54	38	
(Male) Number of employee who left	Person	22	39	24	
(Female) Number of employee who left	Person	10	15	14	
(By age) Turnover rate – Under 30 years old	%	19	15	8	
(By age) Turnover rate – 30 to 50 years old	%	59	76	74	
(By age) Turnover rate – Over 50 years old	%	22	9	18	
(By age) Number of employee turnover – Under 30 years old	Person	6	8	3	
(By age) Number of employee turnover – 30 to 50 years old	Person	19	41	28	
(By age) Number of employee turnover – Over 50 years old	Person	7	5	7	
Employee Evaluation and Compensation					
Whether regular performance and career development evaluations are conducted (Male)	%	78.38	92.41	96.27	
Whether regular performance and career development evaluations are conducted (Female)	%	63.64	89.41	92.13	
Whether regular performance and career development evaluations are conducted (Under 30 years old)	%	80.00	89.47	76.92	* Actual performance evaluations are conducted only for employees who have worked for at least three months during the evaluation period of the current year (January 1 to October 31) and are still employed as of the end of the observation period (October 31).
Whether regular performance and career development evaluations are conducted 30 to 50 years old)	%	73.79	91.48	95.76	
Whether regular performance and career development evaluations are conducted (Over 50 years old)	%	-	100	100	
CEO compensation level compared to employees	Times	25.38	42.81	42.15	Total compensation of the highest-paid member (Numerator) / Average total compensation of employees (Denominator)
Wage ratio of female employees to male employees	%	93.6	92.6	96.9	Based on S Grade and M Grade (Equivalent to 76% of all employees)
Average male-female wage gap	KRW million	6.5	8.6	4.1	Based on S Grade and M Grade (Equivalent to 76% of all employees)
Annual total compensation of the highest-paid member	KRW million	3,502	6,165	6,449	Electronic Disclosure System > Executive Compensation, etc.
Annual growth rate of the highest-paid member's total compensation	%	-0.4	76	4.6	Electronic Disclosure System > Executive Compensation, etc.

ESG Facts & Figures



	Unit	2021	2022	2023	Note (Calculation formula)
Diversity and Respect for Human Rights					
Establishment and disclosure of human rights management policy	-				
Human rights management policy – Includes a commitment to prohibit human trafficking	-				
Human rights management policy – Includes a commitment to prohibit forced labor	-				
Human rights management policy – Includes a commitment to prohibit child labor	-				
Human rights management policy – Includes a commitment to guarantee freedom of association	-				
Human rights management policy – Includes a commitment to guarantee the right to collective bargaining	-				Sustainability Report (LOTTE Group Statement on Human Rights) LOTTE Group Statement on Human Rights (lotte.co.kr)
Human rights management policy – Includes a commitment to ensure equal pay	-				
Human rights management policy – Includes a commitment to prohibit discrimination	-				
Human rights management policy – Includes a commitment to protect other human rights	-				
Scope of the human rights management policy	-				
Disclosure of specific stakeholders at risk of human rights violations through the human rights management policy	-				
Establishment and disclosure of goals to enhance employee diversity	-				Sustainability Report (Diversity Charter)
Number of business sites subject to human rights impact assessments or reviews	Site	0	0	0	
Employee training on human rights policies and procedures related to business – Percentage of employees trained	%	93.2	95.6	94.1	Proportion of total employees who have completed the relevant training
Employee training on human rights policies and procedures related to business – Training hours	Hour	516	1,005	1,794	Total related training hours completed by all employees
Percentage of local senior managers in key business regions	%	6.1	5.9	6.5	Ratio of senior-level employees (equivalent to domestic M Grade or higher) among regular employees at overseas business sites to the total number of employees at overseas business sites

ESG Facts & Figures



	Unit	2021	2022	2023	Note (Calculation formula)
Human Resources Development					
(All) Employee training hours per person	Hour	62.7	65.2	75.1	Total annual training hours / Number of employees
(Male) Employee training hours per person	Hour	61.5	62.9	73.1	Total annual training hours for male employees / Number of male employees
(Female) Employee training hours per person	Hour	66.6	70.7	79.7	Total annual training hours for female employees / Number of female employees
Parental Leave					
Number of employees eligible for parental leave	Person	5	13	14	Spouse's childbirth in the current year + Childbirth in the current year
Number of male employees eligible for parental leave (b)	Person	3	12	9	Spouse's childbirth in the current year
Number of female employees eligible for parental leave (a)	Person	2	1	5	Childbirth in the current year
Number of employees who have taken parental leave	Person	7	10	10	
Number of male employees who have taken parental leave (b)	Person	4	9	6	Based on the start date of parental leave
Number of female employees who have taken parental leave (a)	Person	3	1	4	Based on the start date of parental leave Excluding former LOTTE Academy personnel transferred to other Group affiliates during his/her leave
Number of employees who returned to work after parental leave	Person	4	12	4	
Number of male employees who returned to work after parental leave (b)	Person	4	9	4	Based on the return date from parental leave
Number of female employees who returned to work after parental leave (a)	Person	0	3	0	Based on the return date from parental leave

ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Return-to-work rate after parental leave: Male	%	100	100	100	Number of female employees who returned to work after parental leave / Employees who need to return to work after parental leave Based on the return date from parental leave * 2020: All 5 male employees returned to work * 2021: All 4 male employees returned to work * 2022: All 9 male employees returned to work * 2023: All 6 male employees returned to work
Return-to-work rate after parental leave: Female	%	100	100	0	Number of female employees who returned to work after parental leave / Employees who need to return to work after parental leave Based on the return date from parental leave * 2020: Among 2 female employees, 1 resigned * 2021: None * 2022: All 3 female employees returned to work * 2023: 1 female employee resigned during parental leave.
Number of employees who returned to work after parental leave and continued to work for 12 months	Person	5	4	11	
Number of male employees who returned to work after parental leave and continued to work for 12 months (b)	Person	4	4	9	Employees who have returned to work for more than one year as of the current date
Number of female employees who returned to work after parental leave and continued to work for 12 months (a)	Person	1	0	2	Employees who have returned to work for more than one year as of the current date
Organizational Culture					
Employee satisfaction level	Point	78	81	81	
Labor-Management Culture					
Establishment and operation of labor union and labor-management council	-				Through the Labor-Management Council, updates regarding management decisions that have a substantial impact on employees are communicated, and discussions are held on matters directly or indirectly affecting working conditions of the workforce. The results of the Labor-Management Council apply to all employees and are to be notified through the internal bulletin board within 60 days. However, there may be exceptions depending on the circumstance.
Implementation of collective agreements	-				
Minimum notice period for informing employees and unions about significant operational changes affecting labor relations	-				
Report of business site where freedom of association and collective bargaining rights of workers are deemed to be seriously compromised	-				As LOTTE Corporation is a non-unionized workplace, it does not enter into separate collective bargaining agreements.
Percentage of total employees covered by collective bargaining agreements	-				To determine collective labor conditions and employment terms, LOTTE Corporation has established and operates the Employment Rules. Additionally, individual labor conditions are determined through the renewal and adherence to individual labor contracts.

ESG Facts & Figures



	Unit	2021	2022	2023	Note (Calculation formula)
Workplace Safety Management					
Occupational health and safety management system – procedures for investigating work-related injuries, illnesses, health issues, and accidents	-				
Existence of employees excluded from the analysis and disclosure of work-related injuries and illnesses, and explanation of the reasons for exclusion (if any)	-				
Description of methods to promote employee access to voluntary health promotion services and programs provided to employees	-				LOTTE Corporation shares matters related to safety and health management through the Labor-Management Council to ensure a safe working environment and conducts safety and health training twice a year to facilitate communication with employees.
Operation of voluntary health promotion services and programs provided to employees for managing non-work-related health risks	-				
Existence and description of an official joint labor-management health and safety committee (including the committee's authority, meeting frequency, decision-making power, and reasons for exclusion if there are employees not represented by the committee)"	-				
Description of occupational health and safety training provided to employees (including both general training and training on specific job-related hazards, activities, or situations)	-				Under the focus on mental health, the company has conducted “employee stress management” training twice a year. Additionally, practical safety and health training is provided through a safety experience facility, along with evacuation drills and fire prevention training.
Work-related injuries and illnesses – 1) Member of the organization: Number of casualties caused by work-related injuries and illnesses (categorized separately for major work-related injuries) (last 3 years)	-				Non applicable
Work-related injuries and illnesses – 1) Member of the organization: Fatality rate due to work-related injuries and illnesses	-				Non applicable
Work-related injuries and illnesses – 2) Member of the organization: Number of serious work-related injuries and illnesses (categorized separately for major work-related injuries)	-				Non applicable
Work-related injuries and illnesses – 2) Member of the organization: Rate of serious work-related injuries and illnesses	-				Non applicable
Work-related injuries and illnesses – 1) Non-member of the organization (workers whose workspaces are under the organization's management): Number of casualties caused by work-related injuries and illnesses (categorized separately for major work-related injuries) (last 3 years)	-				Non applicable



ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Work-related injuries and illnesses – 1) Non-member of the organization (workers whose workspaces are under the organization's management): Fatality rate due to work-related injuries and illnesses	-				Non applicable
Work-related injuries and illnesses – 2) Non-member of the organization (workers whose workspaces are under the organization's management): Number of serious work-related injuries and illnesses (categorized separately for major work-related injuries)	-				Non applicable
Work-related injuries and illnesses – 2) Non-member of the organization (workers whose workspaces are under the organization's management): Rate of serious work-related injuries and illnesses	-				Non applicable
Work-related injuries and illnesses – 3) Non-member of the organization (workers whose workspaces are under the organization's management): Number of recordable work-related injuries	-				Non applicable
Work-related injuries and illnesses – 3) Non-member of the organization (workers whose workspaces are under the organization's management): Rate of recordable work-related injuries	-				Non applicable
Management of industrial accidents – Total Recordable Incident Rate (TRIR) for employees: Total number of incidents (a)	-				Unable to calculate the accident rate due to no accidents occurring
Management of industrial accidents – Total Recordable Incident Rate (TRIR) for employees: Total working hours (b)	-				Unable to calculate the accident rate due to no accidents occurring
Supply Chain					
Establishment of a supply chain code of conduct	-				
Scope of the supply chain code of conduct – Environmental standards for supplier processes, products, and services	-				
Scope of the supply chain code of conduct – Child labor	-				
Scope of the supply chain code of conduct – Basic human rights	-				Code of Conduct for Lotte Group Partner Companies lotte.co.kr
Scope of the supply chain code of conduct – Working condition	-				
Scope of the supply chain code of conduct – Compensation	-				
Scope of the supply chain code of conduct – Business ethics	-				
Scope of the supply chain code of conduct – Sustainable procurement policy for subcontracting within the supply chain	-				

ESG Facts & Figures



	Unit	2021	2022	2023	Note (Calculation formula)
Corporate Governance					
Whether the BOD manages the pool of CEO candidates	-				A formalized CEO succession policy has been established, and a sophisticated evaluation, training, and career development program (CDP) is in operation to nurture a suitable pool of candidates for the CEO position.
Whether there are established CEO succession rules	-				
Whether the roles of CEO and Chairman of the BOD are separated	-				For efficient operation of the board, the CEO concurrently serves as the chairman. In March 2024, the company introduced a senior non-executive director system to further enhance independent decision-making and oversight functions, and to promote transparent board operations.
Whether the performance evaluation of the highest governance body (BOD) is independent	-				The provisions have been incorporated into Article 11, Section 2 of the Corporate Governance Charter.
The frequency of performance evaluations for the highest governance body (BOD)	-				To enhance the efficiency of the board, evaluations of the board and non-executive directors are conducted regularly.
Whether performance evaluations for the highest governance body (BOD) are conducted and a description of the process	-				We annually conduct a comprehensive review of board members' attendance rates, their contribution and input on board agenda items, the effectiveness of their advisory roles as experts in specific fields, and their contributions as audit committee members concerning internal controls related to the company's financial risks. The results of this review are utilized to facilitate and support effective activities of non-executive directors and to consider their reappointment upon the expiration of their term.
Describe the evaluation response measures, including changes in the composition and organizational practices of the highest governance body (BOD)	-				
Specification of expertise criteria for the highest governance body (BOD) within the regulations and whether the expertise is verified	-				
Existence of diversity regulations considered in the selection process of the highest governance body (BOD)	-				Sustainability Report (Establishing a Sound Corporate Governance)
Description of the process and criteria used to appoint and select members of the highest governance body (BOD) and its committees	-				
Employment status of independent outside directors or auditors recommended through shareholder proposals	Person	0	0	0	
Establishment of a policy to prevent the appointment of executives with a history of damaging corporate value and infringing on shareholder right	-				In April 2022, we revised the Corporate Governance Charter to formalize the related policies.



ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Compensation determination procedure – Process and oversight	-				
Compensation determination procedure – Description of the method for considering the views of stakeholders (including shareholders)	-				
Compensation determination procedure – Whether the voting results of stakeholders (including shareholders) on compensation policies and proposals are reflected in the compensation determination process	-				Operate a Compensation Committee within the BOD to approve the limit of remuneration for registered directors to be submitted to the AGM and to approve the individual remuneration for registered directors
Compensation determination procedure – Whether compensation-related experts are involved in the compensation determination process and their independence	-				
Whether the regulations for CEO remuneration are specified	-				Have specified the regulations for CEO remuneration in the company rules.
Remuneration policies for the highest governance body (BOD) and senior executives – Policies and criteria related to clawback	-				
Remuneration policies for the highest governance body (BOD) and senior executives – Explanation of how these policies are linked to the organization's goals and performance in managing economic, environmental, and social impacts	-				The company rules include provisions for severance pay for executives, and we also provide welfare benefits related to retirement
Remuneration policies for the highest governance body (BOD) and senior executives – Explanation of severance pay	-				
Remuneration policies for the highest governance body (BOD) and senior executives – Explanation of retirement benefits	-				
Remuneration policies for the highest governance body (BOD) and senior executives – Explanation of recruitment bonus policy	-				
Existence of a compensation committee	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the compensation committee is structured to ensure independence	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the compensation committee reviews the remuneration system for internal executive directors	-				Sustainability Report (Establishing a Sound Corporate Governance)
Disclosure of attendance rates and voting records of outside directors in the compensation committee	-				Sustainability Report (Establishing a Sound Corporate Governance)
Existence of an outside director nomination committee	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the outside director nomination committee is structured to ensure independence	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the outside director nomination committee manages the pool of outside director candidates (reviewed at least once a year)	-				Sustainability Report (Establishing a Sound Corporate Governance)



ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Inclusion of the CEO in the outside director nomination committee	-				Sustainability Report (Establishing a Sound Corporate Governance)
Disclosure of attendance rates and voting records of outside directors in the outside director nomination committee	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the company has purchased directors' liability insurance at the company's expense	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the Articles of Incorporation provide for the mitigation of directors' liability to the company through a resolution of the AGM	-				Sustainability Report (Establishing a Sound Corporate Governance)
Tenure of members of the highest governance body (BOD) and its subcommittees	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the BOD and established committees have established and disclosed regulations	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the BOD regulations explicitly state that outside directors can receive support from external experts when necessary	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether there are regulations specifying the independence criteria for the highest governance body (BOD)	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the experience in the same industry and the competencies related to the impact on the organization of the board members are described	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether all outside directors have participated in internal and external training to enhance the efficiency of their roles	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether information about the BOD is disclosed on the website	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether the chair of the board also holds a senior executive position in the organization	-				Sustainability Report (Establishing a Sound Corporate Governance)
If the chair also holds a senior executive position, describe the functions of the organization's management, and methods to prevent and mitigate conflicts of interest	-				Sustainability Report (Establishing a Sound Corporate Governance)
Processes to prevent and mitigate conflicts of interest within the highest governance body	-				Sustainability Report (Establishing a Sound Corporate Governance)
Whether matters related to conflicts of interest within the highest governance body are disclosed	-				Sustainability Report (Establishing a Sound Corporate Governance)
Number of BOD members	Person	8	8	8	Current employees as of the corresponding year-end
Male outside directors	Person	5	4	4	Current employees as of the corresponding year-end
Female outside directors	Person	-	1	1	Current employees as of the corresponding year-end
Male inside directors	Person	3	3	3	Current employees as of the corresponding year-end
Female inside directors	Person	0	0	0	Current employees as of the corresponding year-end

ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Number of female executives who are not controlling shareholders or relatives among registered executives	Person	0	1	1	Current employees as of the corresponding year-end
Number of outside directors exceeding the legal minimum requirement on the board	Person	0	0	0	Current employees as of the corresponding year-end
Number of long-serving outside directors	Person	0	0	0	Current employees as of the corresponding year-end
Proportion of outside directors in the compensation committee	%	75	75	75	Current employees as of the corresponding year-end
Proportion of outside directors in the outside director nomination committee	%	75	75	100	Current employees as of the corresponding year-end
Average tenure of members of the highest governance body (BOD) and its committees	Year	3	2	3	Current employees as of the corresponding year-end
Attendance rate of inside directors at the board meetings	%	86	83	92	Based on all employees who served during the period
Attendance rate of outside directors at the board meetings	%	98	98	96	Based on all employees who served during the period
Whether the articles of incorporation stipulate the minimum number of days in advance for notice of the board meetings	-				Sustainability Report (Establishing a Sound Corporate Governance)
Date of prior notice regarding the venue, agenda, etc., for the AGM	-				Sustainability Report (Enhancing Shareholder Value)
Whether the Articles of Incorporation stipulate the method for approving financial statements and deciding profit distribution	-				Sustainability Report (Enhancing Shareholder Value)
Whether the audit report was disclosed prior to the notice of the most recent AGM	-				Sustainability Report (Enhancing Shareholder Value)
Whether cumulative voting is adopted	-				Sustainability Report (Enhancing Shareholder Value)
Whether various methods for exercising voting rights (e.g., electronic voting, written voting, etc.) are provided to shareholders	-				Sustainability Report (Enhancing Shareholder Value)
Whether the AGM is held outside of peak days	-				Sustainability Report (Enhancing Shareholder Value)
Status of shareholding by the largest shareholder and related parties	-				Sustainability Report (Enhancing Shareholder Value)
Whether dividend information for the past 5 years* is disclosed on the website	-				https://www.lotte.co.kr/ir/inc.do?tab=table_04#tab_list
* Total dividend amount, dividend per share, dividend payout ratio, dividend yield, etc.					
Whether shares have been retired in the last 3 years	-				Non applicable
Cash dividend per share for the evaluation year	KRW	1,500	1,500	1,500	
Existence of an audit committee	-				Sustainability Report (Audit Committee)

ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Whether the audit committee or auditor has the right to consent to the appointment and dismissal of the head of the internal audit department	-				Sustainability Report (Audit Committee), Reflected through the amendment of the Audit Committee Regulations in 2023
Whether the audit committee or auditor pre-reviews and approves non-audit service contracts of external auditors	-				Sustainability Report (Audit Committee)
Whether the audit committee or auditor reviews and approves the audit plans of the internal audit department	-				Sustainability Report (Audit Committee)
Whether the internal accounting manager is appointed as a full-time executive director	-				Sustainability Report (Audit Committee)
Whether the attendance rate and voting records of outside directors in the audit committee are disclosed	-				Sustainability Report (Audit Committee)
Number of audit committee meetings held	Time	5	5	8	
Proportion of outside directors in the audit committee	%	100	100	100	
Number of audit committee members who meet the legal requirements for accounting or financial experts	Person	1	1	1	
Proportion of non-audit services provided by external auditors (last 3 years)	%	33.9	52.8	54.1	
Total amount of political contributions and other expenditures (last 3 years)	KRW	0	0	0	Political sponsorship and participation are prohibited in Korea
Revenues	KRW	9,924,864,014,193	14,111,852,309,175	15,159,775,895,639	(Consolidated financial statements) Revenue
Operating costs	KRW	5,351,408,530,725	7,749,499,120,855	8,217,545,937,207	(Consolidated financial statements) Classification of expenses by nature – Purchase/Change of inventories
Employee wages and benefits	KRW	1,167,165,617,905	1,860,874,907,651	2,094,208,111,108	(Consolidated financial statements) Classification of expenses by nature – Employee benefits + Retirement benefits + Welfare expenses
Payments to providers of capital	KRW	188,038,614,610	316,745,777,705	443,476,317,475	(Consolidated financial statements) Statement of changes in equity – Dividends (current payments) + Income statement – Interest expenses
Payments to government by country	KRW	(80,934,648,802)	163,289,554,277	210,256,331,145	(Consolidated financial statements) Consolidated income statement – Corporate tax expense
Community investments	KRW	12,618,107,310	21,254,036,470	17,008,199,683	(Consolidated financial statements) Consolidated income statement – Donation
“Direct economic value generated” less “economic value distributed”	KRW	3,286,567,792,445	4,000,188,912,217	4,177,280,999,021	Total revenue - Operating costs - Employee salaries and benefits - Dividends and interest payments - Taxes - Community investment
Government ownership of shares	%	0	0	0	
Status of shareholding by other government agencies (including holdings by National Pension Service, policy banks, etc.)	%	3.65	5.45	6.04	National Pension Service (as of the end of the year, based on common stock)



ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Approach to tax – Whether the organization has a tax strategy and a link to the publicly disclosed tax strategy	-				The Executive Committee manages financial and non-financial risks, including tax and accounting risks.
Approach to tax – Whether the governance body or senior management formally reviews the organization's tax strategy and the frequency of such reviews	-				There are processes for corporate tax and corporate tax accounting within the internal controls. • Processes for amendments to tax law, etc. • Processes for amendments to accounting standards, etc.
Approach to tax – Establishment and description of the tax compliance strategy	-				
Establishment and disclosure of policies on information protection and personal data protection	-				Disclosure of information protection regulations and guidelines within company rules
Explanation of policies and practices related to the collection, use, and retention of user information	-				Disclosure of information protection regulations and guidelines within company rules, personal information processing policy for personal information processing systems
Internal sharing of measures related to information security	-				Operate the Committee on Information Security, provide announcements and Information Security Day screen pop-ups
Possession of information security awareness training	-				Possessed (Operate the LOTTE Academy)
Inclusion of information security in employee performance evaluations	-				Included
Internal measures for preventing cyber attacks	-				Implement security solutions and services, infrastructure diagnostics, and penetration testing for vulnerability improvement
Frequency of cyber attack response system inspections	-				Conduct quarterly email phishing simulation training
Total number of proven incidents of customer data breach, theft, and loss	Case	0	0	0	
Proven customer data breach incidents (a)	Case	0	0	0	
Proven customer data theft incidents (b)	Case	0	0	0	
Proven customer data loss incidents (c)	Case	0	0	0	
Total number of proven complaints regarding customer personal data protection violations	Case	0	0	0	
Number of proven complaints regarding customer personal data protection violations – Complaints raised by external parties and proven internally	Case	0	0	0	
Number of proven complaints regarding customer personal data protection violations – Complaints raised by regulatory authorities	Case	0	0	0	
Number of information security incidents	Case	0	0	0	

ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Scope of code of conduct application (e.g., partners, suppliers, supply chain, etc.)	-				Sustainability Report (Internalizing Ethical Management)
Application rate and awareness signature, training implementation scope for code of conduct, anti-corruption, fair trade (e.g., employees, subsidiaries, etc.)	-				Sustainability Report (Internalizing Ethical Management)
Implementation of awareness training for employees on fair trade or anti-competitive practices	-				Have provided training on subcontracting transactions to our employees (LOTTE Academy, Design Strategy Center) since 2023
Number of unfair internal transactions (last 3 years)	Case	0	0	0	
Number of violations of disclosure requirements for large internal transactions (last 3 years)	Case	0	0	0	
Number of legal actions for anti-competitive practices and monopoly regulation violations that are ongoing or concluded during the reporting period	Case	0	0	0	
Major fines due to violations of laws and regulations in social and economic areas	KRW	0	0	0	
Number of non-monetary sanctions due to violations of laws and regulations in social and economic areas	Case	0	0	0	
Number of cases handled by dispute resolution mechanisms related to violations of laws and regulations in social and economic areas	Case	0	0	0	
Report simply if there are no violations of laws and/or regulations in social and economic areas	-				Non applicable
Background of major fines and non-monetary sanctions	-				Non applicable
Total number of significant instances of non-compliance with laws and regulations during the reporting period	Case	0	0	0	
Detailed account of significant instances of non-compliance with laws and regulations during the reporting period	-	0	0	0	
Establishment and provision of an official whistleblowing system for legal protection against corruption and bribery	-				Sustainability Report (Internalizing Ethical Management)
Reporting of significant corruption risks identified in risk assessments to the BOD	-				Sustainability Report (Internalizing Ethical Management)
Disclosure of the code of ethical management	-				Sustainability Report (Internalizing Ethical Management)
Establishment and disclosure of employee ethics regulations to eradicate all forms of corruption	-				Sustainability Report (Internalizing Ethical Management)
Specification of the scope of the code of conduct (employees, subsidiaries, etc.)	-				Sustainability Report (Internalizing Ethical Management)



ESG Facts & Figures

	Unit	2021	2022	2023	Note (Calculation formula)
Establishment of anti-corruption/bribery policies	-				Sustainability Report (Internalizing Ethical Management)
Implementation of audits on ethical regulations	-				Conduct twice a year (first half and second half) and report to the Audit Committee
Number of ongoing corruption and bribery cases	Case	0	0	0	
Number of cases where employees were dismissed or disciplined due to corruption among the corruption and bribery cases under investigation	Case	0	0	0	
A description of legal disputes involving the organization or employees related to corruption during the reporting period and their outcomes	Case	0	0	0	
Total amount of financial losses resulting from legal proceedings related to integrity issues of experts	KRW	0	0	0	
Number of business sites assessed for corruption risks	Site	0	0	1	Separate basis (including subsidiary business sites)
Percentage of business sites assessed for corruption risks	%	0	0	100	Separate basis (including subsidiary business sites)
Number of employees received anti-corruption trainings	Person	-	271	253	Separate basis (including subsidiary business sites), number of employees who completed the code of conduct training (managed since 2022)
Percentage of employees received anti-corruption trainings	%	-	92	82	Separate basis (including subsidiary business sites), number of employees who completed the code of conduct training (managed since 2022)
Process for addressing negative impacts – Description of the commitment to provide remedies and collaborate on resolving negative impacts identified as caused or contributed to by the organization	-				Analyzing and managing risks in accordance with the ISO 37301 Compliance Management System
Process for addressing negative impacts – Describe the approach to identifying and resolving grievances (including grievance mechanisms established and participated in by the organization)	-				Establishment of a dedicated grievance handling organization for workplace bullying, sexual harassment, etc. (Committee for Gender Equality and Prevention of Workplace Harassment)
Process for addressing negative impacts – Other processes provided or collaborated on to address negative impacts identified as caused or contributed to by the organization	-				Operate the Compliance Committee, LOTTE Group Sinmungo, etc.

ESG Facts & Figures



	Unit	2021	2022	2023	Note (Calculation formula)
Process for addressing negative impacts – Explain how stakeholders, who are the intended users of the grievance mechanism, are involved in the design, review, operation, and improvement of the mechanism	-				Providing feedback on the dedicated grievance handling organization
Process for addressing negative impacts – Methods for tracking the effectiveness of grievance mechanisms and other resolution processes, and examples of their effectiveness (including stakeholder feedback)	-				Assessing effectiveness through a compliance level diagnosis (survey) for employees
Discrimination incidents and corrective actions – Report the total number of discrimination incidents	Case	0	0	0	
Discrimination incidents and corrective actions – Number of corrective actions taken for discrimination incidents	Case	0	0	0	
Discrimination incidents and corrective actions – Report the details of corrective actions taken for discrimination incidents	Case	0	0	0	

GRI Index

Statement of Use	GRI 1 Used
LOTTE Corporation reports its activities and performance for the reporting period (January 1, 2023, to December 31, 2023) in accordance with GRI Standards.	GRI 1: Foundation 2021

Universal Standards

Classification	Disclosure	Requirements	Page	Note
Universal Standard 1	1-7	Publish a GRI content index	103	
The Organization and Its Reporting Practices	2-1	Organizational details	70	
	2-2	Entities included in the organization's sustainability reporting	81, 112	
	2-3	Reporting period, frequency and contact point	112	
	2-4	Restatements of information	112	
	2-5	External assurance	109	
Activities and Workers	2-6	Activities, value chain and other business relationships	71-74, Business Report 45-58	
	2-7	Employees	86-88, Business Report 563	
	2-8	Workers who are not employees	87	
Governance	2-9	Governance structure and composition	50-54, 94-97	
	2-10	Nomination and selection of the highest governance body	50-52, 94	
	2-11	Chair of the highest governance body	50, 94	
	2-12	Role of the highest governance body in overseeing the management of impacts	3-4, 53-54	
	2-13	Delegation of responsibility for managing impacts	53	
	2-14	Role of the highest governance body in sustainability reporting	53	
	2-15	Conflicts of interest	50-52	



Universal Standards

Classification	Disclosure	Requirements	Page	Note
Governance	2-16	Communication of critical concerns	53-54	
	2-17	Collective knowledge of the highest governance body	51-52	
	2-18	Evaluation of the performance of the highest governance body	94	
	2-19	Remuneration policies	Business Report 564-565	
	2-20	Process to determine remuneration	95, Business Report 564-565	
	2-21	Annual total compensation ratio	88	
Strategy, Policies and Practices	2-22	Statement on sustainable development strategy	2-5	Website (LOTTE Group ESG Statement)
	2-23	Policy commitments	S06, S12-13, 11-12, 83	
	2-24	Embedding policy commitments	S06, S12-13, 11-12, 83	
	2-25	Processes to remediate negative impacts	61-65	
	2-26	Mechanisms for seeking advice and raising concerns	57-63	
	2-27	Compliance with laws and regulations	100	
	2-28	Membership associations	111	
Stakeholder Engagement	2-29	Approach to stakeholder engagement	80	
	2-30	Collective bargaining agreements	91	
Management Approach	3-1	Process to determine material topics	75-77	
	3-2	List of material topics	78-79	
	3-3	Management of material topics	80	



Topic-specific Standards

Classification	Disclosure	Requirements	Page	Note
GRI 200 (Economic Performance)				
Economic Performance	201-1	Direct economic value generated and distributed	98, Business Report p171	
	201-2	Financial implications and other risks and opportunities due to climate change	S10-15, 8	
	201-4	Financial assistance received from government	98	
Market Presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Business Report p564~565	
	202-2	Proportion of senior management hired from the local community	S06, 89	
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	44-47	
Anti-corruption	205-1	Operations assessed for risks related to corruption	101	
	205-2	Communication and training about anticorruption policies and procedures	61-65, 101	
	205-3	Confirmed incidents of corruption and actions taken	101	
Anti-competitive Behavior	206-1	Legal actions for anticompetitive behavior, anti-trust, and monopoly practices	100	
Tax	207-1	Approach to tax	99	
	207-2	Tax governance, control, and risk management	99	
	207-3	Stakeholder engagement and management of concerns related to tax	99	
GRI 300 (Environmental Performance)				
Energy	302-1	Energy consumption within the organization	85	
	302-3	Energy intensity	85	
Water and Effluents	303-3	Water withdrawal	85	
	303-4	Water discharge	85	
	303-5	Water consumption	85	



Topic-specific Standards

Classification	Disclosure	Requirements	Page	Note
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	84	
	305-1	Direct (Scope 1) GHG emissions	85	
Emissions	305-2	Energy indirect (Scope 2) GHG emissions	85	
	305-4	GHG emissions intensity	85	
	305-5	Reduction of GHG emissions	S9-15, 10	
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	84	
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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 「2023 LOTTE Corporation SUSTAINABILITY REPORT」 (further 'the Report'). KFQ has responsibility to provide an independent verification opinion against the criteria and scope 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 four reporting principles (Inclusivity, Materiality, Responsiveness, Impact) and data reliability]
- Verification Level : Moderate [Verification based on limited evidence collected]
- Verification boundary : Activities and performance of LOTTE Corporation and those pursued at the Group level
 - ※ 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 407: Freedom 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 audit team reviewed sustainability-related processes, systems, internal control procedures, and available performance data. The documentation the audit 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 review and interviews person in charge including on-site assessment. The materiality assessment procedure in the Report and the selection of material issues considering stakeholders are conducting every 2 years therefore the consistency with the previous year was checked in this verification. Data collection & management, and validity of the report preparation procedure as well as the description in the Report were assessed, 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 revised before publishing the Report.

Competency and independence

The audit 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 independence and 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.



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 audit team found reasonable objectives to guarantee 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 identifies material ESG issues related to stakeholders' interests through the communication channels considering the characteristics of each group. The audit 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 conducted a biannual materiality assessment to ensure the establishment and implementation of strategic plans with sufficient time. It was confirmed that Lotte Corporation is continuously considering the economic, social and environmental impact of the company in its management, and that it is working to reduce ESG risks and expand opportunities for 20 material issues and five key issues derived from the previous year materiality assessment. The audit team confirmed that the identified material issues were given more weight in this Report and that the material issues identified in the materiality assessment process were reported without omissions.

Responsiveness

LOTTE Corporation cares to respond in a timely manner to the needs and key interests gathered from stakeholders. Nothing came to our attention to suggest that its responses and performance are inappropriately described in the Report.

Impact

LOTTE Corporation identifies and monitors the impact of stakeholder-related material issues throughout its management activities and reports them in the Report as much as possible. Nothing came to our attention to suggest that it does not properly assess and report impacts relating to material issues.

Recommendation for improvement

- In order to actively communicate with stakeholders throughout management activities, we hope LOTTE Corporation Corporation to interpret and analyze qualitative and quantitative performance from various perspectives to deliver more meaningful ESG performance to stakeholders.
- As a holding company, we recommend that the high level of ESG management performance that stakeholders expect from LOTTE Corporation be communicated to stakeholders by more clearly defining the subject and scope of ESG-related data.



June, 2024
Seoul, Korea
Ji Young Song, CEO
Korean Foundation for Quality (KFQ)

Ji Young Song



About This Report

LOTTE Corporation has been publishing an annual sustainability report since 2021, sharing the company's mid- to long-term strategies and goals, business performance. This is LOTTE Corporation's fourth 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, 2023. To enable the identification of trends, data for the previous three years from 2021 to 2023 were reported in case of quantitative performance. In addition, considering the timeliness of information, some ESG activities and performance include data up to May 2024.

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. Additionally, if any information presented in previous reports has been revised or rewritten, we provide explanations in the form of footnotes.

REPORTING PRINCIPLES AND REPORT STANDARDS

This report was created in accordance with the Global Reporting Initiative (GRI) Standards 2021 – international sustainability management reporting standards.

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 2023 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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